Liberty Life's
Spectrum Select® and Spectrum Select Plus®
Variable Life Insurance

Annual Report
December 31, 2011

A spectrum of choices...a lifetime of protection®
Liberty Life Assurance Company of Boston

This report may be used with the public only when preceded or accompanied by a current prospectus for Liberty Life's Spectrum Select or Spectrum Select Plus. The prospectuses contain complete information concerning charges and expenses and should be read carefully before you invest or send money.

Liberty Life Assurance Company of Boston

Dear Policyholder,

This Annual Report represents the investment performance of the portfolios invested in by the sub-accounts available with Liberty Life's Spectrum Select® and Spectrum Select Plus® variable life insurance contracts.

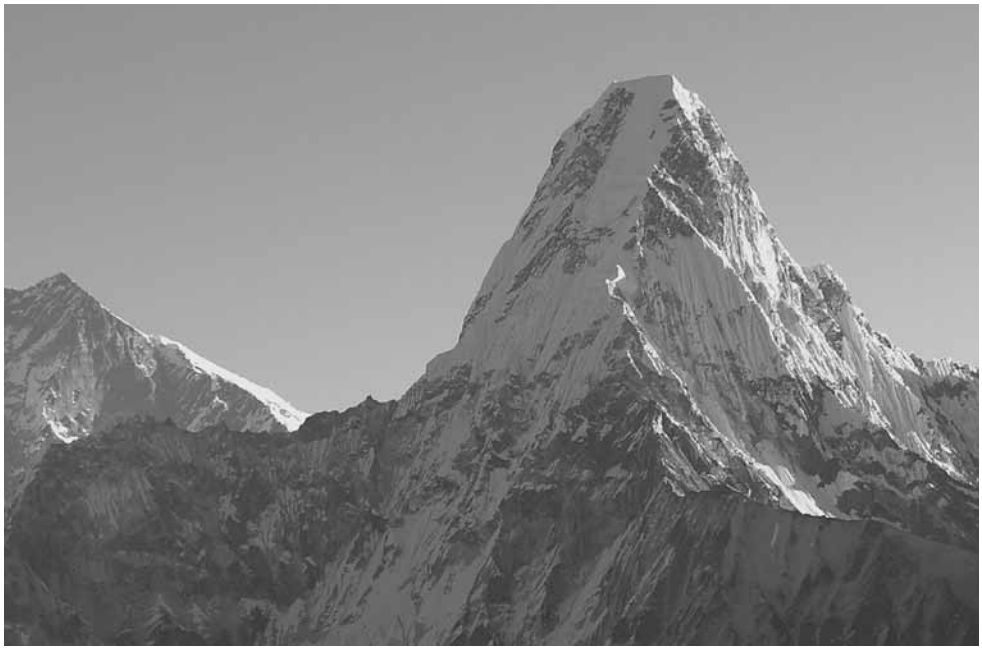
All of us at Liberty Life thank you for your business.

Sincerely,

Elaine Dansereau
Liberty Life Assurance Company of Boston
Director – Policyholder Services
100 Liberty Way
Dover, NH 03820

Invesco V.I. Capital Appreciation Fund

Annual Report to Shareholders ▪ December 31, 2011



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VICAP-AR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

For the fiscal year ended December 31, 2011, Invesco V.I. Capital Appreciation Fund had negative returns and underperformed versus its style-specific index, the Russell 1000 Growth Index. Much of the Fund's underperformance was due to stock selection in several sectors.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/10 to 12/31/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-7.91%
Series II Shares	-8.12
S&P 500 Index▼ (Broad Market Index)	2.09
Russell 1000 Growth Index▼ (Style-Specific Index)	2.64
Lipper VUF Multi-Cap Growth Funds Category Average▼ (Peer Group)	-3.59

Source: ▼Lipper Inc.

How we invest

We believe a growth investment strategy is an essential component of a diversified portfolio.

Our investment process emphasizes rigorous bottom-up analysis of individual companies. We seek to invest in companies with strong or improving fundamentals, attractive valuations relative to growth prospects and earnings expectations that appear fair to conservative.

To narrow our investment universe, we utilize a holistic approach that emphasizes fundamental research and, to a lesser extent, includes quantitative analysis. The result of this distillation process is a set of stocks we analyze in greater depth.

Our fundamental analysis focuses on identifying companies with strong drivers of growth. To accomplish this goal, we conduct rigorous bottom-up analysis to develop higher conviction in each company's prospects for growth. Through our analysis, we develop a mosaic of each company through detailed discussions with company management teams, competitors, distributors, suppliers, Wall Street analysts and customers. We also employ a variety of valuation techniques based on the company in question, the industry in which the company operates, the stage of the business cycle and other factors that best reflect a company's value.

Risk management plays an important role in portfolio construction. Our target portfolio attempts to maximize the relationship between risk and return. We seek to accomplish this goal by investing in companies with attractive fundamental prospects for growth and dividing the portfolio between stable growth stocks and catalyst-driven stocks.

We consider selling a stock for any of the following reasons:

- The price target set at purchase has been reached.
- There is deterioration in fundamentals.
- The catalysts for growth are no longer present or are reflected in the stock price.
- We identify a more attractive investment opportunity.

Market conditions and your Fund

The fiscal year began with equity markets fueled on the second round of "quantitative easing" by the U.S. Federal Reserve, and markets rose through the first quarter of 2011. However, with the spring came increased volatility and significant macroeconomic distortions due to civil unrest in Egypt and Libya, flooding in Australia and a devastating earthquake and tsunami in Japan. Corporate earnings remained strong with largely positive surprises, but were often overshadowed by investor concerns about continuing high unemployment and soft housing data. Although markets stabilized and were generally in positive territory through the summer, major equity indexes sold off precipitously in August as the U.S. government struggled to raise the nation's debt ceiling. Despite an eventual agreement between the White House and Congress, credit rating agency Standard & Poor's announced the first-ever downgrade to long-term U.S. government debt. Uncertainty created by the downgrade, combined with the continuing saga surrounding the debt crisis in the eurozone, reignited fears of a global recession. Despite evidence of sustained, but muted, growth, these macroeconomic factors continued to weigh on markets through the end of the reporting period.

In this environment, the Fund produced negative absolute returns and underperformed the Russell 1000 Growth Index for the reporting period. The Fund underperformed the style-specific index by the widest margins in the information technology (IT), industrials, consumer discretionary, energy, health care and financials sectors. Underperformance overall was driven predominately by stock selection.

Portfolio Composition

By sector

Information Technology	30.5%
Consumer Discretionary	16.5
Industrials	11.9
Energy	11.2
Health Care	10.2
Consumer Staples	8.3
Materials	3.9
Financials	3.6
Telecommunication Services	2.3
Money Market Funds Plus Other Assets Less Liabilities	1.6

Top 10 Equity Holdings*

1. Apple Inc.	6.9%
2. Google Inc.-Class A	3.8
3. DIRECTV-Class A	3.3
4. QUALCOMM Inc.	2.9
5. Amazon.com, Inc.	2.8
6. Halliburton Co.	2.8
7. MasterCard, Inc.-Class A	2.6
8. CVS Caremark Corp.	2.5
9. UnitedHealth Group, Inc.	2.4
10. JPMorgan Chase & Co.	2.2

Total Net Assets	$531.7 million
Total Number of Holdings*	78

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

For the fiscal year, the Fund underperformed its style-specific index by the widest margin in the IT sector due primarily to stock selection. In this sector, **Rovi** was the largest detractor from Fund performance. Weakening consumer spending in August, along with fourth quarter guidance that some legacy product revenue was decelerating while newer growth products would be postponed, hurt company performance. Despite these obstacles, we believe long-term growth potential still exists for Rovi, as the company generally benefits from secular tailwinds — such as the transition from analog to digital cable and the growing adoption of connected televisions. **Broadcom** also detracted from Fund performance during the reporting period. Weak sales of smartphones and tablets using their semiconductors led management to reduce future earnings expectations. Positions in both Rovi and Broadcom offset the positive performance from two of the largest contributors to Fund performance, **Apple** and **MasterCard**.

In the industrials sector, the Fund's underperformance was driven by stock selection. One of the largest single detractors to the Fund's performance was construction and engineering services firm **Foster Wheeler**. The company missed out on an anticipated contract and, later in the reporting period, was disproportionately affected as energy prices declined. Examples of other holdings that were key detractors from Fund performance included industrial electric equipment producer **ABB** and commercial truck and engine maker **Navistar International**. Both companies were affected by wavering sentiment on the prospects for global growth.

The Fund also underperformed its style-specific index in the consumer discretionary sector, driven again by stock selection. Our position in **Amazon** detracted from Fund performance due to weak revenue growth late in the reporting period after initial high expectations for the stock. Amazon's spending was also higher than expected, although directed to building out rapid distribution centers and new products, which may drive future growth.

In the energy sector, the Fund also underperformed its style-specific index due to stock selection and an emphasis on service providers and exploration companies with higher growth rates, which were down more than the defensive integrated oil companies and broader energy group. These firms included **Halliburton**, **National Oilwell Varco** and **Weatherford International**. We sold our position in National Oilwell Varco before the end of the reporting period.

Some of the Fund's underperformance was offset by outperformance from holdings in other sectors. The Fund outperformed by the widest margin in the consumer staples sector, driven by stock selection. Specialty coffeemaker and producer **Green Mountain Coffee Roasters** benefited from strong revenue and earnings growth, and increasing distribution agreements to use its Keurig single cup brewing system. The stock was sold from the portfolio during the reporting period. **Costco Wholesale** and beverage company **Hansen Natural** also contributed to performance.

As we've discussed, the stock market experienced heavy volatility during the fiscal year. We would like to caution investors against making investment decisions based on short-term performance. We thank you for your commitment to Invesco V.I. Capital Appreciation Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

See important Fund and, if applicable, index disclosures later in this report.

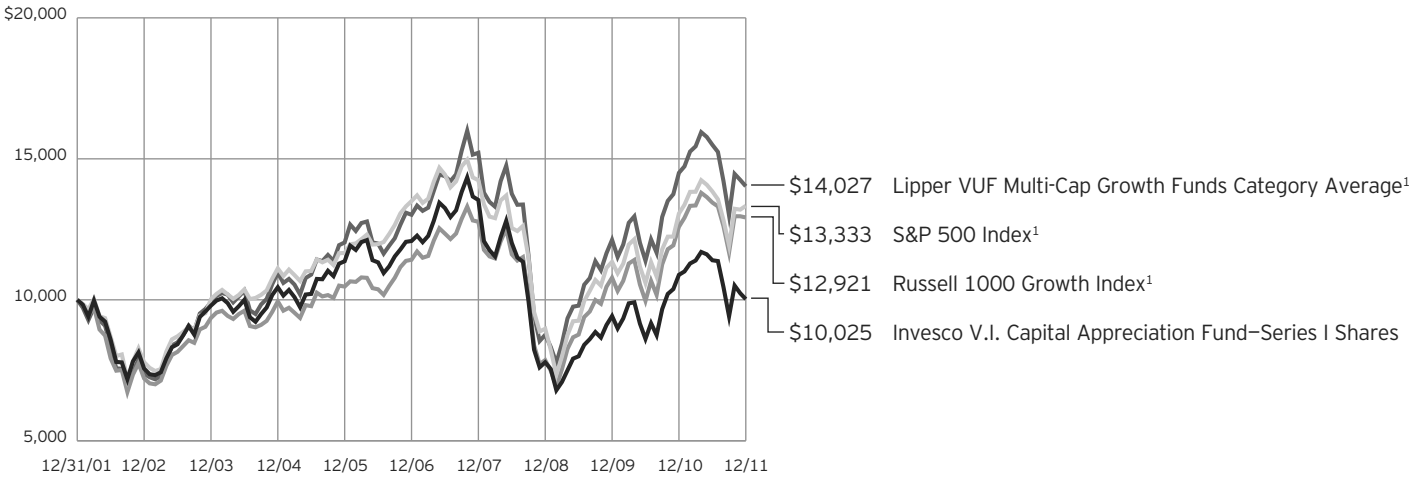
Erik Voss
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. Capital Appreciation Fund. He joined Invesco in 2010. Mr. Voss earned a B.S. in mathematics and an M.S. in finance from the University of Wisconsin.

Ido Cohen
Portfolio manager, is manager of Invesco V.I. Capital Appreciation Fund. He joined Invesco in 2010. Mr. Cohen is a cum laude graduate of The Wharton School of the University of Pennsylvania with a B.S. in economics.

Your Fund's Long-Term Performance

Results of a $10,000 Investment – Oldest Share Class(es)

Fund and index data from 12/31/01*



1 Source: Lipper Inc.

*During the reporting period, Invesco changed its policy regarding growth of $10,000 charts. For funds older than 10 years, we previously showed performance since inception. Going forward, we will show performance for the most recent 10 years, since this more accurately reflects the experience of the typical shareholder. As a result, charts now may include benchmarks that did not appear previously, because the funds' inception pre-dated the benchmarks' inception. Also, all charts will now be presented using a linear format.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns
As of 12/31/11

Series I Shares	
Inception (5/5/93)	5.30%
10 Years	0.03
5 Years	-3.67
1 Year	-7.91
Series II Shares	
Inception (8/21/01)	-0.03%
10 Years	-0.22
5 Years	-3.91
1 Year	-8.12

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.91% and 1.16%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Capital Appreciation Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly.

Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Invesco V.I. Capital Appreciation Fund's investment objective is long-term growth of capital.

- Unless otherwise stated, information presented in this report is as of December 31, 2011, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Active trading risk. The Fund engages in frequent trading of portfolio securities. Active trading results in added expenses and may result in a lower return.

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

About indexes used in this report

The **S&P 500® Index** is an unmanaged index considered representative of the U.S. stock market.

The **Russell 1000® Growth Index** is an unmanaged index considered representative of large-cap growth stocks. The Russell 1000 Growth Index is a trademark/service market of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The **Lipper VUF Multi-Cap Growth Funds Category Average** represents an average of all of the variable insurance underlying funds in the Lipper Multi-Cap Growth Funds category.

The Fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments[a]

December 31, 2011

	Shares	Value
Common Stocks & Other Equity Interests–98.36%		
Aerospace & Defense–2.62%		
Boeing Co. (The)	53,034	$ 3,890,044
Precision Castparts Corp.	60,983	10,049,388
		13,939,432
Apparel Retail–0.12%		
Limited Brands, Inc.	16,469	664,524
Apparel, Accessories & Luxury Goods–0.99%		
Coach, Inc.	27,115	1,655,100
Prada S.p.A. (Italy)[b][c]	347,300	1,562,230
Prada S.p.A. (Italy)[c]	455,500	2,048,936
		5,266,266
Application Software–1.19%		
Citrix Systems, Inc.[c]	103,927	6,310,447
Asset Management & Custody Banks–1.40%		
BlackRock, Inc.	41,690	7,430,826
Auto Parts & Equipment–0.30%		
BorgWarner, Inc.[c]	24,815	1,581,708
Automotive Retail–0.57%		
AutoZone, Inc.[c]	9,322	3,029,370
Biotechnology–1.90%		
Celgene Corp.[c]	60,331	4,078,376
Gilead Sciences, Inc.[c]	147,744	6,047,162
		10,125,538
Cable & Satellite–4.45%		
Comcast Corp.–Class A	265,532	6,295,764
DIRECTV–Class A[c]	406,260	17,371,677
		23,667,441
Casinos & Gaming–0.79%		
Las Vegas Sands Corp.[c]	98,801	4,221,767
Communications Equipment–3.61%		
F5 Networks, Inc.[c]	21,252	2,255,262
Juniper Networks, Inc.[c]	68,044	1,388,778
QUALCOMM Inc.	284,420	15,557,774
		19,201,814
Computer Hardware–6.94%		
Apple Inc.[c]	91,142	36,912,510
Computer Storage & Peripherals–3.37%		
EMC Corp.[c]	535,947	$ 11,544,298
NetApp, Inc.[c]	119,966	4,351,167
SanDisk Corp.[c]	40,721	2,003,881
		17,899,346
Construction & Engineering–1.09%		
Foster Wheeler AG (Switzerland)[c]	301,569	5,772,031
Construction & Farm Machinery & Heavy Trucks–1.47%		
Cummins Inc.	68,759	6,052,167
Navistar International Corp.[c]	46,304	1,753,996
		7,806,163
Data Processing & Outsourced Services–2.61%		
MasterCard, Inc.–Class A	37,275	13,896,866
Department Stores–1.83%		
Macy's, Inc.	301,947	9,716,654
Drug Retail–2.48%		
CVS Caremark Corp.	323,205	13,180,300
Fertilizers & Agricultural Chemicals–1.56%		
Monsanto Co.	69,173	4,846,952
Mosaic Co. (The)	68,288	3,443,764
		8,290,716
Food Retail–0.50%		
Kroger Co. (The)	109,697	2,656,861
Footwear–1.02%		
NIKE, Inc.–Class B	56,437	5,438,834
General Merchandise Stores–0.34%		
Dollar Tree, Inc.[c]	21,701	1,803,570
Gold–2.32%		
Barrick Gold Corp. (Canada)	69,568	3,147,952
Goldcorp, Inc. (Canada)	208,072	9,207,186
		12,355,138
Health Care Distributors–0.16%		
Cardinal Health, Inc.	21,347	866,902
Health Care Equipment–0.40%		
Baxter International Inc.	43,362	2,145,552
Health Care Services–1.40%		
Express Scripts, Inc.[c]	166,165	7,425,914

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Health Care Technology–0.82%		
Allscripts Healthcare Solutions, Inc.[c]	230,011	$ 4,356,408
Heavy Electrical Equipment–1.88%		
ABB Ltd. (Switzerland)[c]	141,930	2,671,766
ABB Ltd.–ADR (Switzerland)[c]	388,390	7,313,383
		9,985,149
Home Improvement Retail–0.67%		
Home Depot, Inc. (The)	84,607	3,556,878
Hotels, Resorts & Cruise Lines–0.63%		
Starwood Hotels & Resorts Worldwide, Inc.	70,020	3,358,859
Household Products–2.05%		
Procter & Gamble Co. (The)	163,702	10,920,560
Hypermarkets & Super Centers–0.78%		
Costco Wholesale Corp.	49,535	4,127,256
Industrial Conglomerates–1.60%		
Danaher Corp.	181,021	8,515,228
Industrial Machinery–0.72%		
Ingersoll-Rand PLC (Ireland)	126,153	3,843,882
Integrated Oil & Gas–2.16%		
Exxon Mobil Corp.	47,767	4,048,731
Occidental Petroleum Corp.	79,429	7,442,497
		11,491,228
Internet Retail–2.79%		
Amazon.com, Inc.[c]	85,692	14,833,285
Internet Software & Services–5.47%		
Baidu, Inc.–ADR (China)[c]	34,395	4,005,986
eBay Inc.[c]	160,982	4,882,584
Google Inc.–Class A[c]	31,290	20,210,211
		29,098,781
IT Consulting & Other Services–3.43%		
Accenture PLC–Class A (Ireland)	148,065	7,881,500
Cognizant Technology Solutions Corp.–Class A[c]	160,826	10,342,720
		18,224,220
Life Sciences Tools & Services–1.47%		
Agilent Technologies, Inc.[c]	223,216	7,796,935
Managed Health Care–2.36%		
UnitedHealth Group Inc.	247,582	12,547,456
Oil & Gas Drilling–1.44%		
Ensco PLC–ADR (United Kingdom)	162,865	7,641,626
Oil & Gas Equipment & Services–4.87%		
Cameron International Corp.[c]	109,469	$ 5,384,780
Halliburton Co.	433,690	14,966,642
Weatherford International Ltd.[c]	379,619	5,557,622
		25,909,044
Oil & Gas Exploration & Production–2.78%		
Anadarko Petroleum Corp.	144,973	11,065,789
Noble Energy, Inc.	39,160	3,696,312
		14,762,101
Other Diversified Financial Services–2.24%		
JPMorgan Chase & Co.	358,444	11,918,263
Packaged Foods & Meats–0.30%		
Mead Johnson Nutrition Co.	23,253	1,598,179
Pharmaceuticals–1.64%		
Allergan, Inc.	99,424	8,723,462
Railroads–1.57%		
Union Pacific Corp.	78,849	8,353,263
Restaurants–1.94%		
Krispy Kreme Doughnuts Inc.–Wts., expiring 03/02/12[d]	1,194	72
Starbucks Corp.	224,609	10,334,260
		10,334,332
Semiconductors–1.53%		
Broadcom Corp.–Class A[c]	225,046	6,607,350
Xilinx, Inc.	47,830	1,533,430
		8,140,780
Soft Drinks–2.22%		
Coca-Cola Co. (The)	128,488	8,990,305
Hansen Natural Corp.[c]	30,434	2,804,189
		11,794,494
Systems Software–2.33%		
Check Point Software Technologies Ltd. (Israel)[c]	87,385	4,591,208
Oracle Corp.	41,902	1,074,786
Rovi Corp.[c]	272,654	6,701,836
		12,367,830
Trucking–0.92%		
J.B. Hunt Transport Services, Inc.	107,993	4,867,245

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Wireless Telecommunication Services–2.32%		
America Movil SAB de C.V.–Series L–ADR (Mexico)	134,919	$ 3,049,170
American Tower Corp.–Class A	154,428	9,267,224
		12,316,394
Total Common Stocks & Other Equity Interests (Cost $466,669,459)		522,989,628

	Shares	Value
Money Market Funds–1.64%		
Liquid Assets Portfolio–Institutional Class[(e)]	4,368,252	$ 4,368,252
Premier Portfolio–Institutional Class[(e)]	4,368,253	4,368,253
Total Money Market Funds (Cost $8,736,505)		8,736,505
TOTAL INVESTMENTS–100.00% (Cost $475,405,964)		531,726,133
OTHER ASSETS LESS LIABILITIES–0.00%		15,945
NET ASSETS–100.00%		$531,742,078

Investment Abbreviations:

ADR – American Depositary Receipt
Wts. – Warrants

Notes to Schedule of Investments:

(a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

(b) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The value of this security at December 31, 2011 represented 0.29% of the Fund's Net Assets.

(c) Non-income producing security.

(d) Non-income producing security acquired through a corporate action.

(e) The money market fund and the Fund are affiliated by having the same investment adviser.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

December 31, 2011

Assets:	
Investments, at value (Cost $466,669,459)	$ 522,989,628
Investments in affiliated money market funds, at value and cost	8,736,505
Total investments, at value (Cost $475,405,964)	531,726,133
Receivable for:	
Investments sold	2,363,469
Fund shares sold	100,509
Dividends	203,784
Investment for trustee deferred compensation and retirement plans	134,932
Other assets	388
Total assets	534,529,215
Liabilities:	
Payable for:	
Investments purchased	1,739,199
Fund shares reacquired	298,716
Accrued fees to affiliates	415,382
Accrued other operating expenses	39,637
Trustee deferred compensation and retirement plans	294,203
Total liabilities	2,787,137
Net assets applicable to shares outstanding	$ 531,742,078
Net assets consist of:	
Shares of beneficial interest	$ 706,507,315
Undistributed net investment income (loss)	(289,869)
Undistributed net realized gain (loss)	(230,795,537)
Unrealized appreciation	56,320,169
	$ 531,742,078
Net Assets:	
Series I	$ 383,916,540
Series II	$ 147,825,538
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	17,925,665
Series II	7,020,795
Series I:	
Net asset value per share	$ 21.42
Series II:	
Net asset value per share	$ 21.06

Statement of Operations

For the year ended December 31, 2011

Investment income:	
Dividends (net of foreign withholding taxes of $37,724)	$ 5,922,067
Dividends from affiliated money market funds (includes securities lending income of $4,376)	19,737
Total investment income	5,941,804
Expenses:	
Advisory fees	3,863,883
Administrative services fees	1,602,073
Custodian fees	22,757
Distribution fees — Series II	428,792
Transfer agent fees	62,019
Trustees' and officers' fees and benefits	45,137
Other	65,226
Total expenses	6,089,887
Less: Fees waived	(22,772)
Net expenses	6,067,115
Net investment income (loss)	(125,311)
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities (includes net gains from securities sold to affiliates of $149,410)	57,777,721
Foreign currencies	57,222
	57,834,943
Change in net unrealized appreciation (depreciation) of investment securities	(103,856,532)
Net realized and unrealized gain (loss)	(46,021,589)
Net increase (decrease) in net assets resulting from operations	$ (46,146,900)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	2011	2010
Operations:		
Net investment income (loss)	$ (125,311)	$ 735,384
Net realized gain	57,834,943	45,392,890
Change in net unrealized appreciation (depreciation)	(103,856,532)	47,561,475
Net increase (decrease) in net assets resulting from operations	(46,146,900)	93,689,749
Distributions to shareholders from net investment income:		
Series I	(666,196)	(3,537,619)
Series II	—	(915,129)
Total distributions from net investment income	(666,196)	(4,452,748)
Share transactions–net:		
Series I	(80,956,764)	(78,894,363)
Series II	(24,185,092)	(32,232,888)
Net increase (decrease) in net assets resulting from share transactions	(105,141,856)	(111,127,251)
Net increase (decrease) in net assets	(151,954,952)	(21,890,250)
Net assets:		
Beginning of year	683,697,030	705,587,280
End of year (includes undistributed net investment income (loss) of $(289,869) and $379,618, respectively)	$ 531,742,078	$ 683,697,030

Notes to Financial Statements

December 31, 2011

NOTE 1—Significant Accounting Policies

Invesco V.I. Capital Appreciation Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is long-term growth of capital.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as

institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (''GAAP'') requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to

taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements that contain a variety of 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 as a result of such indemnification claims is considered remote.

I. Securities Lending — The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in Dividends from affiliates on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities, if any.

J. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

K. Foreign Currency Contracts — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.65%
Over $250 million	0.60%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least April 30, 2013, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following

expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2013. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the year ended December 31, 2011, the Adviser waived advisory fees of $22,772.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2011, Invesco was paid $153,324 for accounting and fund administrative services and reimbursed $1,448,749 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the year ended December 31, 2011, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	$528,114,967	$3,611,166	$—	$531,726,133

NOTE 4—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended December 31, 2011, the Fund engaged in securities purchases of $12,754,416 and securities sales of $8,049,534, which resulted in net realized gains of $149,410.

NOTE 5—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the year ended December 31, 2011, the Fund paid legal fees of $1,943 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

NOTE 6—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2011 and 2010:

	2011	2010
Ordinary income	$666,196	$4,452,748

Tax Components of Net Assets at Period-End:

	2011
Net unrealized appreciation — investments	$ 53,902,447
Temporary book/tax differences	(289,869)
Capital loss carryforward	(228,377,815)
Shares of beneficial interest	706,507,315
Total net assets	$ 531,742,078

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $56,271,633 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2017	$228,377,815	$—	$228,377,815

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2011 was $787,064,070 and $882,059,722, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$ 85,530,142
Aggregate unrealized (depreciation) of investment securities	(31,627,695)
Net unrealized appreciation of investment securities	$ 53,902,447

Cost of investments for tax purposes is $477,823,686.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions and net operating losses, on December 31, 2011, undistributed net investment income (loss) was increased by $122,020, undistributed net realized gain (loss) was decreased by $15,904 and shares of beneficial interest decreased by $106,116. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Year ended December 31,			
	2011[a]		2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	490,125	$ 11,275,302	587,627	$ 12,238,362
Series II	421,024	9,533,391	512,761	10,258,765
Issued as reinvestment of dividends:				
Series I	32,168	666,196	170,899	3,537,619
Series II	—	—	44,903	915,129
Reacquired:				
Series I	(3,993,846)	(92,898,262)	(4,572,413)	(94,670,344)
Series II	(1,480,197)	(33,718,483)	(2,127,908)	(43,406,782)
Net increase (decrease) in share activity	(4,530,726)	$(105,141,856)	(5,384,131)	$(111,127,251)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 41% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 11—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Net asset value, end of period	Total Return[a]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[b]
Series I												
Year ended 12/31/11	$23.30	$ 0.01[c]	$ (1.85)	$ (1.84)	$(0.04)	$21.42	(7.91)%	$ 383,917	0.91%[d]	0.91%[d]	0.06%[d]	128%
Year ended 12/31/10	20.33	0.04[c]	3.09	3.13	(0.16)	23.30	15.49	498,493	0.90	0.91	0.19	56
Year ended 12/31/09	16.89	0.14[c]	3.42	3.56	(0.12)	20.33	21.08	512,540	0.90	0.91	0.79	85
Year ended 12/31/08	29.37	0.09[c]	(12.57)	(12.48)	—	16.89	(42.49)	492,079	0.91	0.91	0.37	103
Year ended 12/31/07	26.22	0.01	3.14	3.15	—	29.37	12.01	1,086,677	0.88	0.88	0.03	71
Series II												
Year ended 12/31/11	22.92	(0.04)[c]	(1.82)	(1.86)	—	21.06	(8.12)	147,826	1.16[d]	1.16[d]	(0.19)[d]	128
Year ended 12/31/10	20.00	(0.01)[c]	3.04	3.03	(0.11)	22.92	15.21	185,204	1.15	1.16	(0.06)	56
Year ended 12/31/09	16.61	0.09[c]	3.35	3.44	(0.05)	20.00	20.72	193,047	1.15	1.16	0.54	85
Year ended 12/31/08	28.95	0.03[c]	(12.37)	(12.34)	—	16.61	(42.63)	176,794	1.16	1.16	0.12	103
Year ended 12/31/07	25.91	(0.07)	3.11	3.04	—	28.95	11.73	349,294	1.13	1.13	(0.22)	71

[a] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

[b] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.

[c] Calculated using average shares outstanding.

[d] Ratios are based on average daily net assets (000's) of $451,630 and $171,517 for Series I and Series II shares, respectively.

NOTE 12—Proposed Reorganization

The Board of Trustees of the Fund unanimously approved an Agreement and Plan of Reorganization (the "Agreement") pursuant to which the Fund would transfer all of its assets and liabilities to Invesco Van Kampen V.I. Capital Growth Fund (the "Acquiring Fund").

The Agreement requires approval of the Fund's shareholders and will be submitted to the shareholders for their consideration at a meeting to be held in or around April 2012. Upon closing of the reorganization, shareholders of the Fund will receive a corresponding class of shares of the Acquiring Fund in exchange for their shares of the Fund and the Fund will liquidate and cease operations.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. Capital Appreciation Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. Capital Appreciation Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2011, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 audits 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 14, 2012
Houston, Texas

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/11)	Ending Account Value (12/31/11)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/11)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$879.00	$4.36	$1,020.57	$4.69	0.92%
Series II	1,000.00	878.20	5.54	1,019.31	5.96	1.17

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2011 through December 31, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2011:

Federal and State Income Tax

Corporate Dividends Received Deduction*	98.53%

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	140	None
Philip A. Taylor[2] — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	140	None
Wayne W. Whalen[3] — 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex	158	Director of the Abraham Lincoln Presidential Library Foundation
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	140	ACE Limited (insurance company); and Investment Company Institute

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.	158	Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers' Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie	140	Director and Chairman, C.D. Stimson Company (a real estate investment company)
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	140	Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	President of CAC, LLC, a private company offering capital investment and management advisory services. Formerly: Prior to January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Vice Chairman of Anixter International. Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.	158	Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich & Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	140	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives	140	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	140	Director, Reich & Tang Funds (16 portfolios)

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	140	None
Larry Soll — 1942 Trustee	2004	Retired Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	140	None
Hugo F. Sonnenschein — 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago.	158	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	140	None
Other Officers				
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Van Kampen Funds Inc. and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Secretary, Van Kampen Advisors Inc.; Director Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, Inc.; and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Investment Services, Inc.(formerly known as Invesco Aim Investment Services, Inc.); and Vice President, The Invesco Funds Formerly: Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Van Kampen Investor Services Inc.; Senior Vice President, Invesco Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company	N/A	N/A

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Other Officers—(continued)				
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser). Formerly: Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only). Formerly: Senior Vice President, Van Kampen Investments Inc.; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A
Yinka Akinsola — 1977 Anti-Money Laundering Compliance Officer	2011	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp. and Van Kampen Funds Inc.	N/A	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds, INVESCO Private Capital Investments, Inc. (holding company) and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.). Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser) and Van Kampen Investor Services Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103

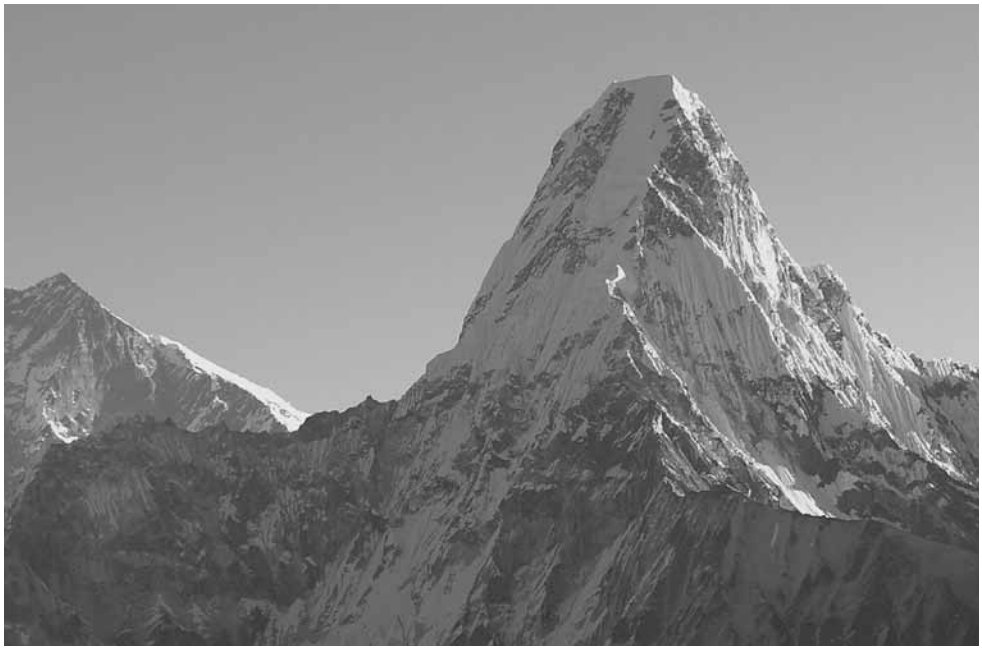
Counsel to the Independent Trustees
Kramer, Levin, Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036-2714

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin
Boston, MA 02110-2801

Invesco V.I. Government Securities Fund

Annual Report to Shareholders ▪ December 31, 2011



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VIGOV-AR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

For the year ended December 31, 2011, Invesco V.I. Government Securities Fund underperformed the Fund's style-specific index. The reason for this underperformance was the Fund's duration positioning and sector allocation that favored agency mortgage-backed securities (MBS).

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/10 to 12/31/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	7.91%
Series II Shares	7.63
Barclays Capital U.S. Aggregate Index▼ (Broad Market Index)	7.84
Barclays Capital U.S. Government Index▼ (Style-Specific Index)	9.02
Lipper VUF General U.S. Government Funds Index▼ (Peer Group Index)	9.17

Source(s): ▼Lipper Inc.

How we invest

We invest primarily in debt securities issued, guaranteed or backed by the U.S. government or its agencies and instrumentalities. These securities include: U.S. Treasury notes and bonds, U.S. agency debentures and agency-backed mortgage-backed securities (MBS). The Fund may invest in derivative instruments such as interest rate futures contracts and swap agreements, and engage in mortgage dollar roll transactions, a form of repurchase agreement activity in the to-be-announced (TBA) market for agency mortgage-backed securities.

Our security selection is supported by a team of independent specialists. Team members conduct top-down macroeconomic as well as bottom-up analysis on individual securities. Recommendations are communicated to portfolio managers through proprietary technology that allows all investment professionals to communicate in a timely manner.

Portfolio construction begins with a well-defined Fund design that establishes the target investment vehicles for generating the desired "alpha" (the extra return above a specific benchmark) as well as the risk parameters for the Fund. Investment vehicles are evaluated for liquidity and relative value.

Sell decisions are based on:

- A conscious decision to alter the Fund's macro risk exposure (such as duration, yield curve positioning, sector exposure).
- The need to limit or reduce exposure to a particular sector or issuer.
- Degradation of an issuer's credit quality.
- Realignment of a valuation target.
- Presentation of a better relative value opportunity.
- The general liquidity needs of the Fund.

Market conditions and your Fund

Global financial markets were unsettled and volatile during 2011 as investors assessed and reacted to the economic implications of several global events, including the Japanese earthquake and tsunami, the U.S. debt ceiling debate, and a reinvigorated eurozone sovereign debt crisis. The U.S. economy showed signs of faltering and there was little consensus regarding the threat of U.S. inflation. However, starting in the second quarter, anxiety linked to the aforementioned events and related concerns about global financial instability began dominating headlines and investor psyche, leading to periods of extreme risk aversion, wider credit spreads and high demand for the perceived safe haven of U.S. government bonds. By the end of the year, U.S. interest rates were pushed to near-historic lows, in spite of Standard & Poor's credit rating downgrade of the U.S. in the third quarter.

U.S. Treasury yields for maturities of between two and 30 years ended the year lower than at the start of the year, generating strong positive 12-month returns across government bond sectors. With inflation expectations held in check, long-term bonds outperformed short and intermediate maturities as investors were willing to extend out on the yield curve for incrementally higher returns. The broad U.S. investment grade bond market, as measured by the Barclays Capital U.S. Aggregate Index, also generated a positive total return for the 12 months ended December 31, 2011. While U.S. credit spreads widened to reflect heightened systemic risks, the significant decline in rates across the yield curve created gains across most domestic bond market sectors for the year.

The Fund allocated a significant portion of assets to agency MBS. These securities provided a higher yield than U.S. Treasury or agency debentures but gave up some average life certainty. During the year, the U.S. government made several attempts to adjust home refinancing programs, increasing MBS performance volatility. This volatility widened MBS yield spreads which had a negative impact on the Fund's performance relative to the style specific benchmark. Our allocation to agency MBS also meant the Fund had a smaller allocation to U.S. Treasury securities and agency debentures than the benchmark.

Portfolio Composition

By security type

U.S. Government Sponsored Mortgage-Backed Securities	73.5%
U.S. Government Sponsored Agency Securities	13.7
U.S. Treasury Securities	12.4
Non-U.S. Dollar Denominated Bonds & Notes	2.6
U.S. Dollar Denominated Bonds & Notes	1.3
Money Market Funds Plus Other Assets Less Liabilities	-3.5

Top 10 Fixed Income Issuers*

1.	Federal National Mortgage Association	22.6%
2.	Freddie Mac REMICs	12.5
3.	Fannie Mae REMICs	12.4
4.	U.S. Treasury	12.4
5.	Federal Home Loan Mortgage Corp.	12.0
6.	Ginnie Mae REMICs	9.6
7.	Federal Agricultural Mortgage Corp.	4.5
8.	Federal Home Loan Bank	4.4
9.	Federal Farm Credit Bank	4.1
10.	Government National Mortgage Association	3.5

Total Net Assets	$1.3 billion
Total Number of Holdings*	922

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

We used dollar rolls, a type of repurchase transaction in the highly liquid TBA market for agency MBS, to produce additional income for the Fund. A dollar roll involves the Fund selling MBS to a financial institution, with an agreement to repurchase a substantially similar security at an agreed upon price and date. Excess portfolio cash resulting from the use of this strategy is subsequently invested in short-term instruments to generate additional return on the portfolio.

The Fund also uses active duration and yield curve positioning for risk management and for generating alpha versus its style-specific benchmark. Duration measures a portfolio's price sensitivity to interest rate changes, with a longer duration tending to be more sensitive to interest rate changes than the benchmark. The Fund's duration and yield curve positions during the year had a modest negative effect on performance. The portfolio did own Treasury Inflation Protected Securities (TIPS) during the year. These securities pay a semiannual coupon and the principal is adjusted for changes in inflation. TIPS had a negligible effect on performance for the year. In addition, U.S. Treasury futures were an important investment tool in the management of our targeted portfolio duration and the Fund realized a small gain from the use of futures during the reporting period.

We thank you for your investment in Invesco V.I. Government Securities Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

See important Fund and, if applicable, index disclosures later in this report.

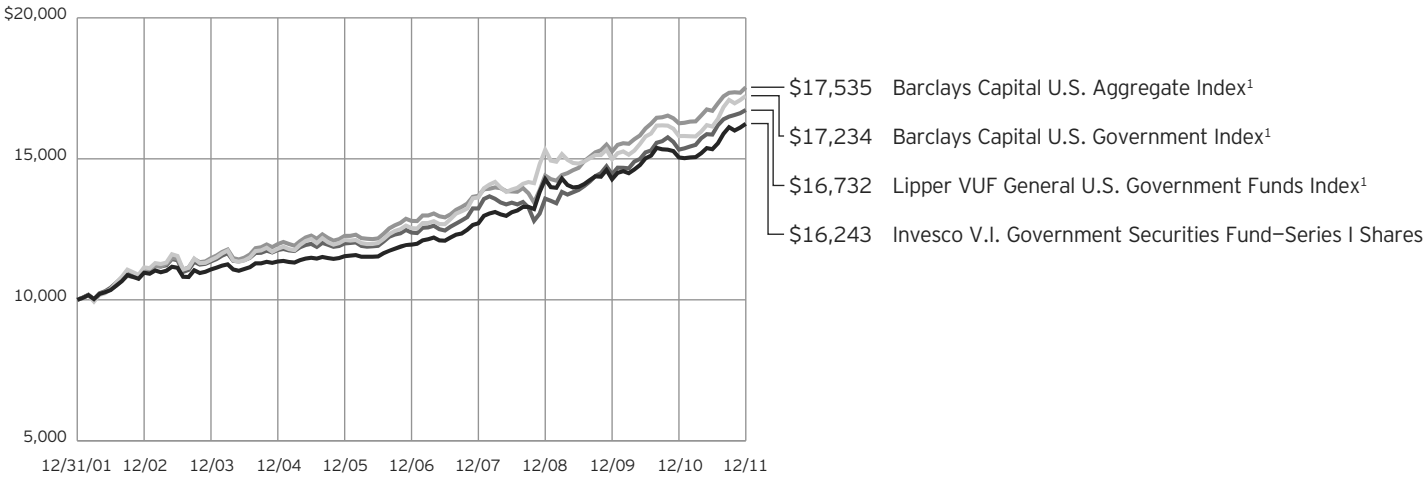
Clint Dudley
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1998. Mr. Dudley earned a B.B.A. and an M.B.A. from Baylor University.

Brian Schneider
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1987. Mr. Schneider earned a B.A. in economics and an M.B.A., both from Bellarmine College.

Your Fund's Long-Term Performance

Results of a $10,000 Investment – Oldest Share Class(es)

Fund and index data from 12/31/01*



1 Source: Lipper Inc.

*During the reporting period, Invesco changed its policy regarding growth of $10,000 charts. For funds older than 10 years, we previously showed performance since inception. Going forward, we will show performance for the most recent 10 years, since this more accurately reflects the experience of the typical shareholder. As a result, charts now may include benchmarks that did not appear previously, because the funds' inception pre-dated the benchmarks' inception. Also, all charts will now be presented using a linear format.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns
As of 12/31/11

Series I Shares	
Inception (5/5/93)	5.21%
10 Years	4.97
5 Years	6.31
1 Year	7.91
Series II Shares	
Inception (9/19/01)	4.59%
10 Years	4.70
5 Years	6.04
1 Year	7.63

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance.

Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The net annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.60% and 0.85%, respectively.[1] The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 0.76% and 1.01%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Government Securities Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

1 Total annual Fund operating expenses after any contractual fee waivers and/or expense reimbursements by the adviser in effect through at least June 30, 2012. See current prospectus for more information.

Invesco V.I. Government Securities Fund's investment objective is total return, comprised of current income and capital appreciation.

- Unless otherwise stated, information presented in this report is as of December 31, 2011, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Derivatives risk. Derivatives may be more difficult to purchase, sell or value than other investments and may be subject to market, interest rate, credit, leverage, counterparty and management risks. A fund investing in a derivative could lose more than the cash amount invested or incur higher taxes. Over-the-counter derivatives are also subject to counterparty risk, which is the risk that the other party to the contract will not fulfill its contractual obligation to complete the transaction with the Fund.

Dollar roll transactions risk. Dollar roll transactions involve the risk that the market value and yield of the securities retained by the Fund may decline below the price of the mortgage-related securities sold by the Fund that it is obligated to repurchase.

Interest rate risk. Interest rate risk refers to the risk that bond prices generally fall as interest rates rise; conversely, bond prices generally rise as interest rates fall. Specific bonds differ in their sensitivity to changes in interest rates depending on their individual characteristics, including duration.

Leverage risk. Leverage exists when the Fund purchases or sells an instrument or enters into a transaction without investing cash in an amount equal to the full economic exposure of the instrument or transaction and the Fund could lose more than it invested. Leverage created from borrowing or certain types of transactions or instruments, including derivatives, may impair the Fund's liquidity, cause it to liquidate positions at an unfavorable time, increase volatility or otherwise not achieve its intended objective.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

Mortgage- and asset-backed securities risk. The Fund may invest in mortgage- and asset-backed securities that are subject to prepayment or call risk, which is the risk that the borrower's payments may be received earlier or later than expected due to changes in prepayment rates on underlying loans. Faster prepayments often happen when interest rates are falling. As a result, the Fund may reinvest these early payments at lower interest rates, thereby reducing the Fund's income. Conversely, when interest rates rise, prepayments may happen more slowly, causing the security to lengthen in duration. Longer duration securities tend to be more volatile. Securities may be prepaid at a price less than the original purchase value. An unexpectedly high rate of defaults on the mortgages held by a mortgage pool may adversely affect the value of mortgage-backed securities and could result in losses to the Fund. The risk of such defaults is generally higher in the case of mortgage pools that include subprime mortgages. Subprime mortgages refer to loans made to borrowers with weakened credit histories or with lower capacity to make timely payments on their mortgages.

Reinvestment risk. Reinvestment risk is the risk that a bond's cash flows (coupon income and principal repayment) will be reinvested at an interest rate below that on the original bond.

Reverse repurchase agreement risk. Reverse repurchase agreements involve the risk that the market value of securities to be repurchased may decline below the repurchase price or that the other party may default on its obligation, resulting in delays, additional costs or the restriction of proceeds from the sale.

U.S. government obligations risk. The Fund may invest in obligations issued by U.S. government agencies and instrumentalities that may receive varying levels of support from the government, which could affect the Fund's ability to recover should they default.

About indexes used in this report

The **Barclays Capital U.S. Aggregate Index** is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market.

The **Barclays Capital U.S. Government Index** is an unmanaged index considered representative of fixed-income obligations issued by the U.S. Treasury, government agencies and quasi-federal corporations.

The **Lipper VUF General U.S. Government Funds Index** is an unmanaged index considered representative of general U.S. government variable insurance underlying funds tracked by Lipper.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments

December 31, 2011

	Principal Amount	Value
U.S. Government Sponsored Mortgage-Backed Securities–73.50%		
Collateralized Mortgage Obligations–39.13%		
Fannie Mae Grantor Trust, 5.34%, 04/25/12	$ 4,500,000	$ 4,544,383
Fannie Mae REMICs, 4.50%, 11/25/16 to 07/25/27	12,706,358	13,167,504
4.00%, 07/25/18 to 07/25/40	20,213,517	21,342,287
5.00%, 08/25/19 to 09/25/37	35,162,507	37,276,339
4.25%, 12/25/19 to 02/25/37	16,336,233	17,390,999
3.00%, 07/25/22 to 09/25/36	18,820,962	19,449,660
2.50%, 03/25/26	6,013,337	6,177,361
7.00%, 09/18/27	998,613	1,148,313
6.50%, 01/25/30 to 03/25/32	3,450,499	3,930,089
3.50%, 12/25/31	3,432,555	3,531,492
4.75%, 07/25/33	6,519,329	6,738,433
5.75%, 10/25/35	1,273,358	1,437,706
0.59%, 05/25/36[a]	12,877,173	12,839,762
6.58%, 06/25/39[a]	10,360,931	12,269,507
Fannie Mae Whole Loans, 5.50%, 07/25/34	956,150	973,122
Federal Home Loan Bank, 4.55%, 04/27/12	920,393	930,777
5.27%, 12/28/12	10,237,680	10,607,036
5.07%, 10/20/15	2,121,106	2,306,215
5.46%, 11/27/15	30,374,534	33,786,815
5.77%, 03/23/18	5,098,739	5,683,916
Freddie Mac REMICs, 0.85%, 03/15/13	2,725,461	2,725,907
4.75%, 07/15/14 to 05/15/23	1,779,402	1,801,464
3.50%, 10/15/16 to 12/15/27	3,359,027	3,441,550
4.38%, 05/15/17	642,150	650,738
4.16%, 07/15/17	762,928	773,790
3.77%, 09/15/17	783,328	797,912
3.84%, 09/15/17	1,099,761	1,121,312
4.50%, 10/15/17 to 10/15/36	15,634,965	16,131,172
4.00%, 12/15/17 to 03/15/38	21,554,042	22,430,372
5.00%, 02/15/18 to 09/15/32	17,432,455	18,373,846
3.00%, 10/15/18 to 04/15/26	18,390,634	19,066,053
3.75%, 10/15/18	5,910,777	6,121,914
4.25%, 01/15/19	1,263,295	1,305,666
0.68%, 04/15/28 to 06/15/37[a]	19,441,952	19,418,494
5.50%, 10/15/28 to 02/15/33	3,579,642	3,611,260
6.00%, 09/15/29	178,646	178,591
5.25%, 08/15/32	7,654,109	7,933,899
0.58%, 03/15/36[a]	12,628,318	12,613,177
5.75%, 05/15/36	1,252,389	1,314,070
0.62%, 11/15/36[a]	12,688,846	12,717,154
1.14%, 11/15/39[a]	5,815,681	5,872,528
Ginnie Mae REMICs, 6.00%, 01/16/25	$ 2,843,803	$ 3,171,499
5.00%, 09/16/27 to 08/16/35	5,137,001	5,504,944
4.50%, 01/16/31 to 08/20/35	59,860,077	62,593,606
5.50%, 04/16/31	642,205	643,417
4.75%, 09/20/32	2,101,089	2,210,785
4.00%, 04/16/33 to 02/20/38	28,155,374	29,458,834
5.76%, 08/20/34[a]	3,889,410	4,410,013
5.84%, 01/20/39[a]	11,564,465	13,192,470
		495,118,153
Federal Deposit Insurance Company (FDIC)–0.09%		
Series 2010-S1, Class 1A, Floating Rate Pass Through Ctfs., 0.82%, 02/25/48 (Acquired 03/05/10; Cost $1,191,682)[a][c]	1,191,682	1,190,434
Federal Home Loan Mortgage Corp. (FHLMC)–10.49%		
Pass Through Ctfs., 6.50%, 10/01/12 to 12/01/35	12,131,268	13,725,990
6.00%, 09/01/13 to 07/01/38	6,914,630	7,586,360
7.00%, 07/01/14 to 12/01/37	12,535,923	14,517,209
8.00%, 07/01/15 to 09/01/36	11,549,160	13,822,198
7.50%, 03/01/16 to 08/01/36	4,531,939	5,365,191
5.00%, 07/01/18 to 01/01/40	6,746,792	7,296,578
10.50%, 08/01/19	3,032	3,406
4.50%, 09/01/20 to 08/01/41	28,820,057	30,828,008
8.50%, 09/01/20 to 08/01/31	941,579	1,122,768
10.00%, 03/01/21	59,690	70,307
9.00%, 06/01/21 to 06/01/22	420,350	481,698
5.50%, 12/01/22 to 11/01/39	3,628,123	3,954,754
3.50%, 08/01/26	2,897,043	3,053,052
7.05%, 05/20/27	313,510	360,867
6.03%, 10/20/30	1,963,262	2,259,514
Pass Through Ctfs., ARM 2.66%, 10/01/36[a]	640,120	680,856
5.46%, 01/01/38[a]	353,577	377,304
Pass Through Ctfs., TBA, 4.00%, 01/01/42[b]	26,000,000	27,275,625
		132,781,685

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Principal Amount	Value
Federal National Mortgage Association (FNMA)–20.28%		
Pass Through Ctfs., 8.00%, 06/01/12 to 11/01/37	$ 12,000,550	$ 14,220,642
8.50%, 06/01/12 to 08/01/37	4,719,003	5,614,803
7.50%, 09/01/12 to 08/01/37	14,441,308	17,092,591
6.50%, 05/01/13 to 04/01/38	14,452,098	16,096,382
10.00%, 09/01/13	6,687	6,789
6.00%, 01/01/14 to 10/01/38	13,593,478	15,038,619
7.00%, 01/15/14 to 06/01/36	17,691,825	19,976,969
5.00%, 11/01/17 to 03/01/40	41,421,436	44,859,720
4.50%, 09/01/18 to 08/01/41	56,731,963	61,007,673
5.50%, 03/01/21 to 08/01/38	17,285,322	18,899,221
6.75%, 07/01/24	1,014,260	1,153,715
6.95%, 10/01/25	56,880	65,775
Pass Through Ctfs., ARM, 2.40%, 05/01/35[a]	1,147,538	1,209,076
4.73%, 03/01/38[a]	230,809	246,632
Pass Through Ctfs., Balloon, 3.84%, 04/01/18	6,600,000	7,153,949
Pass Through Ctfs., TBA, 4.00%, 01/01/27[b]	5,825,000	6,144,465
3.50%, 01/01/42[b]	27,000,000	27,776,250
		256,563,271
Government National Mortgage Association (GNMA)–3.51%		
Pass Through Ctfs., 6.50%, 02/20/12 to 01/15/37	11,550,301	13,217,450
8.00%, 07/15/12 to 01/15/37	3,592,484	4,250,542
6.75%, 08/15/13	11,092	11,602
7.50%, 10/15/14 to 10/15/35	6,127,808	7,081,317
11.00%, 10/15/15	1,560	1,572
9.00%, 10/20/16 to 12/20/16	79,183	80,932
7.00%, 04/15/17 to 01/15/37	4,526,272	5,257,917
10.50%, 09/15/17 to 11/15/19	3,141	3,163
8.50%, 12/15/17 to 01/15/37	673,979	776,206
10.00%, 06/15/19	26,486	29,801
6.00%, 09/15/20 to 08/15/33	1,804,608	2,041,089
5.00%, 02/15/25	758,430	850,532
6.95%, 08/20/25 to 08/20/27	695,529	803,428
6.38%, 10/20/27 to 09/20/28	703,604	799,346
6.10%, 12/20/33	7,862,012	9,176,943
		44,381,840
Total U.S. Government Sponsored Mortgage-Backed Securities (Cost $905,451,422)		930,035,383
U.S. Government Sponsored Agency Securities–13.69%		
Federal Agricultural Mortgage Corp.–4.45%		
Medium-Term Notes, 2.11%, 03/15/12	37,000,000	37,151,009
Sr. Unsec. Notes, 2.00%, 07/27/16	4,000,000	4,103,684
Unsec. Medium-Term Notes, 1.25%, 12/06/13	8,000,000	8,099,978
0.85%, 08/11/14	7,000,000	6,987,767
		56,342,438
Federal Farm Credit Bank (FFCB)–4.09%		
Bonds, 1.13%, 02/27/14	$ 13,000,000	$ 13,183,863
3.00%, 09/22/14	5,000,000	5,318,910
1.63%, 11/19/14	4,800,000	4,941,364
1.50%, 11/16/15	11,000,000	11,270,116
5.75%, 01/18/22	2,775,000	2,780,811
Global Bonds, 1.38%, 06/25/13	10,000,000	10,161,764
Medium-Term Notes, 5.75%, 12/07/28	3,100,000	4,095,608
		51,752,436
Federal Home Loan Bank (FHLB)–0.40%		
Unsec. Global Bonds, 1.88%, 06/21/13	5,000,000	5,119,701
Federal Home Loan Mortgage Corp. (FHLMC)–1.46%		
Unsec. Global Notes, 0.63%, 12/29/14	5,000,000	5,008,170
1.75%, 09/10/15	6,500,000	6,725,893
2.00%, 08/25/16	6,500,000	6,773,388
		18,507,451
Federal National Mortgage Association (FNMA)–2.33%		
Sr. Unsec. Global Notes, 2.50%, 05/15/14	4,875,000	5,104,674
0.75%, 12/19/14	10,000,000	10,049,619
Unsec. Global Notes, 3.00%, 09/16/14	7,500,000	7,988,177
2.38%, 04/11/16	6,000,000	6,351,710
		29,494,180
Financing Corp (FICO)–0.32%		
Sec. Bonds, 9.80%, 04/06/18	700,000	1,031,487
Series E, Sec. Bonds, 9.65%, 11/02/18	1,985,000	2,954,139
		3,985,626
Tennessee Valley Authority (TVA)–0.64%		
Global Notes, 5.50%, 07/18/17	2,420,000	2,948,953
Series A, Bonds, 6.79%, 05/23/12	5,000,000	5,130,427
		8,079,380
Total U.S. Government Sponsored Agency Securities (Cost $168,919,668)		173,281,212

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Principal Amount	Value
U.S. Treasury Securities–12.42%		
U.S. Treasury Notes–8.38%		
0.75%, 06/15/14	$ 7,000,000	$ 7,075,469
2.38%, 10/31/14	450,000	475,383
0.38%, 11/15/14	20,000,000	20,015,625
2.13%, 11/30/14	150,000	157,570
2.25%, 01/31/15	3,500,000	3,697,422
1.25%, 08/31/15	3,000,000	3,080,156
2.00%, 01/31/16	1,200,000	1,266,188
1.00%, 10/31/16	9,000,000	9,087,187
0.88%, 11/30/16	8,000,000	8,025,000
2.75%, 05/31/17[d]	10,000,000	10,943,750
2.38%, 07/31/17[d]	10,000,000	10,750,000
3.13%, 05/15/21	1,000,000	1,116,563
2.13%, 08/15/21	5,000,000	5,127,344
2.00%, 11/15/21	25,000,000	25,285,156
		106,102,813
U.S. Treasury Bonds–3.02%		
8.75%, 05/15/20	3,500,000	5,480,781
7.88%, 02/15/21	1,100,000	1,678,875
7.50%, 11/15/24	4,370,000	6,975,612
7.63%, 02/15/25	550,000	889,453
5.38%, 02/15/31	3,800,000	5,417,969
4.25%, 05/15/39[d]	3,685,000	4,684,556
4.38%, 11/15/39	3,000,000	3,891,563
4.63%, 02/15/40	2,700,000	3,638,672
4.75%, 02/15/41	4,000,000	5,508,125
		38,165,606
U.S. Treasury Inflation–Indexed Bonds–1.02%		
0.63%, 07/15/21	12,056,880[e]	12,895,210
Total U.S. Treasury Securities (Cost $147,379,988)		157,163,629

	Principal Amount	Value
Foreign Bonds–2.63%		
Sovereign Debt–0.38%		
Israel Government Agency for International Development (AID) Bond (Israel), Gtd. Bonds, 5.13%, 11/01/24	$ 3,800,000	$ 4,767,548
Panama–2.25%		
La Hipotecaria S.A. (Panama), Series 2010-1 GA, Class A, Floating Rate Pass Through Ctfs., 3.50%, 09/08/39 (Acquired 11/05/10; Cost $28,363,176)[a][c]	27,453,770	28,448,968
Total Foreign Bonds (Cost $32,171,695)		33,216,516
Corporate Bonds and Notes–1.29%		
Diversified Banks–0.52%		
Ally Financial, Inc., Gtd. Notes, 2.20%, 12/19/12	1,700,000	1,733,105
Citibank N.A., Sr. Unsec. Gtd. Notes, 1.75%, 12/28/12	2,500,000	2,537,418
U.S. Central Federal Credit Union, Unsec. Gtd. Notes, 1.90%, 10/19/12	2,260,000	2,291,123
		6,561,646
Industrial Conglomerates–0.22%		
General Electric Capital Corp., Series G, Sr. Unsec. Gtd. Medium-Term Global Notes, 2.63%, 12/28/12	2,800,000	2,867,554
Private Export Funding Corp.–0.55%		
Sec. Gtd. Notes, 2.13%, 07/15/16	5,000,000	5,178,164
4.30%, 12/15/21	1,540,000	1,770,426
		6,948,590
Total Corporate Bonds and Notes (Cost $15,817,224)		16,377,790
	Shares	
Money Market Funds–1.11%		
Government & Agency Portfolio–Institutional Class (Cost $13,989,842)[f]	13,989,842	13,989,842
TOTAL INVESTMENTS–104.64% (Cost $1,283,729,839)		1,324,064,372
OTHER ASSETS LESS LIABILITIES–(4.64)%		(58,717,799)
NET ASSETS–100.00%		$1,265,346,573

Investment Abbreviations:

ARM – Adjustable Rate Mortgage
Ctfs. – Certificates
Gtd. – Guaranteed
REMIC – Real Estate Mortgage Investment Conduits
Sec. – Secured
Sr. – Senior
TBA – To Be Announced
Unsec. – Unsecured

Notes to Schedule of Investments:

[a] Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on December 31, 2011.
[b] Security purchased on a forward commitment basis. This security is subject to dollar roll transactions. See Note 1J.
[c] Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at December 31, 2011 was $29,639,402, which represented 2.34% of the Fund's Net Assets.
[d] All or a portion of the value was pledged as collateral to cover margin requirements for open futures contracts. See Note 1L and Note 4.
[e] Principal amount of security and interest payments are adjusted for inflation.
[f] The money market fund and the Fund are affiliated by having the same investment adviser.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

December 31, 2011

Assets:	
Investments, at value (Cost $1,269,739,997)	$1,310,074,530
Investments in affiliated money market funds, at value and cost	13,989,842
Total investments, at value (Cost $1,283,729,839)	1,324,064,372
Cash	64,336
Receivable for:	
Variation margin	967,485
Fund shares sold	299,336
Dividends and interest	4,703,424
Principal paydowns	150,077
Investment for trustee deferred compensation and retirement plans	59,953
Other assets	19,641
Total assets	1,330,328,624
Liabilities:	
Payable for:	
Investments purchased	60,823,351
Fund shares reacquired	2,869,605
Accrued fees to affiliates	1,009,587
Accrued other operating expenses	91,885
Trustee deferred compensation and retirement plans	187,623
Total liabilities	64,982,051
Net assets applicable to shares outstanding	$1,265,346,573
Net assets consist of:	
Shares of beneficial interest	$1,198,490,336
Undistributed net investment income	35,365,149
Undistributed net realized gain	(10,184,603)
Unrealized appreciation	41,675,691
	$1,265,346,573
Net Assets:	
Series I	$ 970,028,967
Series II	$ 295,317,606
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	77,641,599
Series II	23,829,742
Series I:	
Net asset value per share	$ 12.49
Series II:	
Net asset value per share	$ 12.39

Statement of Operations

For the year ended December 31, 2011

Investment income:	
Interest	$33,067,104
Dividends from affiliated money market funds	5,182
Total investment income	33,072,286
Expenses:	
Advisory fees	5,702,112
Administrative services fees	3,324,390
Custodian fees	65,041
Distribution fees — Series II	511,963
Transfer agent fees	29,622
Trustees' and officers' fees and benefits	74,352
Other	129,421
Total expenses	9,836,901
Less: Fees waived and expense offset arrangement(s)	(1,429,118)
Net expenses	8,407,783
Net investment income	24,664,503
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	5,705,758
Futures contracts	45,162,306
	50,868,064
Change in net unrealized appreciation of:	
Investment securities	15,226,003
Futures contracts	7,923,699
	23,149,702
Net realized and unrealized gain	74,017,766
Net increase in net assets resulting from operations	$98,682,269

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	2011	2010
Operations:		
Net investment income	$ 24,664,503	$ 23,688,971
Net realized gain	50,868,064	32,820,078
Change in net unrealized appreciation	23,149,702	7,306,223
Net increase in net assets resulting from operations	98,682,269	63,815,272
Distributions to shareholders from net investment income:		
Series I	(36,635,024)	(54,918,096)
Series II	(1,001,427)	(859,253)
Total distributions from net investment income	(37,636,451)	(55,777,349)
Share transactions–net:		
Series I	(145,217,239)	(128,842,349)
Series II	253,038,769	9,854,940
Net increase (decrease) in net assets resulting from share transactions	107,821,530	(118,987,409)
Net increase (decrease) in net assets	168,867,348	(110,949,486)
Net assets:		
Beginning of year	1,096,479,225	1,207,428,711
End of year (includes undistributed net investment income of $35,365,149 and $37,474,465, respectively)	$1,265,346,573	$1,096,479,225

Notes to Financial Statements

December 31, 2011

NOTE 1—Significant Accounting Policies

Invesco V.I. Government Securities Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is total return, comprised of current income and capital appreciation.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Paydown gains and losses on mortgage and asset-backed securities are recorded as adjustments to interest income. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the

financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements that contain a variety of 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 as a result of such indemnification claims is considered remote.

I. Other Risks — The Funds may invest in obligations issued by agencies and instrumentalities of the U.S. Government that may vary in the level of support they receive from the government. The government may choose not to provide financial support to government sponsored agencies or instrumentalities if it is not legally obligated to do so. In this case, if the issuer defaulted, the underlying fund holding securities of such issuer might not be able to recover its investment from the U.S. Government. Many securities purchased by the Fund are not guaranteed by the U.S. Government.

J. Dollar Rolls and Forward Commitment Transactions — The Fund may enter into dollar roll transactions to enhance the Fund's performance. The Fund executes its dollar roll transactions in the to be announced (''TBA'') market whereby the Fund makes a forward commitment to purchase a security and, instead of accepting delivery, the position is offset by the sale of the security with a simultaneous agreement to repurchase at a future date.

The Fund accounts for dollar roll transactions as purchases and sales and realizes gains and losses on these transactions. These transactions increase the Fund's portfolio turnover rate. The Fund will segregate liquid assets in an amount equal to its dollar roll commitments. Dollar roll transactions are considered borrowings under the 1940 Act.

Dollar roll transactions involve the risk that a counter-party to the transaction may fail to complete the transaction. If this occurs, the Fund may lose the opportunity to purchase or sell the security at the agreed upon price. Dollar rolls transactions also involve the risk that the value of the securities retained by the Fund may decline below the price of the securities that the Fund has sold but is obligated to purchase under the agreement.

K. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

L. Futures Contracts — The Fund may enter into futures contracts to manage exposure to interest rate, equity and market price movements and/or currency risks. A futures contract is an agreement between two parties to purchase or sell a specified underlying security, currency or commodity (or delivery of a cash settlement price, in the case of an index future) for a fixed price at a future date. The Fund currently invests only in exchange-traded futures and they are standardized as to maturity date and underlying financial instrument. Initial margin deposits required upon entering into futures contracts are satisfied by the segregation of specific securities or cash as collateral at the futures commission merchant (broker). During the period the futures contracts are open, changes in the value of the contracts are recognized as unrealized gains or losses by recalculating the value of the contracts on a daily basis. Subsequent or variation margin payments are received or made depending upon whether unrealized gains or losses are incurred. These amounts are reflected as receivables or payables on the Statement of Assets and Liabilities. When the contracts are closed or expire, the Fund recognizes a realized gain or loss equal to the difference between the proceeds from, or cost of, the closing transaction and the Fund's basis in the contract. The net realized gain (loss) and the change in unrealized gain (loss) on futures contracts held during the period is included on the Statement of Operations. The primary risks associated with futures contracts are market risk and the absence of a liquid secondary market. If the Fund were unable to liquidate a futures contract and/or enter into an offsetting closing transaction, the Fund would continue to be subject to market risk with respect to the value of the contracts and continue to be required to maintain the margin deposits on the futures contracts. Futures contracts have minimal counterparty risk since the exchange's clearinghouse, as counterparty to all exchange-traded futures, guarantees the futures against default. Risks may exceed amounts recognized in the Statement of Assets and Liabilities.

M. Collateral — To the extent the Fund has pledged or segregated a security as collateral and that security is subsequently sold, it is the Fund's practice to replace such collateral no later than the next business day.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.50%
Over $250 million	0.45%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective May 2, 2011, the Adviser has contractually agreed, through at least June 30, 2012, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 0.60% and Series II shares to 0.85% of average daily net assets. Prior to May 2, 2011, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I to 0.73% and Series II to 0.98% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2012.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash in such affiliated money market funds.

For the year ended December 31, 2011, the Adviser waived advisory fees of $1,428,955.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2011, Invesco was paid $295,052 for accounting and fund administrative services and reimbursed $3,029,338 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, Invesco Ltd., IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the year ended December 31, 2011, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	$13,989,842	$ —	$—	$ 13,989,842
U.S. Treasury Securities	—	157,163,629	—	157,163,629
U.S. Government Sponsored Securities	—	1,103,316,595	—	1,103,316,595
Corporate Debt Securities	—	16,377,790	—	16,377,790
Foreign Debt Securities	—	28,448,968	—	28,448,968
Foreign Sovereign Debt Securities	—	4,767,548	—	4,767,548
	$13,989,842	$1,310,074,530	$—	$1,324,064,372
Futures*	1,341,158	—	—	1,341,158
Total Investments	$15,331,000	$1,310,074,530	$—	$1,325,405,530

* Unrealized appreciation.

NOTE 4—Derivative Investments

Value of Derivative Instruments at Period-End

The table below summarizes the value of the Fund's derivative instruments, detailed by primary risk exposure, held as of December 31, 2011:

	Value	
Risk Exposure/Derivative Type	**Assets**	**Liabilities**
Interest rate risk		
Futures contracts[(a)]	$4,495,580	$(3,154,422)

[(a)] Includes cumulative appreciation (depreciation) of futures contracts. Only current day's variation margin receivable is reported within the Statement of Assets and Liabilities.

Effect of Derivative Instruments for the year ended December 31, 2011

The table below summarizes the gains on derivative instruments, detailed by primary risk exposure, recognized in earnings during the period:

	Location of Gain on Statement of Operations
	Futures*
Realized Gain	
Interest rate risk	$45,162,306
Change in Unrealized Appreciation	
Interest rate risk	$ 7,923,699
Total	$53,086,005

* The average notional value of futures outstanding during the period was $541,866,941.

Open Futures Contracts

Long Contracts	Number of Contracts	Expiration Month	Notional Value	Unrealized Appreciation (Depreciation)
U.S. Treasury 2 Year Notes	307	March-2012	$ 67,707,891	$ 20,021
U.S. Treasury 10 Year Notes	2,257	March-2012	295,949,125	2,587,284
Ultra U.S. Treasury Bonds	1,037	March-2012	166,114,438	1,888,275
Subtotal			$ 529,771,454	$ 4,495,580
Short Contracts				
U.S. Treasury 5 Year Notes	434	March-2012	$ (53,493,891)	$ (215,148)
U.S. Treasury 30 Year Bonds	640	March-2012	(92,680,000)	(2,939,274)
Subtotal			$(146,173,891)	$(3,154,422)
Total			$ 383,597,563	$ 1,341,158

NOTE 5—Expense Offset Arrangement(s)

The expense offset arrangement is comprised of custodian credits which result from periodic overnight cash balances at the custodian. For the year ended December 31, 2011, the Fund received credits from this arrangement, which resulted in the reduction of the Fund's total expenses of $163.

NOTE 6—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the year ended December 31, 2011, the Fund paid legal fees of $2,537 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

NOTE 7—Cash Balances

The Fund may borrow for leveraging in an amount up to 5% of the Fund's total assets (excluding the amount borrowed) at the time the borrowing is made. In doing so, the Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate. A Fund may not purchase additional securities when any borrowings from banks exceeds 5% of the Fund's total assets.

NOTE 8—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2011 and 2010:

	2011	2010
Ordinary income	$37,636,451	$55,777,349

Tax Components of Net Assets at Period-End:

	2011
Undistributed ordinary income	$ 35,549,690
Net unrealized appreciation — investments	39,723,086
Temporary book/tax differences	(184,540)
Capital loss carryforward	(8,231,999)
Shares of beneficial interest	1,198,490,336
Total net assets	$1,265,346,573

The difference between book-basis and tax-basis unrealized appreciation is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales and straddles.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $31,259,261 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term
December 31, 2015	$3,869,214
December 31, 2017	4,362,785
Total	$8,231,999

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code. To the extent that unrealized gains as of May 2, 2011, the date of reorganization of Invesco Van Kampen V.I. Government Fund into the Fund are realized on securities held in each fund at such date of reorganization, the capital loss carryforward may be further limited for up to five years from the date of the reorganization.

NOTE 9—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2011 was $723,594,200 and $861,702,067, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $191,925,362 and $140,535,317. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$41,994,759
Aggregate unrealized (depreciation) of investment securities	(2,271,673)
Net unrealized appreciation of investment securities	$39,723,086

Cost of investments for tax purposes is $1,284,341,286.

NOTE 10—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of paydown gains (losses) and dollar rolls, on December 31, 2011, undistributed net investment income was increased by $10,868,957 and undistributed net realized gain was decreased by $10,868,957. Further, as a result of tax deferrals acquired in the reorganization of Invesco Van Kampen V.I. Government Fund into the Fund, undistributed net investment income was decreased by $6,325, undistributed net realized gain was decreased by $14,724,973 and shares of beneficial interest increased by $14,731,298. These reclassifications had no effect on the net assets of the Fund.

NOTE 11—Share Information

Summary of Share Activity

	Years ended December 31,			
	2011[a]		2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	10,663,153	$ 128,843,040	14,868,780	$ 182,569,736
Series II	5,300,488	64,070,452	1,086,469	13,335,480
Issued as reinvestment of dividends:				
Series I	3,158,192	36,635,024	4,508,875	54,918,094
Series II	86,854	1,001,427	70,954	859,253
Issued in connection with acquistions:[b]				
Series I	2,587,718	30,250,210	—	—
Series II	22,298,634	259,005,451	—	—
Reacquired:				
Series I	(28,160,963)	(340,945,513)	(29,794,392)	(366,330,179)
Series II	(5,875,436)	(71,038,561)	(355,134)	(4,339,793)
Net increase (decrease) in share activity	10,058,640	$ 107,821,530	(9,614,448)	$(118,987,409)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 80% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the opening of business on May 2, 2011 the Fund acquired all the net assets of Invesco Van Kampen V.I. Government Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 24,886,352 shares of the Fund for 32,516,244 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund based on the relative net asset value of the Target Fund to the net asset value of the Fund as of the close of business on April 29, 2011. The Target Fund's net assets at that date of $289,255,661, including $4,992,514 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $1,059,348,706. The net assets of the Fund subsequent to the acquisition were $1,348,604,367. The pro forma results of operations for the year ended December 31, 2011 assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period, are as follows:

Net investment income	$ 28,166,317
Net realized/unrealized gains	72,785,041
Change in net assets resulting from operations	$100,951,358

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Fund that has been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 12—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total Distributions	Net asset value, end of period	Total Return[b]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Year ended 12/31/11	$12.00	$0.25	$ 0.67	$ 0.92	$(0.43)	$ —	$(0.43)	$12.49	7.91%	$ 970,029	0.63%[d]	0.75%[d]	2.03%[d]	85%
Year ended 12/31/10	11.95	0.24	0.41	0.65	(0.60)	—	(0.60)	12.00	5.40	1,072,405	0.73	0.75	1.98	61
Year ended 12/31/09	13.05	0.45	(0.43)	0.02	(0.65)	(0.47)	(1.12)	11.95	(0.01)	1,192,967	0.73	0.75	3.47	55
Year ended 12/31/08	12.06	0.50	0.96	1.46	(0.47)	—	(0.47)	13.05	12.22	1,591,799	0.73	0.76	3.96	109
Year ended 12/31/07	11.80	0.59	0.16	0.75	(0.49)	—	(0.49)	12.06	6.43	1,169,985	0.73	0.76	4.93	106
Series II														
Year ended 12/31/11	11.92	0.21	0.67	0.88	(0.41)	—	(0.41)	12.39	7.63	295,318	0.88[d]	1.00[d]	1.78[d]	85
Year ended 12/31/10	11.88	0.22	0.40	0.62	(0.58)	—	(0.58)	11.92	5.10	24,074	0.98	1.00	1.73	61
Year ended 12/31/09	12.97	0.41	(0.43)	(0.02)	(0.60)	(0.47)	(1.07)	11.88	(0.26)	14,462	0.98	1.00	3.22	55
Year ended 12/31/08	11.99	0.46	0.97	1.43	(0.45)	—	(0.45)	12.97	11.98	20,362	0.98	1.01	3.71	109
Year ended 12/31/07	11.74	0.56	0.15	0.71	(0.46)	—	(0.46)	11.99	6.11	18,770	0.98	1.01	4.68	106

[a] Calculated using average shares outstanding.

[b] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable, and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

[c] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $309,171,077 and sold of $25,033,352 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. Government Fund into the Fund.

[d] Ratios are based on average daily net assets (000's) of $1,034,573 and $204,785 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. Government Securities Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. Government Securities Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 audits 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 17, 2012
Houston, Texas

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/11)	Ending Account Value (12/31/11)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/11)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,058.50	$3.11	$1,022.18	$3.06	0.60%
Series II	1,000.00	1,057.20	4.41	1,020.92	4.33	0.85

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2011 through December 31, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year–end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2011:

Federal and State Income Tax

Corporate Dividends Received Deduction*	0.04%
U.S. Treasury Obligations*	7.93%

* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	140	None
Philip A. Taylor[2] — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	140	None
Wayne W. Whalen[3] — 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex	158	Director of the Abraham Lincoln Presidential Library Foundation
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	140	ACE Limited (insurance company); and Investment Company Institute

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.	158	Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers' Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie	140	Director and Chairman, C.D. Stimson Company (a real estate investment company)
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	140	Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	President of CAC, LLC, a private company offering capital investment and management advisory services. Formerly: Prior to January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Vice Chairman of Anixter International. Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.	158	Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich & Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	140	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives	140	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	140	Director, Reich & Tang Funds (16 portfolios)

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	140	None
Larry Soll — 1942 Trustee	2004	Retired Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	140	None
Hugo F. Sonnenschein — 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago.	158	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	140	None
Other Officers				
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Van Kampen Funds Inc. and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Secretary, Van Kampen Advisors Inc.; Director Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, Inc.; and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Investment Services, Inc.(formerly known as Invesco Aim Investment Services, Inc.); and Vice President, The Invesco Funds Formerly: Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Van Kampen Investor Services Inc.; Senior Vice President, Invesco Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company	N/A	N/A

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Other Officers—(continued)				
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser). Formerly: Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only). Formerly: Senior Vice President, Van Kampen Investments Inc.; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A
Yinka Akinsola — 1977 Anti-Money Laundering Compliance Officer	2011	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp. and Van Kampen Funds Inc.	N/A	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds, INVESCO Private Capital Investments, Inc. (holding company) and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.). Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser) and Van Kampen Investor Services Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103

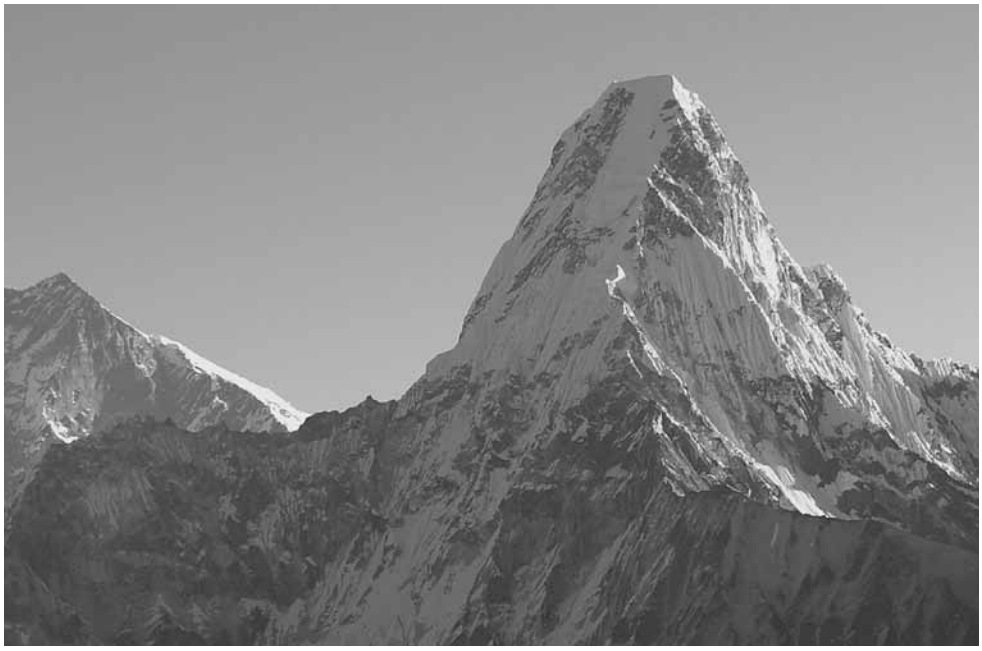
Counsel to the Independent Trustees
Kramer, Levin, Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036-2714

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin
Boston, MA 02110-2801

Invesco V.I. International Growth Fund

Annual Report to Shareholders ▪ December 31, 2011



The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

VIIGR-AR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

Global equity markets faced headwinds in 2011. China's growth continued to slow as the U.S. battled high unemployment and runaway deficits. Several European countries faced similar deficits, which brought to light the imperfect structure of the euro. The reporting period ended with a market upswing, however, as European leaders took steps to address the Greek sovereign debt issue and stabilize their banking system.

Invesco V.I. International Growth Fund was not immune to this volatility, closing the year ended December 31, 2011, in negative territory. The Fund's relative results were favorable, however, with the Fund outperforming the Fund's style-specific benchmark, the MSCI EAFE Growth Index.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/10 to 12/31/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-6.74%
Series II Shares	-6.99
MSCI EAFE Index▼ (Broad Market Index)	-12.14
MSCI EAFE Growth Index▼ (Style-Specific Index)	-12.11
Lipper VUF International Growth Funds Index▼ (Peer Group Index)	-13.10

Source(s): ▼Lipper Inc.

How we invest

When selecting stocks for your Fund, we use a disciplined investment strategy that emphasizes fundamental research, supported by both quantitative analysis and portfolio construction techniques. Our earnings, quality, valuation (EQV) strategy focuses primarily on identifying quality companies that have experienced, or exhibit the potential for, accelerated or above-average earnings growth, but their stock prices have not fully reflected these attributes.

While research responsibilities within the portfolio management team are focused by geographic region, we select investments for the Fund using a bottom-up investment approach, which means we construct the Fund primarily on a stock-by-stock basis. We focus on the strengths of individual companies rather than sectors, countries or market-cap trends.

We believe disciplined sell decisions are key to successful investing. We consider selling a stock for one of the following reasons:

- A company's fundamentals deteriorate, or it posts disappointing earnings.
- A stock's price seems overvalued.
- A more attractive opportunity becomes available.

Market conditions and your Fund

Market volatility was intense during the reporting period. During mid-2011, Greek sovereign debt concerns and signs of slowing global growth continued to worry investors. In addition, numerous world events caught investors' attention, including the growing unrest in the Middle East and northern Africa, and the devastating earthquake and tsunami in Japan in March. Renewed credit problems overseas and the market correction that occurred mid-year created a more uncertain environment, which prompted many investors to favor safety over risk.

In this environment, we continued to manage the Fund's portfolio with a long-term view and a bottom-up approach (i.e., selecting stocks on an individual basis). From a sector perspective, the Fund fared better than its style-specific benchmark in six of 10 sectors, significantly outperforming in the consumer discretionary, materials and financials sectors. In each instance, strong stock selection played a key role in driving results. A modest cash exposure during the volatile reporting period was supportive on a relative basis as well.

In the consumer discretionary sector, favorable stock selection in the retail industry and the hotels, restaurants and leisure industry contributed positively to both relative and absolute results. Top stock level contributors included U.K. retailer **Next**. Zero exposure to several weak index names, including Sony and Panasonic (not Fund holdings) in the household durables industry, was supportive on a relative basis as well.

In financials, the reporting period's weakest sector, stock selection combined with underweight exposure, drove the Fund's relative results. As noted previously, the European sovereign debt situation was the focal point of investor concern through most of the reporting period, and we believe it will remain a key issue for markets entering 2012. Notably, the Fund ended the reporting period with limited direct exposure to companies based in Portugal, Ireland, Italy, Greece or Spain. (The Fund did hold two U.K. companies incorporated in Ireland for tax purposes.)

In the materials sector, the Fund's continued underweight exposure to a sector that was down almost 20%[1] for the reporting period, was a key driver of relative outperformance versus the index. At the end of the reporting period,

Portfolio Composition
By sector

Consumer Discretionary	18.0%
Consumer Staples	14.1
Health Care	11.3
Energy	10.1
Information Technology	10.1
Industrials	9.6
Financials	9.5
Telecommunication Services	4.0
Materials	3.6
Utilities	1.6
Money Market Funds Plus Other Assets Less Liabilities	8.1

Top 10 Equity Holdings*

1.	Compass Group PLC	2.3%
2.	Imperial Tobacco Group PLC	2.1
3.	Anheuser-Busch InBev N.V.	1.9
4.	Canon, Inc.	1.8
5.	Teva Pharmaceutical Industries Ltd.	1.7
6.	Yamada Denki Co., Ltd.	1.7
7.	Banco Bradesco S.A.	1.7
8.	Novartis AG	1.7
9.	BG Group PLC	1.6
10.	British American Tobacco PLC	1.6

Top Five Industries

1.	Pharmaceuticals	8.4%
2.	Integrated Oil & Gas	7.9
3.	Diversified Banks	6.2
4.	Packaged Foods & Meats	4.2
5.	Tobacco	3.7

Total Net Assets	$1.2 billion
Total Number of Holdings*	85

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

the Fund held approximately 4% of its total net assets in this sector while the MSCI EAFE Growth Index held close to 14%.[2]

In contrast, underweight exposure to consumer staples, the reporting period's strongest performing sector, also detracted from relative Fund results. However, solid stock selection enabled the Fund to deliver double-digit gains, outperforming the style-specific index within this sector despite our underweight position.

Fund holdings in the telecommunication services sector (predominantly in the wireless industry) detracted from the Fund's relative and absolute results. Mexican telecommunications company **America Movil** was one such detractor. Concerns about increased competition and rising regulatory risk in Mexico weighed on the stock price. We reduced the Fund's position in America Movil over the reporting period. Fund exposure in the information technology (IT) sector detracted on a relative basis as well, but the impact was modest.

In broad geographic terms, the Fund outperformed the MSCI EAFE Growth Index in both Europe and Asia. Outperformance in Europe was led by strong results in the U.K., which at about 20%, was the Fund's largest single country exposure. All five top stock level contributors were U.K.-based holdings, including **Imperial Tobacco Group** and **Shire**.

In Asia, the Fund's exposure to Japan was the key driver of relative results. In Japan, the effects of the March earthquake and tsunami have largely passed, and production levels returned to normal. However, Japan faced the effects of a new natural disaster with flooding in Thailand; Japanese manufacturers use Thailand as a production hub. The yen's continued strength and weak export numbers to the U.S. and Europe produced a steady stream of earnings growth downgrades as well. As a result, the Fund's underweight position in Japan contributed positively to relative performance.

In contrast, the Fund's exposure to emerging markets detracted from both absolute and relative results as the MSCI EAFE Growth Index did not have exposure to this segment of the market. During the reporting period, emerging markets underperformed developed markets due to multiple macroeconomic headwinds, including the European debt crisis, a deteriorating global economy, rising inflation and tightening monetary policies.

As long-term, bottom-up stock selectors, we see volatility as an opportunity to buy quality growth companies at more attractive-than-usual valuations. Consequently, we took advantage of market volatility to buy several stocks that had long been on our EQV radar.

Stock selection in the portfolio continued to be driven by the underlying fundamentals of companies, not any top-down macroeconomic views. That said, because of our belief in the long-term strength of consumer growth outside the U.S., we maintained overweight exposure to the consumer discretionary sector at the end of the reporting period. We reduced our exposure to the health care sector slightly but remained overweight compared to the Fund's style-specific index. The Fund also ended the reporting period with overweight exposure to the energy and IT sectors, while our largest underweight positions were in the materials, industrials, and consumer staples sectors.

At the close of the reporting period, we remained focused on investing according to our bottom-up stock selection process and maintaining our long-term investment view.

We thank you for your continued investment in Invesco V.I. International Growth Fund.

1 Source: Lipper Inc.

2 Source: MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

See important Fund and, if applicable, index disclosures later in this report.

Clas Olsson
Portfolio manager and CIO of Invesco's International Growth Investment Management Unit, is lead manager of Invesco V.I. International Growth Fund. He joined Invesco in 1994. Mr. Olsson became a commissioned officer at the Royal Swedish Naval Academy in 1988. He also earned a B.B.A. from The University of Texas at Austin.

Steve Cao
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1997. Mr. Cao earned a B.A. in English from the Tianjin Foreign Language Institute. He earned an M.B.A. from Texas A&M University. He is also a Certified Public Accountant.

Matthew Dennis
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2000. Mr. Dennis earned a B.A. in economics from The University of Texas at Austin. He also earned an M.S. in finance from Texas A&M University.

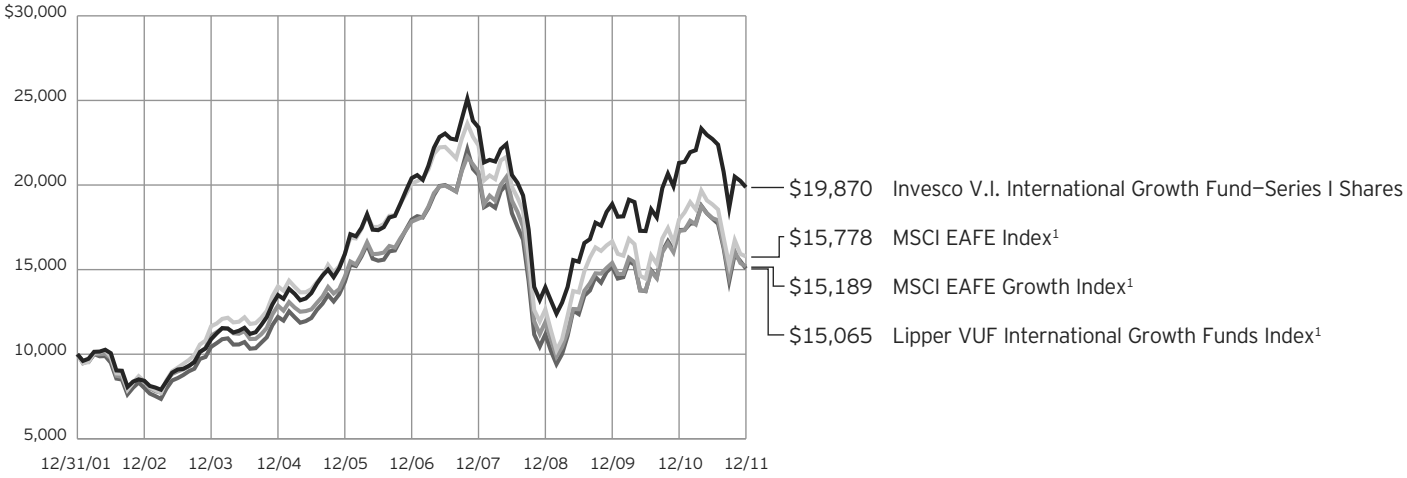
Jason Holzer
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1996. Mr. Holzer earned a B.A. in quantitative economics and an M.S. in engineering economic systems from Stanford University.

Mark Jason
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 2001. Mr. Jason earned a B.S. in finance and a B.S. in real estate from California State University at Northridge.

Your Fund's Long-Term Performance

Results of a $10,000 Investment — Oldest Share Class(es)

Fund and index data from 12/31/01*



1 Source: Lipper Inc.

*During the reporting period, Invesco changed its policy regarding growth of $10,000 charts. For funds older than 10 years, we previously showed performance since inception. Going forward, we will show performance for the most recent 10 years, since this more accurately reflects the experience of the typical shareholder. As a result, charts now may include benchmarks that did not appear previously, because the funds' inception pre-dated the benchmarks' inception. Also, all charts will now be presented using a linear format.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns
As of 12/31/11

Series I Shares	
Inception (5/5/93)	6.99%
10 Years	7.11
5 Years	-0.53
1 Year	-6.74
Series II Shares	
Inception (9/19/01)	7.31%
10 Years	6.83
5 Years	-0.78
1 Year	-6.99

The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.04% and 1.29%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. International Growth Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Invesco V.I. International Growth Fund's investment objective is long-term growth of capital.

- Unless otherwise stated, information presented in this report is as of December 31, 2011, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Developing markets securities risk. Securities issued by foreign companies and governments located in developing countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Growth investing risk. Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stock. As a result they tend to be more sensitive to changes in their earnings and can be more volatile.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

About indexes used in this report

The **MSCI EAFE® Index** is an unmanaged index considered representative of stocks of Europe, Australasia and the Far East.

The **MSCI EAFE® Growth Index** is an unmanaged index considered representative of growth stocks of Europe, Australasia and the Far East.

The **Lipper VUF International Growth Funds Index** is an unmanaged index considered representative of international growth variable insurance underlying funds tracked by Lipper.

The Fund is not managed to track the performance of any particular index, including the index(es) defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the index(es).

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

CPA® and Certified Public Accountant® are trademarks owned by the American Institute of Certified Public Accountants.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments

December 31, 2011

	Shares	Value
Common Stocks & Other Equity Interests–90.94%		
Australia–5.82%		
BHP Billiton Ltd.	455,880	$ 16,091,924
Brambles Ltd.	2,235,983	16,374,658
CSL Ltd.	286,823	9,387,602
QBE Insurance Group Ltd.	701,757	9,294,954
WorleyParsons Ltd.	606,233	15,882,514
		67,031,652
Belgium–1.93%		
Anheuser-Busch InBev N.V.	362,640	22,148,200
Brazil–2.46%		
Banco Bradesco S.A.–ADR	1,180,003	19,682,450
Petroleo Brasileiro S.A.–ADR	369,109	8,670,371
		28,352,821
Canada–5.85%		
Agrium Inc.	132,231	8,875,104
Canadian National Railway Co.	129,482	10,186,477
Canadian Natural Resources Ltd.	253,593	9,496,047
Cenovus Energy Inc.	320,865	10,654,557
Fairfax Financial Holdings Ltd.	25,187	10,803,858
Suncor Energy, Inc.	601,017	17,332,037
		67,348,080
China–1.20%		
Industrial & Commercial Bank of China Ltd.–Class H	23,195,000	13,804,265
Denmark–1.49%		
Novo Nordisk A.S.–Class B	149,589	17,191,443
France–6.27%		
BNP Paribas S.A.	219,077	8,605,784
Cap Gemini S.A.	260,708	8,109,655
Cie Generale des Etablissements Michelin–Class B	104,786	6,160,418
Danone S.A.	226,689	14,250,612
Eutelsat Communications S.A	193,492	7,536,139
L'Oreal S.A	70,004	7,311,918
Publicis Groupe S.A.	128,186	5,883,282
Schneider Electric S.A.	126,621	6,617,570
Total S.A.	150,487	7,681,300
		72,156,678
Germany–4.92%		
Adidas AG	252,490	16,424,858
Bayer AG	90,629	5,794,675
Germany–(continued)		
Bayerische Motoren Werke AG	55,889	$ 3,736,614
Fresenius Medical Care AG & Co. KGaA	201,842	13,715,315
SAP AG	321,057	16,974,976
		56,646,438
Hong Kong–2.28%		
China Mobile Ltd.	1,340,000	13,064,872
Hutchison Whampoa Ltd.	1,585,000	13,210,463
		26,275,335
India–0.87%		
Infosys Ltd.	192,539	10,042,035
Israel–1.73%		
Teva Pharmaceutical Industries Ltd.–ADR	493,993	19,937,558
Japan–9.21%		
Canon Inc.	456,900	20,249,922
Denso Corp.	464,800	12,821,715
FANUC Corp.	69,600	10,656,200
Keyence Corp.	45,300	10,927,580
Komatsu Ltd.	292,137	6,815,500
Nidec Corp.	142,495	12,372,842
Toyota Motor Corp.	368,800	12,278,726
Yamada Denki Co., Ltd.	292,630	19,929,571
		106,052,056
Mexico–3.45%		
America Movil SAB de C.V.–Series L–ADR	629,027	14,216,010
Fomento Economico Mexicano, S.A.B. de C.V.–ADR	212,219	14,793,787
Grupo Televisa S.A.B.–ADR	506,722	10,671,565
		39,681,362
Netherlands–2.88%		
Koninklijke (Royal) KPN N.V.	168,309	2,009,512
Koninklijke Ahold N.V.	898,204	12,079,338
Unilever N.V.	454,154	15,596,927
VimpelCom Ltd.–ADR	363,183	3,439,343
		33,125,120
Russia–0.92%		
Gazprom OAO–ADR	994,429	10,600,613
Singapore–2.35%		
Keppel Corp. Ltd.	2,084,661	14,900,788
United Overseas Bank Ltd.	1,031,000	12,106,338
		27,007,126

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
South Korea–2.46%		
Hyundai Mobis	54,347	$ 13,770,076
NHN Corp.[(a)]	79,662	14,585,172
		28,355,248
Spain–0.53%		
Amadeus IT Holding S.A.–Class A	380,769	6,151,361
Sweden–3.02%		
Kinnevik Investment A.B.–Class B	286,593	5,584,928
Swedbank A.B.–Class A	778,397	10,084,298
Telefonaktiebolaget LM Ericsson–Class B	1,282,861	13,032,357
Volvo A.B.–Class B	552,654	6,008,790
		34,710,373
Switzerland–8.10%		
ABB Ltd.[(a)]	682,815	12,853,672
Julius Baer Group Ltd.[(a)]	310,808	12,089,228
Nestle S.A.	316,875	18,194,622
Novartis AG	343,762	19,655,046
Roche Holding AG	84,080	14,220,921
Syngenta AG[(a)]	55,277	16,270,728
		93,284,217
Taiwan–1.39%		
Taiwan Semiconductor Manufacturing Co. Ltd.–ADR	1,243,220	16,049,970
Turkey–0.63%		
Akbank T.A.S.	2,270,373	7,201,103
United Kingdom–21.18%		
BG Group PLC	880,867	18,791,373
British American Tobacco PLC	395,410	18,767,794
United Kingdom–(continued)		
Centrica PLC	2,302,316	$ 10,346,576
Compass Group PLC	2,766,196	26,198,250
GlaxoSmithKline PLC	416,138	9,491,482
Imperial Tobacco Group PLC	642,681	24,309,595
Informa PLC	1,655,582	9,256,239
International Power PLC	1,556,037	8,150,623
Kingfisher PLC	2,752,677	10,719,953
Next PLC	346,548	14,734,028
Reed Elsevier PLC	2,039,801	16,445,173
Royal Dutch Shell PLC–Class B	462,183	17,618,618
Shire PLC	302,315	10,495,643
Smith & Nephew PLC	1,105,477	10,714,726
Tesco PLC	2,443,252	15,312,330
Vodafone Group PLC	4,679,475	13,004,414
WPP PLC	911,833	9,524,986
		243,881,803
Total Common Stocks & Other Equity Interests (Cost $836,474,217)		1,047,034,857
Preferred Stocks–0.99%		
Germany–0.99%		
Volkswagen AG -1.63% Pfd. (Cost $14,017,517)	76,068	11,375,563
Money Market Funds–8.43%		
Liquid Assets Portfolio–Institutional Class[(b)]	48,544,895	48,544,895
Premier Portfolio–Institutional Class[(b)]	48,544,895	48,544,895
Total Money Market Funds (Cost $97,089,790)		97,089,790
TOTAL INVESTMENTS–100.36% (Cost $947,581,524)		1,155,500,210
OTHER ASSETS LESS LIABILITIES–(0.36)%		(4,088,300)
NET ASSETS–100.00%		$1,151,411,910

Investment Abbreviations:

ADR – American Depositary Receipt
Pfd. – Preferred

Notes to Schedule of Investments:

(a) Non-income producing security.
(b) The money market fund and the Fund are affiliated by having the same investment adviser.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

December 31, 2011

Assets:	
Investments, at value (Cost $850,491,734)	$1,058,410,420
Investments in affiliated money market funds, at value and cost	97,089,790
Total investments, at value (Cost $947,581,524)	1,155,500,210
Foreign currencies, at value (Cost $816,921)	823,809
Receivable for:	
Investments sold	17,956
Fund shares sold	1,803,402
Dividends	4,175,652
Investment for trustee deferred compensation and retirement plans	61,727
Other assets	190
Total assets	1,162,382,946
Liabilities:	
Payable for:	
Investments purchased	8,389,244
Fund shares reacquired	1,047,060
Accrued fees to affiliates	1,087,627
Accrued other operating expenses	266,148
Trustee deferred compensation and retirement plans	180,957
Total liabilities	10,971,036
Net assets applicable to shares outstanding	$1,151,411,910
Net assets consist of:	
Shares of beneficial interest	$1,183,401,097
Undistributed net investment income	18,339,786
Undistributed net realized gain (loss)	(258,508,038)
Unrealized appreciation	208,179,065
	$1,151,411,910
Net Assets:	
Series I	$ 544,142,504
Series II	$ 607,269,406
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	20,637,504
Series II	23,284,098
Series I:	
Net asset value per share	$ 26.37
Series II:	
Net asset value per share	$ 26.08

Statement of Operations

For the year ended December 31, 2011

Investment income:	
Dividends (net of foreign withholding taxes of $2,436,148)	$ 32,571,151
Dividends from affiliated money market funds	86,398
Total investment income	32,657,549
Expenses:	
Advisory fees	8,381,388
Administrative services fees	3,137,238
Custodian fees	364,091
Distribution fees — Series II	1,505,155
Transfer agent fees	76,233
Trustees' and officers' fees and benefits	68,410
Other	131,751
Total expenses	13,664,266
Less: Fees waived	(126,641)
Net expenses	13,537,625
Net investment income	19,119,924
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (net of tax on the sale of foreign investments of $186)	54,328,405
Foreign currencies	(512,075)
	53,816,330
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes on holdings of $2,336,660)	(159,501,801)
Foreign currencies	(35,056)
	(159,536,857)
Net realized and unrealized gain (loss)	(105,720,527)
Net increase (decrease) in net assets resulting from operations	$ (86,600,603)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	2011	2010
Operations:		
Net investment income	$ 19,119,924	$ 18,371,750
Net realized gain (loss)	53,816,330	(17,156,987)
Change in net unrealized appreciation (depreciation)	(159,536,857)	41,178,093
Net increase (decrease) in net assets resulting from operations	(86,600,603)	42,392,856
Distributions to shareholders from net investment income:		
Series I	(8,703,100)	(11,906,519)
Series II	(6,565,728)	(9,115,881)
Total distributions from net investment income	(15,268,828)	(21,022,400)
Share transactions–net:		
Series I	6,595,238	(19,927,647)
Series II	90,856,363	(903,010,172)
Net increase (decrease) in net assets resulting from share transactions	97,451,601	(922,937,819)
Net increase (decrease) in net assets	(4,417,830)	(901,567,363)
Net assets:		
Beginning of year	1,155,829,740	2,057,397,103
End of year (includes undistributed net investment income of $18,339,786 and $15,003,445, respectively)	$1,151,411,910	$1,155,829,740

Notes to Financial Statements

December 31, 2011

NOTE 1—Significant Accounting Policies

Invesco V.I. International Growth Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is long-term growth of capital.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as

institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to

taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements that contain a variety of 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 as a result of such indemnification claims is considered remote.

I. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

J. Foreign Currency Contracts — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Net Assets	Rate
First $250 million	0.75%
Over $250 million	0.70%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective May 2, 2011, the Adviser has contractually agreed, through at least June 30, 2012, to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.11% and Series II shares to 1.36% of average daily net assets. Prior to May 2, 2011, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses of all shares to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary items or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2012. The Adviser did not waive fees and/or reimburse expenses during the period under the expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the year ended December 31, 2011, the Adviser waived advisory fees of $126,641.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to

insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2011, Invesco was paid $281,281 for accounting and fund administrative services and reimbursed $2,855,957 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, Invesco Ltd., IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

	Level 1*	Level 2*	Level 3	Total
Australia	$ 35,057,214	$ 31,974,438	$—	$ 67,031,652
Belgium	—	22,148,200	—	22,148,200
Brazil	28,352,821	—	—	28,352,821
Canada	67,348,080	—	—	67,348,080
China	—	13,804,265	—	13,804,265
Denmark	17,191,443	—	—	17,191,443
France	30,168,314	41,988,364	—	72,156,678
Germany	52,909,824	15,112,177	—	68,022,001
Hong Kong	—	26,275,335	—	26,275,335
India	10,042,035	—	—	10,042,035
Israel	19,937,558	—	—	19,937,558
Japan	61,763,273	44,288,783	—	106,052,056
Mexico	39,681,362	—	—	39,681,362
Netherlands	3,439,343	29,685,777	—	33,125,120
Russia	10,600,613	—	—	10,600,613
Singapore	—	27,007,126	—	27,007,126
South Korea	28,355,248	—	—	28,355,248
Spain	—	6,151,361	—	6,151,361
Sweden	15,669,226	19,041,147	—	34,710,373

	Level 1*	Level 2*	Level 3	Total
Switzerland	32,508,718	60,775,499	—	93,284,217
Taiwan	16,049,970	—	—	16,049,970
Turkey	—	7,201,103		7,201,103
United Kingdom	149,409,104	94,472,699	—	243,881,803
United States	97,089,790	—	—	97,089,790
Total Investments	$715,573,936	$439,926,274	$—	$1,155,500,210

* Transfers occurred between Level 1 and Level 2 due to foreign fair value adjustments.

NOTE 4—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the year ended December 31, 2011, the Fund paid legal fees of $2,606 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

NOTE 5—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with The State Street Bank and Trust Company, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 6—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2011 and 2010:

	2011	2010
Ordinary income	$15,268,828	$21,022,400

Tax Components of Net Assets at Period-End:

	2011
Undistributed ordinary income	$ 18,518,772
Net unrealized appreciation — investments	185,778,657
Net unrealized appreciation — other investments	260,384
Temporary book/tax differences	(178,985)
Capital loss carryforward	(236,368,015)
Shares of beneficial interest	1,183,401,097
Total net assets	$1,151,411,910

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions. Under these limitation rules, the Fund is limited to utilizing $226,177,234 of capital loss carryforward in the fiscal year ending December 31, 2012.

The Fund utilized $46,997,606 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward

Expiration	Short-Term
December 31, 2016	$ 55,375,763
December 31, 2017	143,189,697
December 31, 2018	37,802,555
	$236,368,015

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 7—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2011 was $335,013,091 and $280,952,344, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$222,745,738
Aggregate unrealized (depreciation) of investment securities	(36,967,081)
Net unrealized appreciation of investment securities	$185,778,657

Cost of investments for tax purposes is $969,721,553.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of expired capital loss carryforward and foreign currency transactions, on December 31, 2011, undistributed net investment income was decreased by $512,075, undistributed net realized gain (loss) was increased by $29,108,216 and shares of beneficial interest decreased by $28,596,141. Further, as a result of tax deferrals and capital loss carryforward acquired in the reorganization of Invesco Van Kampen V.I. International Growth Equity Fund into the Fund, undistributed net investment income was decreased by $2,680, undistributed net realized gain (loss) was decreased by $44,174,791 and shares of beneficial interest increased by $44,177,471. These reclassifications had no effect on the net assets of the Fund.

NOTE 9—Share Information

Summary of Share Activity

	Year ended December 31,			
	2011[a]		2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	4,674,557	$ 132,444,153	3,482,926	$ 94,266,556
Series II	5,695,478	157,043,118	6,653,404	171,405,013
Issued as reinvestment of dividends:				
Series I	292,246	8,703,100	445,770	11,906,519
Series II	222,492	6,565,728	345,168	9,115,882
Issued in connection with acquisitions:[b]				
Series I	426	13,190	—	—
Series II	1,107,888	34,002,342	—	—
Reacquired:				
Series I	(4,761,021)	(134,565,205)	(4,909,461)	(126,100,722)
Series II	(3,833,060)	(106,754,825)	(45,442,204)	(1,083,531,067)
Net increase (decrease) in share activity	3,399,006	$ 97,451,601	(39,424,397)	$ (922,937,819)

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 35% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

(b) As of the open of business on May 2, 2011, the Fund acquired all the net assets of Invesco Van Kampen V.I. International Growth Equity Fund (the "Target Fund") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 10, 2010 and by the shareholders of the Target Fund on April 1, 2011. The acquisition was accomplished by a tax-free exchange of 1,108,314 shares of the Fund for 3,524,810 shares outstanding of the Target Fund as of the close of business on April 29, 2011. Each class of the Target Fund was exchanged for the like class of shares of the Fund based on the relative net asset value of the Target Fund to the net asset value of the Fund on the close of business, April 29, 2011. The Target Fund's net assets at that date of $34,015,533 including $7,388,865 of unrealized appreciation, was combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $1,248,419,884. The net assets of the Fund immediately following the acquisition were $1,282,435,417.

The pro forma results of operations for the year ended December 31, 2011, assuming the reorganization had been completed on January 1, 2011, the beginning of the annual reporting period are as follows:

Net investment income	$ 19,406,572
Net realized/unrealized gains (losses)	(102,914,763)
Change in net assets resulting from operations	$ (83,508,191)

The combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earrings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

NOTE 10—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Distributions from net realized gains	Total Distributions	Net asset value, end of period	Total Return[b]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income to average net assets	Portfolio turnover[c]
Series I														
Year ended 12/31/11	$28.69	$0.50	$ (2.38)	$ (1.88)	$(0.44)	$ —	$(0.44)	$26.37	(6.74)%	$ 544,143	1.02%[d]	1.03%[d]	1.75%[d]	26%
Year ended 12/31/10	26.01	0.38	2.92	3.30	(0.62)	—	(0.62)	28.69	12.86	586,219	1.03	1.04	1.46	38
Year ended 12/31/09	19.49	0.32	6.55	6.87	(0.35)	—	(0.35)	26.01	35.24	556,883	1.02	1.04	1.47	27
Year ended 12/31/08	33.63	0.54	(14.16)	(13.62)	(0.15)	(0.37)	(0.52)	19.49	(40.38)	446,437	1.05	1.06	1.96	44
Year ended 12/31/07	29.44	0.34	3.98	4.32	(0.13)	—	(0.13)	33.63	14.68	792,779	1.06	1.07	1.06	20
Series II														
Year ended 12/31/11	28.35	0.42	(2.36)	(1.94)	(0.33)	—	(0.33)	26.08	(6.99)	607,269	1.27[d]	1.28[d]	1.50[d]	26
Year ended 12/31/10	25.63	0.31	2.89	3.20	(0.48)	—	(0.48)	28.35	12.61	569,610	1.28	1.29	1.21	38
Year ended 12/31/09	19.23	0.27	6.44	6.71	(0.31)	—	(0.31)	25.63	34.91	1,500,514	1.27	1.29	1.22	27
Year ended 12/31/08	33.24	0.45	(13.96)	(13.51)	(0.13)	(0.37)	(0.50)	19.23	(40.55)	793,365	1.30	1.31	1.71	44
Year ended 12/31/07	29.16	0.26	3.94	4.20	(0.12)	—	(0.12)	33.24	14.41	745,206	1.31	1.32	0.81	20

(a) Calculated using the average shares outstanding.

(b) Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

(c) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ending December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $23,376,285 and sold of $8,831,296 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco Van Kampen V.I. International Growth Equity Fund into the Fund.

(d) Ratios are based on average daily net assets (000's omitted) of $577,422 and $602,062 for Series I and Series II shares, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds)
and Shareholders of Invesco V.I. International Growth Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. International Growth Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 audits 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 14, 2012
Houston, Texas

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/11)	Ending Account Value (12/31/11)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/11)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$874.60	$4.82	$1,020.06	$5.19	1.02%
Series II	1,000.00	873.40	6.00	1,018.80	6.46	1.27

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2011 through December 31, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2011:

Federal and State Income Tax

Corporate Dividends Received Deduction*	0%
Foreign Taxes	$0.0523 per share
Foreign Source Income	$0.8758 per share

* The above percentages are based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	140	None
Philip A. Taylor[2] — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	140	None
Wayne W. Whalen[3] — 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex	158	Director of the Abraham Lincoln Presidential Library Foundation
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	140	ACE Limited (insurance company); and Investment Company Institute

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.	158	Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers' Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie	140	Director and Chairman, C.D. Stimson Company (a real estate investment company)
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	140	Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	President of CAC, LLC, a private company offering capital investment and management advisory services. Formerly: Prior to January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Vice Chairman of Anixter International. Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.	158	Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich & Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	140	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives	140	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	140	Director, Reich & Tang Funds (16 portfolios)

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	140	None
Larry Soll — 1942 Trustee	2004	Retired Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	140	None
Hugo F. Sonnenschein — 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago.	158	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	140	None
Other Officers				
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Van Kampen Funds Inc. and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Secretary, Van Kampen Advisors Inc.; Director Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, Inc.; and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Investment Services, Inc.(formerly known as Invesco Aim Investment Services, Inc.); and Vice President, The Invesco Funds Formerly: Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Van Kampen Investor Services Inc.; Senior Vice President, Invesco Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company	N/A	N/A

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Other Officers—(continued)				
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser). Formerly: Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only). Formerly: Senior Vice President, Van Kampen Investments Inc.; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A
Yinka Akinsola — 1977 Anti-Money Laundering Compliance Officer	2011	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp. and Van Kampen Funds Inc.	N/A	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds, INVESCO Private Capital Investments, Inc. (holding company) and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.). Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser) and Van Kampen Investor Services Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Auditors
PricewaterhouseCoopers LLP
1201 Louisiana Street, Suite 2900
Houston, TX 77002-5678

Counsel to the Fund
Stradley Ronon Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103

Counsel to the Independent Trustees
Kramer, Levin, Naftalis & Frankel LLP
1177 Avenue of the Americas
New York, NY 10036-2714

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 2500
Houston, TX77046-1173

Custodian
State Street Bank and Trust Company
225 Franklin
Boston, MA 02110-2801

Invesco V.I. Technology Fund

Annual Report to Shareholders ▪ December 31, 2011

The Fund provides a complete list of its holdings four times in each fiscal year, at the quarter-ends. For the second and fourth quarters, the lists appear in the Fund's semiannual and annual reports to shareholders. For the first and third quarters, the Fund files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The Fund's Form N-Q filings are available on the SEC website, sec.gov. Copies of the Fund's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: publicinfo@sec.gov. The SEC file numbers for the Fund are 811-07452 and 033-57340. The Fund's most recent portfolio holdings, as filed on Form N-Q, have also been made available to insurance companies issuing variable annuity contracts and variable life insurance policies ("variable products") that invest in the Fund.

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 959 4246 or at invesco.com/proxyguidelines. The information is also available on the SEC website, sec.gov.

Information regarding how the Fund voted proxies related to its portfolio securities during the 12 months ended June 30, 2011, is available at invesco.com/proxysearch. The information is also available on the SEC website, sec.gov.

Invesco Advisers, Inc. is an investment adviser; it provides investment advisory services to individual and institutional clients and does not sell securities. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail mutual funds, exchange-traded funds and institutional money market funds. Both are wholly owned, indirect subsidiaries of Invesco Ltd.

This report must be accompanied or preceded by a currently effective Fund prospectus and variable product prospectus, which contain more complete information, including sales charges and expenses. Investors should read each carefully before investing.

Invesco Distributors, Inc.

I-VITEC-AR-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

Management's Discussion of Fund Performance

Performance summary

For the fiscal year ended December 31, 2011, equity markets were quite volatile, and investors generally favored less economically sensitive sectors. Invesco V.I. Technology Fund significantly outperformed its style-specific benchmark, the BofA Merrill Lynch 100 Technology Index, primarily due to the Fund's security selection in the information technology services, computers and peripherals, and communications equipment industries.

Your Fund's long-term performance appears later in this report.

Fund vs. Indexes

Total returns, 12/31/10 to 12/31/11, excluding variable product issuer charges. If variable product issuer charges were included, returns would be lower.

Series I Shares	-5.05%
Series II Shares	-5.32
S&P 500 Index▼ (Broad Market Index)	2.09
BofA Merrill Lynch 100 Technology Index (price only)▼ (Style-Specific Index)	-12.27
Lipper VUF Science & Technology Funds Category Average▼ (Peer Group)	-6.50

Source(s): ▼Lipper Inc.

How we invest

We seek to grow capital by investing in companies we believe generate sustainable, superior earnings and cash flow growth that is not fully reflected in investor expectations or equity valuations. The Fund emphasizes companies believed to have a strategic advantage over their competition and operating in industries believed to be beneficiaries of secular trends. The Fund invests in industries such as hardware, software, telecommunications equipment and services, semiconductors and service-related companies in the information technology (IT) sector. We use a research-oriented bottom-up investment approach focusing on company fundamentals and growth prospects.

We place great emphasis on companies exhibiting high returns on invested capital and generating free cash flow, metrics we believe are good indicators of financial health and growth potential. We seek companies with management teams that maintain high quality balance sheets and manageable debt levels. Valuation also plays a critical role in stock selection.

Risk management is an integral part of our portfolio construction process as we attempt to limit volatility and downside risk. Only stocks that exhibit a proper balance of risk and reward are chosen for inclusion in the portfolio. We seek to accomplish this goal by thoroughly understanding the key business drivers of companies in which we invest. The portfolio is constructed with the goal of holding a diversified portfolio of stocks we believe are best suited to capitalize on secular trends prevalent in the IT sector.

We may reduce or eliminate our holding in a stock when:

- A stock's price reaches its valuation target.
- A company's fundamentals change or deteriorate.
- It no longer meets our investment criteria.

Market conditions and your Fund

Equity markets were highly volatile during the fiscal year as investors weighed the competing issues of improved corporate profits, soft macroeconomic data and sovereign debt issues in Europe. In the U.S., corporate earnings increased, but often were overshadowed by concerns about high unemployment and a lack of consumer confidence. After generally rising through July, major equity indexes sold off precipitously in August as the U.S. received the first-ever downgrade to its credit rating from Standard & Poor's, and while the sovereign debt crisis unfolded in the eurozone, prompting fears of a "double-dip" recession. Equity markets rebounded in the fourth quarter of 2011, despite a lack of meaningful resolutions to improve the global economy.

Major domestic equity indexes garnered positive returns for the fiscal year, and seven out of 10 sectors in the S&P 500 Index posted gains. Less economically sensitive sectors such as utilities, consumer staples and health care had the highest returns. Conversely, the financials, materials and industrials sectors were the market laggers and produced losses for the reporting period.

On an absolute basis, the Fund produced a loss for the fiscal year, following its strong absolute performance from the prior year, primarily as a result of losses in the semiconductors, software and communications equipment industries. Outperformance relative to the Fund's style-specific index, however, was primarily attributable to security selection, with positive results also stemming from market allocation. Specifically, security selection in IT services, computers and peripherals and communications equipment contributed significantly to the Fund's relative performance. In terms of market allocation, relative overweight exposures to Internet and catalog retail and software were beneficial. Conversely, the Fund's security selection and underweight exposure to Internet software and services stocks detracted from relative performance. Additionally, the Fund's lack of holdings in the household

Portfolio Composition

By sector

Information Technology	92.2%
Consumer Discretionary	2.0
Health Care	1.1
Materials	1.1
Industrials	0.6
Financials	0.3
Money Market Funds Plus Other Assets Less Liabilities	2.7

Top 10 Equity Holdings*

1.	Apple Inc.	9.8%
2.	Google Inc.-Class A	4.9
3.	QUALCOMM, Inc.	4.2
4.	Cognizant Technology Solutions Corp.-Class A	3.5
5.	EMC Corp.	3.3
6.	Microsoft Corp.	2.9
7.	Oracle Corp.	2.8
8.	Check Point Software Technologies Ltd.	2.6
9.	Citrix Systems, Inc.	2.5
10.	Intel Corp.	2.5

Total Net Assets	$102.2 million
Total Number of Holdings*	76

The Fund's holdings are subject to change, and there is no assurance that the Fund will continue to hold any particular security.

*Excluding money market fund holdings.

durables industry, an industry which is part of the style-specific index, negatively affected the Fund's relative performance in 2011.

Top individual contributors to the Fund's absolute performance during the fiscal year included **Apple** and **MasterCard**. Following four years of exclusivity with AT&T (not a Fund holding), Apple expanded its distribution of the iPhone to Verizon Wireless and Sprint (not Fund holdings) during 2011. Apple also unveiled the iPhone 4 and the iPhone 4S, as well as the new speech-recognition feature called Siri. Despite losing its visionary and founder, Steve Jobs, we believe Apple's unique competitive advantage to be sustainable. With regards to MasterCard, the company has managed expenses well and, in general, credit card volumes rebounded during the second half of the year.

Top detractors from Fund performance included **Rovi** and **Microsemi**. Rovi is a global leader in digital entertainment products and services, while Microsemi designs and manufactures semiconductors for use in defense-related electronics, wireless phones, TVs and other devices. When Rovi announced expectations for the third quarter and overall 2011 fiscal year would fall short of analyst expectations, investors reacted negatively. Microsemi, on the other hand, announced revenue guidance above analyst estimates, yet suffered from poor investor sentiment toward defense budget related stocks. We continued to own Microsemi, and in fact increased our exposure on the company's weakness. We did, however, sell Rovi before the close of the reporting period.

We remain confident about the medium-term outlook for technology stocks, primarily due to the potential for increased enterprise spending. Businesses have been reluctant to hire additional employees due to ancillary costs and, therefore, are using IT to compensate. Additionally, we believe emerging markets will continue to have increased technology needs. Going forward, we see possible improvements in credit markets, stabilization of demand patterns and conditions for secular growth. Longer term, we continue to see positive trends in the IT sector because we believe three key secular themes, which are independent of short-term catalysts, continue to offer support: 1) globalization – productivity gains support increased technology use in international markets; 2) consumerization – technology demand is consumer-driven; 3) proliferation – technology continues to penetrate products ranging from automobiles and industrial controls to sporting gear and alternative energy.

As always, we thank you for your continued investment in Invesco V.I. Technology Fund.

The views and opinions expressed in management's discussion of Fund performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

See important Fund and, if applicable, index disclosures later in this report.

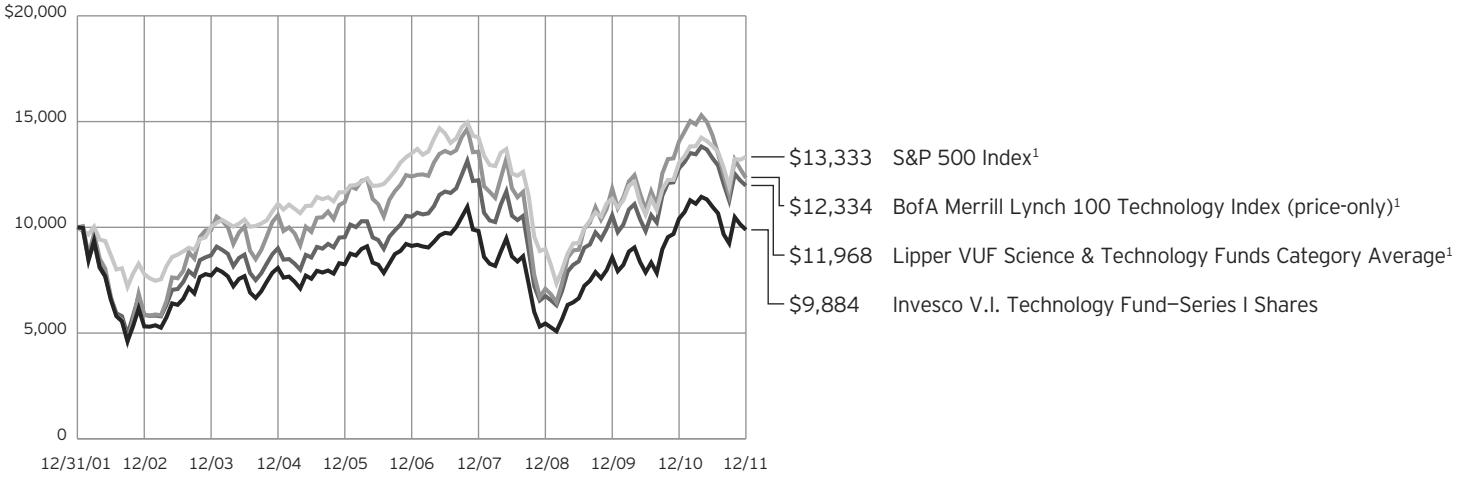
Warren Tennant
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. Technology Fund. Mr. Tennant joined Invesco in 2000 and was named a portfolio manager in 2007 before becoming lead manager of the Fund in 2008. He earned both a B.B.A. in finance and an M.B.A. from The University of Texas at Austin.

Brian Nelson
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Technology Fund. He joined Invesco in 2004. Mr. Nelson earned a B.A. from the University of California Santa Barbara and is a member of the CFA Society of San Francisco.

Your Fund's Long-Term Performance

Results of a $10,000 Investment – Oldest Share Class(es)

Fund and index data from 12/31/01*



1 Source: Lipper Inc.

*During the reporting period, Invesco changed its policy regarding growth of $10,000 charts. For funds older than 10 years, we previously showed performance since inception. Going forward, we will show performance for the most recent 10 years, since this more accurately reflects the experience of the typical shareholder. As a result, charts now may include benchmarks that did not appear previously, because the funds' inception pre-dated the benchmarks' inception. Also, all charts will now be presented using a linear format.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/11*	
Series I Shares	
Inception (5/20/97)	2.96%
10 Years	-0.12
5 Years	1.62
1 Year	-5.05
Series II Shares	
10 Years	-0.39%
5 Years	1.35
1 Year	-5.32

Series II shares incepted on April 30, 2004. Performance shown prior to that date is that of Series I shares, restated to reflect the higher 12b-1 fees applicable to Series II. Series I performance reflects any applicable fee waivers or expense reimbursements. The performance of the Fund's Series I and Series II share classes will differ primarily due to different class expenses.

The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Please contact your variable product issuer or financial adviser for the most recent month-end variable product performance. Performance figures reflect Fund expenses, reinvested distributions and changes in net asset value. Investment return and principal value will fluctuate so that you may have a gain or loss when you sell shares.

The total annual Fund operating expense ratio set forth in the most recent Fund prospectus as of the date of this report for Series I and Series II shares was 1.14% and 1.39%, respectively. The expense ratios presented above may vary from the expense ratios presented in other sections of this report that are based on expenses incurred during the period covered by this report.

Invesco V.I. Technology Fund, a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds), is currently offered through insurance companies issuing variable products. You cannot purchase shares of the Fund directly. Performance figures given represent the Fund and are not intended to reflect actual variable product values. They do not reflect sales charges, expenses and fees assessed in connection with a variable product. Sales charges, expenses and fees, which are determined by the variable product issuers, will vary and will lower the total return.

The most recent month-end performance data at the Fund level, excluding variable product charges, is available at 800 451 4246. As mentioned above, for the most recent month-end performance including variable product charges, please contact your variable product issuer or financial adviser.

Invesco V.I. Technology Fund's investment objective is long-term growth of capital.

- Unless otherwise stated, information presented in this report is as of December 31, 2011, and is based on total net assets.
- Unless otherwise noted, all data provided by Invesco.
- To access your Fund's reports/prospectus, visit invesco.com/fundreports.

Principal risks of investing in the Fund

Foreign securities risk. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates; political and social instability; changes in economic or taxation policies; difficulties when enforcing obligations; decreased liquidity; and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies

Initial Public Offering (IPO) risk. The prices of IPO securities may fluctuate more than prices of equity securities of companies with longer trading histories. In addition, companies offering securities in IPOs may have less experienced management or limited operating histories. There can be no assurance that the Fund will have favorable IPO investment opportunities.

Management risk. The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results.

Market risk. The prices of and the income generated by the Fund's securities may decline in response to, among other things, investor sentiment; general economic and market conditions; regional or global instability; and currency and interest rate fluctuations.

Sector fund risk. The Fund's investments are concentrated in a comparatively narrow segment of the economy, which may make the Fund more volatile than non-concentrated funds.

Small- and mid-capitalization risks. Stocks of small and mid-sized companies tend to be more vulnerable to adverse developments in the above factors and may have little or no operating history or track record of success, and limited product lines, markets, management and financial resources. The securities of small and mid-sized companies may be more volatile due to less market interest and less publicly available information about the issuer. They also may be illiquid or restricted as to resale, or may trade less frequently and in smaller volumes, all of which may cause difficulty when establishing or closing a position at a desirable price.

Technology sector risk. Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers in this sector.

About indexes used in this report

The **S&P 500® Index** is an unmanaged index considered representative of the U.S. stock market.

The **BofA Merrill Lynch 100 Technology Index** is a price-only equal-dollar weighted index of 100 stocks designed to measure the performance of a cross section of large, actively traded technology stocks and American Depositary Receipts.

The **Lipper VUF Science & Technology Funds Category Average** represents an average of all of the variable insurance underlying funds in the Lipper Science & Technology Funds category.

The Fund is not managed to track the performance of any particular index, including the indexes defined here, and consequently, the performance of the Fund may deviate significantly from the performance of the indexes.

A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects fund expenses; performance of a market index does not.

Other information

The Chartered Financial Analyst® (CFA®) designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.

Industry classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

The returns shown in management's discussion of Fund performance are based on net asset values calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Fund at period end for financial reporting purposes, and as such, the net asset values for shareholder transactions and the returns based on those net asset values may differ from the net asset values and returns reported in the Financial Highlights. Additionally, the returns and net asset values shown throughout this report are at the Fund level only and do not include variable product issuer charges. If such charges were included, the total returns would be lower.

Schedule of Investments[a]

December 31, 2011

	Shares	Value
Common Stocks & Other Equity Interests–97.26%		
Application Software–7.23%		
Autodesk, Inc.[b]	25,447	$ 771,807
Citrix Systems, Inc.[b]	42,767	2,596,812
NICE Systems Ltd.–ADR (Israel)[b]	31,386	1,081,248
Nuance Communications, Inc.[b]	43,357	1,090,862
Salesforce.com, Inc.[b]	7,747	786,011
Taleo Corp.–Class A[b]	9,042	349,835
TIBCO Software Inc.[b]	29,620	708,214
		7,384,789
Communications Equipment–9.47%		
ADTRAN, Inc.	19,204	579,193
Ciena Corp.[b]	50,440	610,324
F5 Networks, Inc.[b]	9,919	1,052,604
Finisar Corp.[b]	19,854	332,455
JDS Uniphase Corp.[b]	63,880	666,907
Juniper Networks, Inc.[b]	13,111	267,596
Polycom, Inc.[b]	40,912	666,866
QUALCOMM, Inc.	77,572	4,243,188
Sonus Networks, Inc.[b]	172,767	414,641
Sycamore Networks, Inc.[b]	19,967	357,409
Ubiquiti Networks Inc.[b]	26,574	484,444
		9,675,627
Computer Hardware–9.78%		
Apple Inc.[b]	24,691	9,999,855
Computer Storage & Peripherals–6.62%		
EMC Corp.[b]	154,754	3,333,401
NetApp, Inc.[b]	30,474	1,105,292
SanDisk Corp.[b]	22,095	1,087,295
Synaptics Inc.[b]	24,251	731,168
Western Digital Corp.[b]	16,557	512,439
		6,769,595
Data Processing & Outsourced Services–9.98%		
Alliance Data Systems Corp.[b]	12,792	1,328,321
Genpact Ltd. (Bermuda)[b]	83,942	1,254,933
MasterCard, Inc.–Class A	6,522	2,431,532
VeriFone Systems, Inc.[b]	27,146	964,226
Visa Inc.–Class A	24,151	2,452,051
Western Union Co.	43,735	798,601
Wright Express Corp.[b]	17,962	974,978
		10,204,642
Electronic Manufacturing Services–1.79%		
Jabil Circuit, Inc.	68,268	$ 1,342,149
TE Connectivity Ltd.	15,865	488,800
		1,830,949
Fertilizers & Agricultural Chemicals–1.07%		
Monsanto Co.	15,547	1,089,378
Internet Retail–1.97%		
Amazon.com, Inc.[b]	11,605	2,008,825
Internet Software & Services–8.65%		
eBay Inc.[b]	35,794	1,085,632
Google Inc.–Class A[b]	7,730	4,992,807
Responsys, Inc.[b]	30,217	268,629
ValueClick, Inc.[b]	64,484	1,050,444
Velti PLC (Ireland)[b]	44,473	302,416
VeriSign, Inc.	31,995	1,142,862
		8,842,790
IT Consulting & Other Services–6.63%		
Accenture PLC–Class A (Ireland)	26,251	1,397,341
Cognizant Technology Solutions Corp.–Class A[b]	55,071	3,541,616
International Business Machines Corp.	9,984	1,835,858
		6,774,815
Life Sciences Tools & Services–1.06%		
Agilent Technologies, Inc.[b]	31,002	1,082,900
Other Diversified Financial Services–0.35%		
BlueStream Ventures L.P. (Acquired 08/03/00-06/13/08; Acquisition Cost $3,149,655)[c][d]	—	357,428
Research & Consulting Services–0.65%		
Acacia Research-Acacia Technologies[b]	18,257	666,563
Semiconductor Equipment–3.24%		
ASML Holding N.V.–New York Shares (Netherlands)	11,797	492,997
Cymer, Inc.[b]	19,119	951,362
Intermolecular Inc.[b]	51,640	443,071
Novellus Systems, Inc.[b]	19,755	815,684
Teradyne, Inc.[b]	44,518	606,780
		3,309,894
Semiconductors–16.01%		
ARM Holdings PLC–ADR (United Kingdom)	8,918	246,761
Avago Technologies Ltd. (Singapore)	19,326	557,748
Broadcom Corp.–Class A[b]	64,252	1,886,439
Cypress Semiconductor Corp.[b]	70,135	1,184,580
Diodes Inc.[b]	26,436	563,087

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Shares	Value
Semiconductors–(continued)		
Intel Corp.	103,235	$ 2,503,449
Lattice Semiconductor Corp.[(b)]	166,091	986,581
Marvell Technology Group Ltd.[(b)]	73,572	1,018,972
Micron Technology, Inc.[(b)]	128,143	806,020
Microsemi Corp.[(b)]	146,565	2,454,964
ON Semiconductor Corp.[(b)]	78,045	602,507
Semtech Corp.[(b)]	69,787	1,732,113
Skyworks Solutions, Inc.[(b)]	40,275	653,261
Volterra Semiconductor Corp.[(b)]	27,530	705,043
Xilinx, Inc.	14,206	455,444
		16,356,969
Systems Software–12.76%		
Ariba Inc.[(b)]	33,765	948,121
Check Point Software Technologies Ltd. (Israel)[(b)]	51,230	2,691,624
CommVault Systems, Inc.[(b)]	14,916	637,212
Fortinet Inc.[(b)]	50,588	1,103,324
Imperva Inc.[(b)]	11,213	$ 390,325
Microsoft Corp.	115,590	3,000,716
Oracle Corp.	109,763	2,815,421
Red Hat, Inc.[(b)]	15,055	621,621
Symantec Corp.[(b)]	52,955	828,746
		13,037,110
Total Common Stocks & Other Equity Interests (Cost $85,050,083)		99,392,129
Money Market Funds–2.65%		
Liquid Assets Portfolio–Institutional Class[(e)]	1,352,232	1,352,232
Premier Portfolio–Institutional Class[(e)]	1,352,233	1,352,233
Total Money Market Funds (Cost $2,704,465)		2,704,465
TOTAL INVESTMENTS–99.91% (Cost $87,754,548)		102,096,594
OTHER ASSETS LESS LIABILITIES–0.09%		95,761
NET ASSETS–100.00%		$102,192,355

Investment Abbreviations:

ADR – American Depositary Receipt

Notes to Schedule of Investments:

(a) Industry and/or sector classifications used in this report are generally according to the Global Industry Classification Standard, which was developed by and is the exclusive property and a service mark of MSCI Inc. and Standard & Poor's.

(b) Non-income producing security.

(c) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended. The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The value of this security at December 31, 2011 represented less than 1% of the Fund's Net Assets.

(d) The Fund has a remaining commitment of $101,250 to purchase additional interests in BlueStream Ventures L.P., which is subject to the terms of the limited partnership agreement.

(e) The money market fund and the Fund are affiliated by having the same investment adviser.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Assets and Liabilities

December 31, 2011

Assets:	
Investments, at value (Cost $85,050,083)	$ 99,392,129
Investments in affiliated money market funds, at value and cost	2,704,465
Total investments, at value (Cost $87,754,548)	102,096,594
Receivable for:	
Investments sold	682,733
Fund shares sold	4,336
Dividends	335
Investment for trustee deferred compensation and retirement plans	33,079
Total assets	102,817,077
Liabilities:	
Payable for:	
Investments purchased	146,181
Fund shares reacquired	325,832
Accrued fees to affiliates	69,587
Accrued other operating expenses	31,114
Trustee deferred compensation and retirement plans	52,008
Total liabilities	624,722
Net assets applicable to shares outstanding	$102,192,355
Net assets consist of:	
Shares of beneficial interest	$ 87,568,585
Undistributed net investment income	1,881,365
Undistributed net realized gain (loss)	(1,599,641)
Unrealized appreciation	14,342,046
	$102,192,355
Net Assets:	
Series I	$100,579,223
Series II	$ 1,613,132
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	6,635,114
Series II	108,554
Series I:	
Net asset value per share	$ 15.16
Series II:	
Net asset value per share	$ 14.86

Statement of Operations

For the year ended December 31, 2011

Investment income:	
Dividends (net of foreign withholding taxes of $3,957)	$ 603,217
Dividends from affiliated money market funds (includes securities lending income of $4,581)	8,048
Total investment income	611,265
Expenses:	
Advisory fees	920,424
Administrative services fees	352,655
Custodian fees	6,404
Distribution fees — Series II	3,713
Transfer agent fees	23,945
Trustees' and officers' fees and benefits	22,474
Other	42,864
Total expenses	1,372,479
Less: Fees waived	(4,687)
Net expenses	1,367,792
Net investment income (loss)	(756,527)
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities	11,673,892
Foreign currencies	1,974
	11,675,866
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(16,912,186)
Foreign currencies	(795)
	(16,912,981)
Net realized and unrealized gain (loss)	(5,237,115)
Net increase (decrease) in net assets resulting from operations	$ (5,993,642)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Statement of Changes in Net Assets

For the years ended December 31, 2011 and 2010

	2011	2010
Operations:		
Net investment income (loss)	$ (756,527)	$ 208,234
Net realized gain	11,675,866	7,911,740
Change in net unrealized appreciation (depreciation)	(16,912,981)	14,071,941
Net increase (decrease) in net assets resulting from operations	(5,993,642)	22,191,915
Distributions to shareholders from net investment income:		
Series I	(209,892)	—
Series II	(1,326)	—
Total distributions from net investment income	(211,218)	—
Share transactions–net:		
Series I	(21,625,874)	(13,096,747)
Series II	520,728	622,157
Net increase (decrease) in net assets resulting from share transactions	(21,105,146)	(12,474,590)
Net increase (decrease) in net assets	(27,310,006)	9,717,325
Net assets:		
Beginning of year	129,502,361	119,785,036
End of year (includes undistributed net investment income of $1,881,365 and $2,101,126, respectively)	$102,192,355	$129,502,361

Notes to Financial Statements

December 31, 2011

NOTE 1—Significant Accounting Policies

Invesco V.I. Technology Fund (the "Fund") is a series portfolio of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"). The Trust is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end series management investment company consisting of twenty-eight separate portfolios, (each constituting a "Fund"). The assets, liabilities and operations of each portfolio are accounted for separately. Information presented in these financial statements pertains only to the Fund. Matters affecting each Fund or class will be voted on exclusively by the shareholders of such Fund or class. Current Securities and Exchange Commission ("SEC") guidance, however, requires participating insurance companies offering separate accounts to vote shares proportionally in accordance with the instructions of the contract owners whose investments are funded by shares of each Fund or class.

The Fund's investment objective is long-term growth of capital.

The Fund currently offers two classes of shares, Series I and Series II, both of which are offered to insurance company separate accounts funding variable annuity contracts and variable life insurance policies ("variable products").

The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements.

A. Security Valuations — Securities, including restricted securities, are valued according to the following policy.

A security listed or traded on an exchange (except convertible bonds) is valued at its last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded, or lacking any sales or official closing price on a particular day, the security may be valued at the closing bid price on that day. Securities traded in the over-the-counter market are valued based on prices furnished by independent pricing services or market makers. When such securities are valued by an independent pricing service they may be considered fair valued. Futures contracts are valued at the final settlement price set by an exchange on which they are principally traded. Listed options are valued at the mean between the last bid and ask prices from the exchange on which they are principally traded. Options not listed on an exchange are valued by an independent source at the mean between the last bid and ask prices. For purposes of determining net asset value per share, futures and option contracts generally are valued 15 minutes after the close of the customary trading session of the New York Stock Exchange ("NYSE").

Investments in open-end and closed-end registered investment companies that do not trade on an exchange are valued at the end of day net asset value per share. Investments in open-end and closed-end registered investment companies that trade on an exchange are valued at the last sales price or official closing price as of the close of the customary trading session on the exchange where the security is principally traded.

Debt obligations (including convertible bonds) and unlisted equities are fair valued using an evaluated quote provided by an independent pricing service. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as

institution-size trading in similar groups of securities, developments related to specific securities, dividend rate, yield, quality, type of issue, coupon rate, maturity, individual trading characteristics and other market data. Debt securities are subject to interest rate and credit risks. In addition, all debt securities involve some risk of default with respect to interest and/or principal payments.

Foreign securities (including foreign exchange contracts) are converted into U.S. dollar amounts using the applicable exchange rates as of the close of the NYSE. If market quotations are available and reliable for foreign exchange traded equity securities, the securities will be valued at the market quotations. Because trading hours for certain foreign securities end before the close of the NYSE, closing market quotations may become unreliable. If between the time trading ends on a particular security and the close of the customary trading session on the NYSE, events occur that are significant and make the closing price unreliable, the Fund may fair value the security. If the event is likely to have affected the closing price of the security, the security will be valued at fair value in good faith using procedures approved by the Board of Trustees. Adjustments to closing prices to reflect fair value may also be based on a screening process of an independent pricing service to indicate the degree of certainty, based on historical data, that the closing price in the principal market where a foreign security trade is not the current value as of the close of the NYSE. Foreign securities meeting the approved degree of certainty that the price is not reflective of current value will be priced at the indication of fair value from the independent pricing service. Multiple factors may be considered by the independent pricing service in determining adjustments to reflect fair value and may include information relating to sector indices, American Depositary Receipts and domestic and foreign index futures. Foreign securities may have additional risks including exchange rate changes, potential for sharply devalued currencies and high inflation, political and economic upheaval, the relative lack of issuer information, relatively low market liquidity and the potential lack of strict financial and accounting controls and standards.

Securities for which market prices are not provided by any of the above methods may be valued based upon quotes furnished by independent sources. The last bid price may be used to value equity securities. The mean between the last bid and asked prices is used to value debt obligations, including Corporate Loans.

Securities for which market quotations are not readily available or are unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Issuer specific events, market trends, bid/ask quotes of brokers and information providers and other market data may be reviewed in the course of making a good faith determination of a security's fair value.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

B. Securities Transactions and Investment Income — Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date.

The Fund may periodically participate in litigation related to Fund investments. As such, the Fund may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Fund's net asset value and, accordingly, they reduce the Fund's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Fund and the investment adviser.

The Fund allocates income and realized and unrealized capital gains and losses to a class based on the relative net assets of each class.

C. Country Determination — For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

D. Distributions — Distributions from income and net realized capital gain, if any, are generally paid to separate accounts of participating insurance companies annually and recorded on ex-dividend date.

E. Federal Income Taxes — The Fund intends to comply with the requirements of Subchapter M of the Internal Revenue Code necessary to qualify as a regulated investment company and to distribute substantially all of the Fund's taxable earnings to shareholders. As such, the Fund will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Fund is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

F. Expenses — Fees provided for under the Rule 12b-1 plan of a particular class of the Fund and which are directly attributable to that class are charged to the operations of such class. All other expenses are allocated among the classes based on relative net assets.

G. Accounting Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to

taxation. Actual results could differ from those estimates by a significant amount. In addition, the Fund monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.

H. Indemnifications — Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts, including the Fund's servicing agreements that contain a variety of 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 as a result of such indemnification claims is considered remote.

I. Other Risks — The Fund's investments are concentrated in a comparatively narrow segment of the economy, which may make the Fund more volatile. Many products and services offered in technology-related industries are subject to rapid obsolescence, which may lower the value of the issuers in this sector.

J. Securities Lending — The Fund may lend portfolio securities having a market value up to one-third of the Fund's total assets. Such loans are secured by collateral equal to no less than the market value of the loaned securities determined daily by the securities lending provider. Such collateral will be cash or debt securities issued or guaranteed by the U.S. Government or any of its sponsored agencies. Cash collateral received in connection with these loans is invested in short-term money market instruments or affiliated money market funds and is shown as such on the Schedule of Investments. It is the Fund's policy to obtain additional collateral from or return excess collateral to the borrower by the end of the next business day, following the valuation date of the securities loaned. Therefore, the value of the collateral held may be temporarily less than the value of the securities on loan. Lending securities entails a risk of loss to the Fund if and to the extent that the market value of the securities loaned were to increase and the borrower did not increase the collateral accordingly, and the borrower fails to return the securities. Upon the failure of the borrower to return the securities, collateral may be liquidated and the securities may be purchased on the open market to replace the loaned securities. The Fund could experience delays and costs in gaining access to the collateral. The Fund bears the risk of any deficiency in the amount of the collateral available for return to the borrower due to any loss on the collateral invested. Dividends received on cash collateral investments for securities lending transactions, which are net of compensation to counterparties, is included in Dividends from affiliated money market funds on the Statement of Operations. The aggregate value of securities out on loan is shown as a footnote on the Statement of Assets and Liabilities, if any.

K. Foreign Currency Translations — Foreign currency is valued at the close of the NYSE based on quotations posted by banks and major currency dealers. Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at date of valuation. Purchases and sales of portfolio securities (net of foreign taxes withheld on disposition) and income items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Fund does not separately account for the portion of the results of operations resulting from changes in foreign exchange rates on investments and the fluctuations arising from changes in market prices of securities held. The combined results of changes in foreign exchange rates and the fluctuation of market prices on investments (net of estimated foreign tax withholding) are included with the net realized and unrealized gain or loss from investments in the Statement of Operations. Reported net realized foreign currency gains or losses arise from (1) sales of foreign currencies, (2) currency gains or losses realized between the trade and settlement dates on securities transactions, and (3) the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign currency gains and losses arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal period end, resulting from changes in exchange rates.

The Fund may invest in foreign securities which may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable.

L. Foreign Currency Contracts — The Fund may enter into foreign currency contracts to manage or minimize currency or exchange rate risk. The Fund may also enter into foreign currency contracts for the purchase or sale of a security denominated in a foreign currency in order to "lock in" the U.S. dollar price of that security. A foreign currency contract is an obligation to purchase or sell a specific currency for an agreed-upon price at a future date. The use of foreign currency contracts does not eliminate fluctuations in the price of the underlying securities the Fund owns or intends to acquire but establishes a rate of exchange in advance. Fluctuations in the value of these contracts are measured by the difference in the contract date and reporting date exchange rates and are recorded as unrealized appreciation (depreciation) until the contracts are closed. When the contracts are closed, realized gains (losses) are recorded. Realized and unrealized gains (losses) on the contracts are included in the Statement of Operations. The primary risks associated with foreign currency contracts include failure of the counterparty to meet the terms of the contract and the value of the foreign currency changing unfavorably. These risks may be in excess of the amounts reflected in the Statement of Assets and Liabilities.

NOTE 2—Advisory Fees and Other Fees Paid to Affiliates

The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the "Adviser" or "Invesco"). Under the terms of the investment advisory agreement, the Fund pays an advisory fee to the Adviser based on the annual rate of the Fund's average daily net assets as follows:

Average Daily Net Assets	Rate
First $250 million	0.75%
Next $250 million	0.74%
Next $500 million	0.73%
Next $1.5 billion	0.72%
Next $2.5 billion	0.71%
Next $2.5 billion	0.70%
Next $2.5 billion	0.69%
Over $10 billion	0.68%

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the "Affiliated Sub-Advisers") the Adviser, not the Fund, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least April 30, 2013, to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waiver and/or expense reimbursement (excluding certain items discussed below) of Series I shares to 1.30% and Series II shares to 1.45% of average daily net assets. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the total annual fund operating expenses after fee waiver and/or expense reimbursement to exceed the numbers reflected above: (1) interest; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Fund has incurred but did not actually pay because of an expense offset arrangement. Unless the Board of the Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on April 30, 2013. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

Further, the Adviser has contractually agreed, through at least June 30, 2012, to waive the advisory fee payable by the Fund in an amount equal to 100% of the net advisory fees the Adviser receives from the affiliated money market funds on investments by the Fund of uninvested cash (excluding investments of cash collateral from securities lending) in such affiliated money market funds.

For the year ended December 31, 2011, the Adviser waived advisory fees of $4,687.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Fund has agreed to pay Invesco a fee for costs incurred in providing accounting services and fund administrative services to the Fund and to reimburse Invesco for administrative services fees paid to insurance companies that have agreed to provide services to the participants of separate accounts. These administrative services provided by the insurance companies may include, among other things: the printing of prospectuses, financial reports and proxy statements and the delivery of the same to existing participants; the maintenance of master accounts; the facilitation of purchases and redemptions requested by the participants; and the servicing of participants' accounts. Pursuant to such agreement, for the year ended December 31, 2011, Invesco was paid $50,000 for accounting and fund administrative services and reimbursed $302,655 for services provided by insurance companies.

The Trust has entered into a transfer agency and service agreement with Invesco Investment Services, Inc. ("IIS") pursuant to which the Fund has agreed to pay IIS a fee for providing transfer agency and shareholder services to the Fund and reimburse IIS for certain expenses incurred by IIS in the course of providing such services. For the year ended December 31, 2011, expenses incurred under the agreement are shown in the Statement of Operations as transfer agent fees.

The Trust has entered into a master distribution agreement with Invesco Distributors, Inc. ("IDI") to serve as the distributor for the Fund. The Trust has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Fund's Series II shares (the "Plan"). The Fund, pursuant to the Plan, pays IDI compensation at the annual rate of 0.25% of the Fund's average daily net assets of Series II shares. Of the Plan payments, up to 0.25% of the average daily net assets of the Series II shares may be paid to insurance companies who furnish continuing personal shareholder services to customers who purchase and own Series II shares of the Fund. For the year ended December 31, 2011, expenses incurred under the Plan are detailed in the Statement of Operations as distribution fees.

Certain officers and trustees of the Trust are officers and directors of the Adviser, Invesco Ltd., IIS and/or IDI.

NOTE 3—Additional Valuation Information

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to significant unobservable inputs (Level 3) generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

Level 1 — Prices are determined using quoted prices in an active market for identical assets.

Level 2 — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.

Level 3 — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Fund's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

The following is a summary of the tiered valuation input levels, as of December 31, 2011. The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

During the year ended December 31, 2011, there were no significant transfers between investment levels.

	Level 1	Level 2	Level 3	Total
Equity Securities	$101,739,166	$—	$357,428	$102,096,594

NOTE 4—Security Transactions with Affiliated Funds

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended December 31, 2011, the Fund engaged in securities purchases of $2,791,461.

NOTE 5—Trustees' and Officers' Fees and Benefits

"Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to pay remuneration to certain Trustees and Officers of the Fund. Trustees have the option to defer compensation payable by the Fund, and "Trustees' and Officers' Fees and Benefits" also include amounts accrued by the Fund to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Funds in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees are eligible to participate in a retirement plan that provides for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Fund may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. "Trustees' and Officers' Fees and Benefits" include amounts accrued by the Fund to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Fund.

During the year ended December 31, 2011, the Fund paid legal fees of $1,278 for services rendered by Kramer, Levin, Naftalis & Frankel LLP as counsel to the Independent Trustees. A partner of that firm is a Trustee of the Trust.

NOTE 6—Cash Balances

The Fund is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. To compensate the custodian bank for such overdrafts, the overdrawn Fund may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

NOTE 7—Distributions to Shareholders and Tax Components of Net Assets

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2011 and 2010:

	2011	2010
Ordinary income	$211,218	$—

Tax Components of Net Assets at Period-End:

	2011
Net unrealized appreciation — investments	$ 16,197,256
Temporary book/tax differences	(49,316)
Capital loss carryforward	(1,524,170)
Shares of beneficial interest	87,568,585
Total net assets	$102,192,355

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Fund's net unrealized appreciation difference is attributable primarily to wash sales and partnership interests.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Fund's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Fund to utilize. The Regulated Investment Company Modernization Act of 2010 (the "Act") eliminated the eight-year carryover period for capital losses that arise in taxable years beginning after its enactment date of December 22, 2010. Consequently, these capital losses can be carried forward for an unlimited period. However, capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Additionally, post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Fund utilized $12,209,745 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund has a capital loss carryforward as of December 31, 2011, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2017	$1,524,170	$—	$1,524,170

* Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code.

NOTE 8—Investment Securities

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Fund during the year ended December 31, 2011 was $49,650,109 and $68,903,019, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed Federal income tax reporting period-end.

Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis

Aggregate unrealized appreciation of investment securities	$24,095,247
Aggregate unrealized (depreciation) of investment securities	(7,897,991)
Net unrealized appreciation of investment securities	$16,197,256

Cost of investments for tax purposes is $85,899,338.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, partnerships and net operating losses, on December 31, 2011, undistributed net investment income was increased by $747,984, undistributed net realized gain (loss) was increased by $461,482 and shares of beneficial interest decreased by $1,209,466. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Year ended December 31,			
	2011[a]		2010	
	Shares	Amount	Shares	Amount
Sold:				
Series I	1,327,553	$ 22,172,590	1,717,411	$ 23,632,823
Series II	56,016	891,686	62,723	886,304
Issued as reinvestment of dividends:				
Series I	14,376	209,892	—	—
Series II	93	1,326	—	—
Reacquired:				
Series I	(2,725,269)	(44,008,356)	(2,747,969)	(36,729,570)
Series II	(23,813)	(372,284)	(18,555)	(264,147)
Net increase (decrease) in share activity	(1,351,044)	$(21,105,146)	(986,390)	$(12,474,590)

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 64% of the outstanding shares of the Fund. The Fund and the Fund's principal underwriter or adviser, are parties to participation agreements with these entities whereby these entities sell units of interest in separate accounts funding variable products that are invested in the Fund. The Fund, Invesco and/or Invesco affiliates may make payments to these entities, which are considered to be related to the Fund, for providing services to the Fund, Invesco and/or Invesco affiliates including but not limited to services such as, securities brokerage, third party record keeping and account servicing and administrative services. The Fund has no knowledge as to whether all or any portion of the shares owned of record by these entities are also owned beneficially.

NOTE 11—Financial Highlights

The following schedule presents financial highlights for a share of the Fund outstanding throughout the periods indicated.

	Net asset value, beginning of period	Net investment income (loss)	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Net asset value, end of period	Total Return[a]	Net assets, end of period (000s omitted)	Ratio of expenses to average net assets with fee waivers and/or expenses absorbed	Ratio of expenses to average net assets without fee waivers and/or expenses absorbed	Ratio of net investment income (loss) to average net assets	Portfolio turnover[b]
Series I												
Year ended 12/31/11	$16.00	$(0.10)[c]	$(0.71)	$(0.81)	$(0.03)	$15.16	(5.05)%	$100,579	1.12%[d]	1.12%[d]	(0.62)%[d]	41%
Year ended 12/31/10	13.19	0.02[c]	2.79	2.81	—	16.00	21.30	128,304	1.14	1.14	0.18	43
Year ended 12/31/09	8.38	(0.03)[c]	4.84	4.81	—	13.19	57.40	119,369	1.18	1.19	(0.27)	42
Year ended 12/31/08	15.10	0.01[c]	(6.73)	(6.72)	—	8.38	(44.50)	71,546	1.15	1.16	0.05	81
Year ended 12/31/07	14.02	(0.06)	1.14	1.08	—	15.10	7.70	158,739	1.10	1.10	(0.38)	59
Series II												
Year ended 12/31/11	15.71	(0.14)[c]	(0.70)	(0.84)	(0.01)	14.86	(5.32)	1,613	1.37[d]	1.37[d]	(0.87)[d]	41
Year ended 12/31/10	12.98	(0.01)[c]	2.74	2.73	—	15.71	21.03	1,198	1.39	1.39	(0.07)	43
Year ended 12/31/09	8.26	(0.06)[c]	4.78	4.72	—	12.98	57.14	417	1.43	1.44	(0.52)	42
Year ended 12/31/08	14.95	(0.02)[c]	(6.67)	(6.69)	—	8.26	(44.75)	115	1.40	1.41	(0.20)	81
Year ended 12/31/07	13.91	(0.10)	1.14	1.04	—	14.95	7.48	130	1.35	1.35	(0.63)	59

[a] Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Total returns are not annualized for periods less than one year, if applicable and do not reflect charges assessed in connection with a variable product, which if included would reduce total returns.

[b] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable.

[c] Calculated using average shares outstanding.

[d] Ratios are based on average daily net assets (000's omitted) of $121,238 and $1,485 for Series I and Series II, respectively.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of AIM Variable Insurance Funds (Invesco Variable Insurance Funds) and
Shareholders of Invesco V.I. Technology Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Invesco V.I. Technology Fund (one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 audits 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 14, 2012
Houston, Texas

Calculating your ongoing Fund expenses

Example

As a shareholder of the Fund, you incur ongoing costs, including management fees; distribution and/or service fees (12b-1); and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

The actual and hypothetical expenses in the examples below do not represent the effect of any fees or other expenses assessed in connection with a variable product; if they did, the expenses shown would be higher while the ending account values shown would be lower.

Actual expenses

The table below provides information about actual account values and actual expenses. You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The table below also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return.

The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs. Therefore, the hypothetical information is useful in comparing ongoing costs, and will not help you determine the relative total costs of owning different funds.

		ACTUAL		HYPOTHETICAL (5% annual return before expenses)		
Class	Beginning Account Value (07/01/11)	Ending Account Value (12/31/11)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/11)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$900.50	$5.41	$1,019.51	$5.75	1.13%
Series II	1,000.00	899.30	6.61	1,018.25	7.02	1.38

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2011 through December 31, 2011, after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's expense ratio and a hypothetical annual return of 5% before expenses.

[2] Expenses are equal to the Fund's annualized expense ratio as indicated above multiplied by the average account value over the period, multiplied by 184/365 to reflect the most recent fiscal half year.

Tax Information

Form 1099-DIV, Form 1042-S and other year-end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Fund designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended December 31, 2011:

Federal and State Income Tax

Corporate Dividends Received Deduction*	95%

* The above percentage is based on ordinary income dividends paid to shareholders during the Fund's fiscal year.

Trustees and Officers

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Interested Persons				
Martin L. Flanagan[1] — 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business Formerly: Chairman, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization)	140	None
Philip A. Taylor[2] — 1954 Trustee, President and Principal Executive Officer	2006	Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only); Director, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Director, Chief Executive Officer and President, Van Kampen Exchange Corp. Formerly: Director and Chairman, Van Kampen Investor Services Inc.: Director, Chief Executive Officer and President, 1371 Preferred Inc. (holding company); and Van Kampen Investments Inc.; Director and President, AIM GP Canada Inc. (general partner for limited partnerships); and Van Kampen Advisors, Inc.; Director and Chief Executive Officer, Invesco Trimark Dealer Inc. (registered broker dealer); Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) (registered broker dealer); Manager, Invesco PowerShares Capital Management LLC; Director, Chief Executive Officer and President, Invesco Advisers, Inc.; Director, Chairman, Chief Executive Officer and President, Invesco Aim Capital Management, Inc.; President, Invesco Trimark Dealer Inc. and Invesco Trimark Ltd./Invesco Trimark Ltée; Director and President, AIM Trimark Corporate Class Inc. and AIM Trimark Canada Fund Inc.; Senior Managing Director, Invesco Holding Company Limited; Trustee and Executive Vice President, Tax-Free Investments Trust; Director and Chairman, Fund Management Company (former registered broker dealer); President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only); President, AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc.	140	None
Wayne W. Whalen[3] — 1939 Trustee	2010	Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to funds in the Fund Complex	158	Director of the Abraham Lincoln Presidential Library Foundation
Independent Trustees				
Bruce L. Crockett — 1944 Trustee and Chair	1993	Chairman, Crockett Technology Associates (technology consulting company) Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; and Chairman, Board of Governors of INTELSAT (international communications company)	140	ACE Limited (insurance company); and Investment Company Institute

[1] Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.

[2] Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.

[3] Mr. Whalen is considered an "interested person" (within the meaning of Section 2(a)(19) of the 1940 Act) of certain Funds in the Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Fund Complex.

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
David C. Arch — 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., a consumer health care products manufacturer.	158	Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago. Board member of the Illinois Manufacturers' Association. Member of the Board of Visitors, Institute for the Humanities, University of Michigan
Frank S. Bayley — 1939 Trustee	2001	Retired Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie Formerly: Director, Badgley Funds, Inc. (registered investment company) (2 portfolios) and Partner, law firm of Baker & McKenzie	140	Director and Chairman, C.D. Stimson Company (a real estate investment company)
James T. Bunch — 1942 Trustee	2004	Managing Member, Grumman Hill Group LLC (family office private equity management) Formerly: Founder, Green, Manning & Bunch Ltd. (investment banking firm)(1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation	140	Vice Chairman, Board of Governors, Western Golf Association/Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer — 1940 Trustee	2010	President of CAC, LLC, a private company offering capital investment and management advisory services. Formerly: Prior to January 2004, Director of TeleTech Holdings Inc.; Prior to 2002, Director of Arris Group, Inc.; Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Vice Chairman of Anixter International. Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.	158	Director of Quidel Corporation and Stericycle, Inc. Prior to May 2008, Trustee of The Scripps Research Institute. Prior to February 2008, Director of Ventana Medical Systems, Inc. Prior to April 2007, Director of GATX Corporation. Prior to April 2004, Director of TheraSense, Inc.
Albert R. Dowden — 1941 Trustee	2000	Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Reich & Tang Funds (5 portfolios) (registered investment company); and Homeowners of America Holding Corporation/ Homeowners of America Insurance Company (property casualty company) Formerly: Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)	140	Board of Nature's Sunshine Products, Inc.
Jack M. Fields — 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); and Owner and Chief Executive Officer, Dos Angelos Ranch, L.P. (cattle, hunting, corporate entertainment), Discovery Global Education Fund (non-profit) and Cross Timbers Quail Research Ranch (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company) and member of the U.S. House of Representatives	140	Administaff
Carl Frischling — 1937 Trustee	1993	Partner, law firm of Kramer Levin Naftalis and Frankel LLP	140	Director, Reich & Tang Funds (16 portfolios)

Trustees and Officers—(continued)

The address of each trustee and officer is AIM Variable Insurance Funds (Invesco Variable Insurance Funds) (the "Trust"), 11 Greenway Plaza, Suite 2500, Houston, Texas 77046-1173. The trustees serve for the life of the Trust, subject to their earlier death, incapacitation, resignation, retirement or removal as more specifically provided in the Trust's organizational documents. Each officer serves for a one year term or until their successors are elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Independent Trustees—(continued)				
Prema Mathai-Davis — 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	140	None
Larry Soll — 1942 Trustee	2004	Retired Formerly, Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	140	None
Hugo F. Sonnenschein — 1940 Trustee	2010	President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to July 2000, President of the University of Chicago.	158	Trustee of the University of Rochester and a member of its investment committee. Member of the National Academy of Sciences, the American Philosophical Society and a fellow of the American Academy of Arts and Sciences
Raymond Stickel, Jr. — 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	140	None
Other Officers				
Russell C. Burk — 1958 Senior Vice President and Senior Officer	2005	Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
John M. Zerr — 1962 Senior Vice President, Chief Legal Officer and Secretary	2006	Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Van Kampen Funds Inc. and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust Formerly: Director and Secretary, Van Kampen Advisors Inc.; Director Vice President, Secretary and General Counsel Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Advisers, Inc.; and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)	N/A	N/A
Lisa O. Brinkley — 1959 Vice President	2004	Global Compliance Director, Invesco Ltd.; Chief Compliance Officer, Invesco Investment Services, Inc.(formerly known as Invesco Aim Investment Services, Inc.); and Vice President, The Invesco Funds Formerly: Chief Compliance Officer, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Van Kampen Investor Services Inc.; Senior Vice President, Invesco Management Group, Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and The Invesco Funds; Vice President and Chief Compliance Officer, Invesco Aim Capital Management, Inc. and Invesco Distributors, Inc.; Vice President, Invesco Investment Services, Inc. and Fund Management Company	N/A	N/A

Trustees and Officers—(continued)

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Name, Year of Birth and Position(s) Held with the Trust	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee
Other Officers—(continued)				
Sheri Morris — 1964 Vice President, Treasurer and Principal Financial Officer	1999	Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser). Formerly: Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust, Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.	N/A	N/A
Karen Dunn Kelley — 1960 Vice President	1993	Head of Invesco's World Wide Fixed Income and Cash Management Group; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc.; Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only). Formerly: Senior Vice President, Van Kampen Investments Inc.; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)	N/A	N/A
Yinka Akinsola — 1977 Anti-Money Laundering Compliance Officer	2011	Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.), Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.), Invesco Management Group, Inc., The Invesco Funds, Invesco Van Kampen Closed-End Funds, Van Kampen Exchange Corp. and Van Kampen Funds Inc.	N/A	N/A
Todd L. Spillane — 1958 Chief Compliance Officer	2006	Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds, INVESCO Private Capital Investments, Inc. (holding company) and Invesco Private Capital, Inc. (registered investment adviser); Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.). Formerly: Chief Compliance Officer, Invesco Van Kampen Closed-End Funds PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser) and Van Kampen Investor Services Inc.; Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company	N/A	N/A

The Statement of Additional Information of the Trust includes additional information about the Fund's Trustees and is available upon request, without charge, by calling 1.800.959.4246. Please refer to the Fund's prospectus for information on the Fund's sub-advisers.

Office of the Fund
11 Greenway Plaza, Suite 2500
Houston, TX 77046-1173

Investment Adviser
Invesco Advisers, Inc.
1555 Peachtree Street, N.E.
Atlanta, GA 30309

Distributor
Invesco Distributors, Inc.
11 Greenway Plaza, Suite 2500
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ColumbiaManagement

Columbia Variable Portfolio - Small Cap Value Fund

Annual Report for the Period Ended December 31, 2011

Not FDIC insured • No bank guarantee • May lose value

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Portfolio Managers' Discussion

Columbia Variable Portfolio – Small Cap Value Fund / December 31, 2011

Columbia Variable Portfolio – Small Cap Value Fund seeks long-term capital appreciation.

Stephen D. Barbaro, the lead manager, has co-managed the fund since June 2002. Jeremy Javidi has co-managed the fund since August 2005. John S. Barrett has co-managed the fund since 2011.

For the 12-month period that ended December 31, 2011, the fund's Class 1 shares underperformed the Russell 2000 Value Index.† The fund's more economically sensitive bias detracted, as defensive sectors outperformed. Relative to the peer group, the fund's market capitalization bias hampered results. Its average market cap was in line with that of the Russell index, but smaller than many of its peers, which hurt as larger-cap stocks outperformed smaller-cap issues.

Shifting economic backdrop

The market was volatile in 2011 as skittish investors reacted quickly to the latest news and became increasingly risk-averse. Investors began the year with high hopes for an economic recovery. Stocks climbed, despite natural disasters in Japan, rising energy prices and mounting debt problems in Europe. However, as economic news proved lackluster, and job growth disappointing, concerns grew. By the summer, accelerating worries about a double-dip recession, wrangling in Washington over the federal deficit and expanding problems in Europe combined to trigger a steep and sustained downturn. Higher-risk sectors, including small-cap stocks, posted the sharpest losses. In August, the Federal Reserve Board confirmed plans to keep interest rates low for another year, following up in September with Operation Twist – a Treasury buyback program aimed at pushing down long-term interest rates to help stimulate lending. As the pace of U.S. economic growth began to pick up, fears of another recession faded and the market rallied sharply in October. Consumer confidence improved, despite no real increase in disposable income and a continued decline in household net worth. The labor markets added more than 1.6 million new in 2011, and the jobless rate fell to 8.5%. Headline inflation – which tracks a broad range of consumer expenditures, including food and energy – edged lower. Manufacturing activity, which slid in the third quarter, stabilized in late November and December. Housing, however, remained a weak spot. While home sales moved modestly higher over the year, home ownership declined and home prices continued to fall, weighed down by distressed sales. Most U.S. equity indexes recouped some of their earlier losses and finished the year not far from where they had started.

Gains from security selection

Stock picking aided the fund's performance relative to the index, as the fund remained focused on high quality, small-cap companies with strong balance sheets, good cash flows and attractive stock valuations. The biggest gains came from the health care, technology and consumer discretionary sectors. Within health care, managed care companies, including HealthSpring and Centene, did extremely well, as the outlook for the industry improved. HealthSpring, which was acquired at a handsome premium, was no longer in the portfolio at period end. Biotechnology company ViroPharma – which specializes in developing treatments for rare diseases – saw its stock price rally sharply, buoyed by expectations for a new product and a recent product extension. In technology, winners included semiconductor and semiconductor equipment companies, including Varian Semiconductor, which was bought out at a significant premium and gone from the portfolio by period end. Other strong performers included Monotype Imaging (0.3% of net assets), which benefited from the proliferation of mobile devices needing the digital fonts and text imaging technologies the company provides. InfoSpace (0.4% of net assets) – an online search company whose sites include dogpile.com – also helped, as the stock rallied in anticipation of a major restructuring. In consumer discretionary, Rent-A-Center (1.1% of net assets) stood out. The stock rallied as the company saw growing demand for the furnishings it rents to consumers lacking other financing alternatives, particularly from customers with slightly higher credit ratings.

Relative losses from sector allocations

Sector allocations hampered results versus the index. The fund was positioned throughout the year for moderate economic growth with overweights in technology, industrials and materials. However, these sectors were among the weaker performers in the Russell index, especially given lackluster growth and fears of a double-dip recession. The fund lost added ground from underweights in more defensive segments, including utilities and, within financials, real estate investment trusts, both of which were strong performers as historically low interest rates pushed investors toward dividend-yielding stocks. Stock selection within materials also was disappointing. Detractors included investments in industrials metals companies OM Group and Thompson Creek (0.8% and 0.4% of net assets, respectively), both of which fell sharply amid worries that demand would slow if the economy weakened.

Improving outlook

The fund ended the year with an economically sensitive bias, given expectations for moderate economic growth. We think stocks that are more tied to the economy will benefit not only from improving economic trends but also from valuations that seem quite attractive relative to more defensive stocks. In addition, prices on small-cap stocks generally are very discounted relative to their fundamentals, including such measures as earnings and revenues. Over the past year, we took advantage of market volatility, investing in banks as well as more economically sensitive areas, including industrials and technology. We also took the opportunity to upgrade the portfolio by adding to higher-quality stocks that had reached compelling valuations.

Past performance is no guarantee of future results.

Equity securities are affected by stock market fluctuations that occur in response to economic and business developments.

Investments in small-cap stocks may be subject to greater volatility and price fluctuations because they may be thinly traded and less liquid than investments in larger companies.

Value stocks are stocks of companies that may have experienced adverse business or industry developments or may be subject to special risks that have caused the stocks to be out of favor and, in the advisor's opinion, undervalued. The price of the company's stock may not approach the value the manager has placed on it.

Holdings are disclosed as of December 31, 2011 and are subject to change.

The outlook for the fund may differ from that presented for other Columbia Funds.

† Please see "Performance Information" on the following page for a description of the index.

Performance Information

Columbia Variable Portfolio – Small Cap Value Fund / December 31, 2011

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC (the "Investment Manager") and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

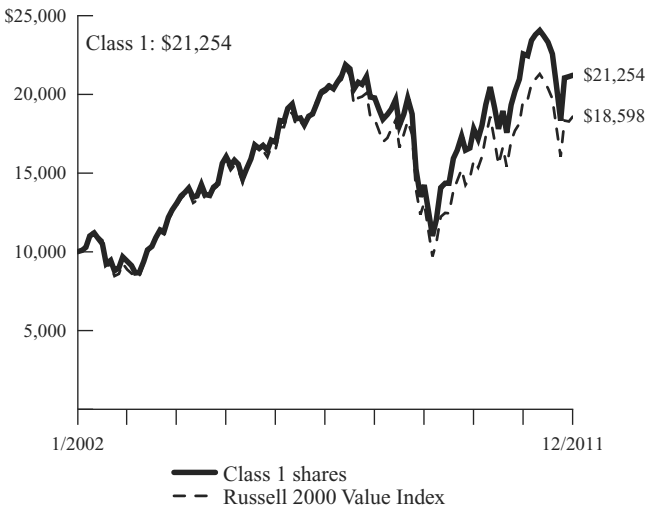
Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

Average annual total return as of December 31, 2011 (%)

	1-year	5-year	10-year
Class 1 (05/19/98)	-5.96	0.95	7.83
Class 2 (06/01/00)	-6.13	0.76	7.67
Russell 2000 Value Index[1]	-5.50	-1.87	6.40

Inception date of share class is in parentheses.

Performance of a $10,000 investment, 01/01/02 – 12/31/11



Net asset value per share ($)	12/31/10	12/31/11
Class 1	17.53	14.59
Class 2	17.49	14.54

Portfolio Breakdown[1] (at December 31, 2011) (%)

Stocks	
Consumer Discretionary	10.3
Consumer Staples	2.6
Energy	4.9
Financials	31.0
Health Care	8.6
Industrials	16.4
Information Technology	14.1
Materials	6.6
Telecommunication Services	1.6
Utilities	3.6
Exchange-Traded Funds	0.3

[1] Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan).

The Fund's composition is subject to change.

The graph compares the results of a hypothetical $10,000 investment in Class 1 shares of the fund with the index. The returns for the index and Class 1 shares assume reinvestment of dividends and capital gains, if any. Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due.

[1] The Russell 2000 Value Index tracks the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Fund Expense Example

Columbia Variable Portfolio – Small Cap Value Fund / December 31, 2011

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

07/01/11 – 12/31/11	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	909.80	1,020.66	4.21	4.46	0.88
Class 2	1,000.00	1,000.00	908.60	1,019.90	4.93	5.22	1.03

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had the Investment Manager and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments – Columbia Variable Portfolio – Small Cap Value Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Shares	Value
Common Stocks 99.8%		
CONSUMER DISCRETIONARY 10.4%		
Diversified Consumer Services 0.7%		
Lincoln Educational Services Corp.(a)	82,269	$649,925
Regis Corp.(a)	79,892	1,322,213
Total		1,972,138
Hotels, Restaurants & Leisure 1.5%		
Benihana, Inc.(b)	86,177	881,590
Bob Evans Farms, Inc.	48,581	1,629,407
PF Chang's China Bistro, Inc.	33,400	1,032,394
Red Robin Gourmet Burgers, Inc.(b)	31,624	875,985
Total		4,419,376
Household Durables 0.9%		
American Greetings Corp., Class A(a)	76,410	955,889
Cavco Industries, Inc.(b)	21,888	876,833
CSS Industries, Inc.	42,562	847,835
Total		2,680,557
Specialty Retail 5.9%		
Aaron's, Inc.	51,580	1,376,155
Childrens Place Retail Stores, Inc. (The)(b)	32,747	1,739,521
Finish Line, Inc., Class A (The)	81,480	1,571,342
Foot Locker, Inc.	46,880	1,117,619
GameStop Corp., Class A(a)(b)	48,086	1,160,315
hhgregg, Inc.(a)(b)	83,025	1,199,711
Men's Wearhouse, Inc. (The)	56,891	1,843,837
OfficeMax, Inc.(b)	165,383	750,839
RadioShack Corp.(a)	128,470	1,247,444
Rent-A-Center, Inc.	85,946	3,180,002
Shoe Carnival, Inc.(a)(b)	36,020	925,714
Stage Stores, Inc.	66,443	922,893
Total		17,035,392
Textiles, Apparel & Luxury Goods 1.4%		
Jones Group, Inc. (The)	152,510	1,608,980
Movado Group, Inc.(a)	66,695	1,211,848
Warnaco Group, Inc. (The)(b)	24,090	1,205,464
Total		4,026,292
TOTAL CONSUMER DISCRETIONARY		30,133,755
CONSUMER STAPLES 2.6%		
Food & Staples Retailing 1.6%		
Andersons, Inc. (The)	38,790	1,693,572
Ruddick Corp.	37,700	1,607,528
Spartan Stores, Inc.(a)	67,320	1,245,420
Total		4,546,520
Food Products 1.0%		
Chiquita Brands International, Inc.(b)	126,680	1,056,511
Darling International, Inc.(b)	9,040	120,142
Fresh Del Monte Produce, Inc.(c)	68,749	1,719,412
Total		2,896,065
TOTAL CONSUMER STAPLES		7,442,585

Issuer	Shares	Value
Common Stocks (continued)		
ENERGY 4.9%		
Energy Equipment & Services 2.1%		
Gulf Island Fabrication, Inc.	48,044	$1,403,365
Matrix Service Co.(b)	92,231	870,661
RPC, Inc.	8,840	161,330
Tetra Technologies, Inc.(b)	88,130	823,134
TGC Industries, Inc.(b)	124,719	890,494
Tidewater, Inc.	24,943	1,229,690
Union Drilling, Inc.(b)	128,792	803,662
Total		6,182,336
Oil, Gas & Consumable Fuels 2.8%		
Bill Barrett Corp.(b)	41,090	1,399,936
Cloud Peak Energy, Inc.(b)	70,970	1,371,141
Forest Oil Corp.(b)	65,160	882,918
James River Coal Co.(a)(b)	84,590	585,363
Stone Energy Corp.(b)	47,482	1,252,575
Swift Energy Co.(b)	51,508	1,530,818
VAALCO Energy, Inc.(b)	176,060	1,063,402
Total		8,086,153
TOTAL ENERGY		14,268,489
FINANCIALS 31.0%		
Capital Markets 2.1%		
GFI Group, Inc.(a)	246,306	1,014,781
Greenhill & Co., Inc.(a)	2,999	109,074
INTL FCStone, Inc.(b)	64,332	1,516,305
Investment Technology Group, Inc.(b)	91,428	988,337
Knight Capital Group, Inc., Class A(b)	150,830	1,782,810
Medallion Financial Corp.	69,508	791,001
Total		6,202,308
Commercial Banks 9.0%		
Ameris Bancorp(b)	116,568	1,198,319
BancFirst Corp.(a)	31,054	1,165,767
BancTrust Financial Group, Inc.(b)	38,237	47,414
BOK Financial Corp.	12,990	713,541
Bryn Mawr Bank Corp.	61,581	1,200,214
Chemical Financial Corp.	74,559	1,589,598
Columbia Banking System, Inc.	86,708	1,670,863
Community Trust Bancorp, Inc.	49,629	1,460,085
First Citizens BancShares Inc., Class A	7,958	1,392,570
First Commonwealth Financial Corp.(a)	313,238	1,647,632
First Financial Corp.	55,238	1,838,321
First National Bank of Alaska	417	651,562
FirstMerit Corp.	141,000	2,133,330
Glacier Bancorp, Inc.(a)	109,690	1,319,571
Hancock Holding Co.	72,444	2,316,035
Investors Bancorp, Inc.(b)	82,973	1,118,476
Merchants Bancshares, Inc.	45,073	1,316,132
Northrim BanCorp, Inc.	57,229	1,002,080
West Coast Bancorp(a)(b)	57,052	890,011
Wintrust Financial Corp.	60,547	1,698,343
Total		26,369,864

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Shares	Value
Common Stocks (continued)		
FINANCIALS (cont.)		
Consumer Finance 0.6%		
Cash America International, Inc.	38,469	$1,793,809
Diversified Financial Services 0.2%		
Pico Holdings, Inc.(b)	24,596	506,186
Insurance 8.0%		
Allied World Assurance Co. Holdings AG(c)	21,050	1,324,676
American Safety Insurance Holdings Ltd.(b)	64,116	1,394,523
Argo Group International Holdings Ltd.(c)	56,070	1,623,787
Baldwin & Lyons, Inc., Class B	49,285	1,074,413
eHealth, Inc.(b)	96,613	1,420,211
EMC Insurance Group, Inc.	54,194	1,114,771
Endurance Specialty Holdings Ltd.(c)	31,260	1,195,695
FBL Financial Group, Inc., Class A	43,896	1,493,342
Global Indemnity PLC(b)	85,516	1,695,782
Hanover Insurance Group, Inc. (The)	37,710	1,317,964
Horace Mann Educators Corp.	96,458	1,322,439
National Western Life Insurance Co., Class A	5,948	809,880
Navigators Group, Inc. (The)(a)(b)	30,670	1,462,346
Old Republic International Corp.	82,840	767,927
Safety Insurance Group, Inc.(a)	38,436	1,555,889
Stewart Information Services Corp.(a)	69,960	808,038
Symetra Financial Corp.	119,395	1,082,913
United Fire & Casualty Co.(a)	89,572	1,807,563
Total		23,272,159
Real Estate Investment Trusts (REITs) 5.9%		
Chesapeake Lodging Trust(a)	109,553	1,693,689
Corporate Office Properties Trust	49,150	1,044,929
Cousins Properties, Inc.	227,260	1,456,737
DiamondRock Hospitality Co.	223,372	2,153,306
Franklin Street Properties Corp.	79,495	790,975
Getty Realty Corp.	35,358	493,244
National Health Investors, Inc.	26,497	1,165,338
Potlatch Corp.	55,499	1,726,574
Starwood Property Trust, Inc.	119,449	2,211,001
Sunstone Hotel Investors, Inc.(b)	262,998	2,143,434
Terreno Realty Corp.	84,075	1,272,895
Urstadt Biddle Properties, Inc., Class A(a)	53,783	972,397
Total		17,124,519
Real Estate Management & Development 0.1%		
Avatar Holdings, Inc.(b)	48,708	349,723
Thrifts & Mortgage Finance 5.1%		
Bank Mutual Corp.	246,619	784,248
BankFinancial Corp.	157,578	869,831
Beneficial Mutual Bancorp, Inc.(b)	167,645	1,401,512
Brookline Bancorp, Inc.(a)	173,262	1,462,331
Clifton Savings Bancorp, Inc.	90,893	843,487
ESSA Bancorp, Inc.	76,240	798,233
Home Federal Bancorp, Inc.	125,830	1,308,632
MGIC Investment Corp.(a)(b)	356,498	1,329,737
Northfield Bancorp, Inc.(a)	59,898	848,156
Provident New York Bancorp	118,200	784,848
TrustCo Bank Corp.	158,508	889,230
United Financial Bancorp, Inc.	60,132	967,524
Washington Federal, Inc.	99,130	$1,386,829
Westfield Financial, Inc.(a)	151,077	1,111,927
Total		14,786,525
TOTAL FINANCIALS		90,405,093
HEALTH CARE 8.6%		
Health Care Equipment & Supplies 2.9%		
Analogic Corp.	17,560	1,006,539
Angiodynamics, Inc.(b)	66,525	985,235
Cantel Medical Corp.	49,937	1,394,741
ICU Medical, Inc.(b)	27,631	1,243,395
Kensey Nash Corp.(b)	36,867	707,478
Medical Action Industries, Inc.(b)	100,740	526,870
Orthofix International NV(b)	24,877	876,417
Quidel Corp.(a)(b)	58,853	890,446
Symmetry Medical, Inc.(b)	95,283	761,311
Total		8,392,432
Health Care Providers & Services 3.7%		
Amsurg Corp.(b)	59,721	1,555,135
Centene Corp.(b)	45,650	1,807,283
Lincare Holdings, Inc.	40,780	1,048,454
Magellan Health Services, Inc.(b)	32,410	1,603,323
Medcath Corp.	98,550	718,429
Molina Healthcare, Inc.(b)	53,270	1,189,519
Owens & Minor, Inc.	41,115	1,142,586
Triple-S Management Corp., Class B(b)(c)	43,374	868,347
U.S. Physical Therapy, Inc.(a)	42,045	827,446
Total		10,760,522
Pharmaceuticals 2.0%		
Impax Laboratories, Inc.(b)	63,930	1,289,468
Medicis Pharmaceutical Corp., Class A	37,100	1,233,575
Par Pharmaceutical Companies, Inc.(b)	41,550	1,359,932
Viropharma, Inc.(b)	76,260	2,088,761
Total		5,971,736
TOTAL HEALTH CARE		25,124,690
INDUSTRIALS 16.4%		
Aerospace & Defense 1.4%		
AAR Corp.(a)	48,575	931,183
Ceradyne, Inc.(b)	55,116	1,476,007
Curtiss-Wright Corp.	50,440	1,782,045
Total		4,189,235
Building Products 0.4%		
Universal Forest Products, Inc.	38,385	1,184,945
Commercial Services & Supplies 2.3%		
ABM Industries, Inc.(a)	60,950	1,256,789
Consolidated Graphics, Inc.(a)(b)	23,369	1,128,255
Ennis, Inc.	54,092	721,047
G&K Services, Inc., Class A(a)	25,336	737,531
Unifirst Corp.	24,880	1,411,691
United Stationers, Inc.	45,450	1,479,852
Total		6,735,165

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Shares	Value
Common Stocks (continued)		
INDUSTRIALS (cont.)		
Construction & Engineering 2.5%		
Comfort Systems U.S.A., Inc.(a)	77,288	$828,527
Dycom Industries, Inc.(b)	85,710	1,793,053
EMCOR Group, Inc.	69,345	1,859,139
Great Lakes Dredge & Dock Corp.	11,978	66,598
KHD Humboldt Wedag International AG(a)(b)(c)	63,585	411,475
Layne Christensen Co.(a)(b)	37,956	918,535
Pike Electric Corp.(b)	103,081	741,152
Sterling Construction Co., Inc.(b)	59,376	639,480
Total		7,257,959
Electrical Equipment 1.7%		
Belden, Inc.	39,397	1,311,132
Brady Corp., Class A	48,630	1,535,249
GrafTech International Ltd.(b)	98,689	1,347,105
Powell Industries, Inc.(a)(b)	27,307	854,163
Total		5,047,649
Machinery 4.5%		
Astec Industries, Inc.(b)	34,949	1,125,707
Briggs & Stratton Corp.	72,881	1,128,927
CIRCOR International, Inc.	32,180	1,136,276
EnPro Industries, Inc.(b)	40,688	1,341,890
FreightCar America, Inc.(a)(b)	39,380	825,011
Harsco Corp.	36,974	760,925
ITT Corp.	12,160	235,053
Kadant, Inc.(a)(b)	57,490	1,299,849
LB Foster Co., Class A(a)	38,762	1,096,577
Mueller Industries, Inc.	46,801	1,798,094
Robbins & Myers, Inc.	47,362	2,299,425
Total		13,047,734
Marine 0.2%		
Diana Shipping, Inc.(b)	92,940	695,191
Professional Services 1.0%		
FTI Consulting, Inc.(a)(b)	41,300	1,751,946
Korn/Ferry International(b)	60,584	1,033,563
Total		2,785,509
Road & Rail 1.5%		
Heartland Express, Inc.	58,443	835,150
Ryder System, Inc.	23,970	1,273,766
Werner Enterprises, Inc.	86,378	2,081,710
Total		4,190,626
Trading Companies & Distributors 0.9%		
Applied Industrial Technologies, Inc.	38,898	1,368,043
Kaman Corp.	45,811	1,251,556
Total		2,619,599
TOTAL INDUSTRIALS		47,753,612
INFORMATION TECHNOLOGY 14.1%		
Communications Equipment 1.4%		
Anaren, Inc.(a)(b)	47,912	796,297
Bel Fuse, Inc., Class B	34,578	648,338
Black Box Corp.	36,819	1,032,405
Symmetricom, Inc.(b)	138,018	743,917
Tellabs, Inc.	218,520	882,821
Total		4,103,778

Issuer	Shares	Value
Common Stocks (continued)		
INFORMATION TECHNOLOGY (cont.)		
Computers & Peripherals 0.3%		
QLogic Corp.(b)	61,740	$926,100
Electronic Equipment, Instruments & Components 2.6%		
Anixter International, Inc.(b)	26,307	1,568,949
Benchmark Electronics, Inc.(b)	90,731	1,222,147
Electro Scientific Industries, Inc.(b)	58,425	845,994
Littelfuse, Inc.	29,710	1,276,936
Methode Electronics, Inc.(a)	68,686	569,407
MTS Systems Corp.	27,209	1,108,767
Nam Tai Electronics, Inc.(c)	182,234	967,662
Total		7,559,862
Internet Software & Services 1.4%		
InfoSpace, Inc.(a)(b)	106,145	1,166,534
j2 Global, Inc.	34,696	976,345
United Online, Inc.	178,300	969,952
ValueClick, Inc.(b)	62,290	1,014,704
Total		4,127,535
IT Services 3.0%		
Acxiom Corp.(b)	109,995	1,343,039
CACI International, Inc., Class A(a)(b)	31,483	1,760,529
Convergys Corp.(b)	125,167	1,598,383
CSG Systems International, Inc.(b)	59,409	873,907
Global Cash Access Holdings, Inc.(b)	211,694	942,038
MoneyGram International, Inc.(b)	68,775	1,220,756
TeleTech Holdings, Inc.(a)(b)	56,190	910,278
Total		8,648,930
Semiconductors & Semiconductor Equipment 4.2%		
Amkor Technology, Inc.(a)(b)	184,308	803,583
ATMI, Inc.(b)	55,575	1,113,167
Cabot Microelectronics Corp.(b)	32,490	1,535,152
Cymer, Inc.(b)	28,700	1,428,112
Entegris, Inc.(b)	187,750	1,638,119
Integrated Device Technology, Inc.(b)	155,300	847,938
MKS Instruments, Inc.	60,490	1,682,832
Novellus Systems, Inc.(b)	14,431	595,856
Teradyne, Inc.(b)	75,240	1,025,521
Tessera Technologies, Inc.(b)	84,737	1,419,345
Total		12,089,625
Software 1.2%		
Compuware Corp.(b)	98,630	820,602
Monotype Imaging Holdings, Inc.(b)	57,844	901,788
Parametric Technology Corp.(b)	44,333	809,520
Progress Software Corp.(b)	54,521	1,054,981
Total		3,586,891
TOTAL INFORMATION TECHNOLOGY		41,042,721
MATERIALS 6.6%		
Chemicals 3.4%		
Cabot Corp.	23,250	747,255
Chemtura Corp.(b)	91,200	1,034,208
Cytec Industries, Inc.	21,700	968,905
Ferro Corp.(b)	193,350	945,481
H.B. Fuller Co.	88,045	2,034,720

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Shares	Value
Common Stocks (continued)		
MATERIALS (cont.)		
Chemicals (continued)		
Minerals Technologies, Inc.	28,730	$1,624,107
OM Group, Inc.(b)	110,389	2,471,610
Total		9,826,286
Containers & Packaging 1.5%		
Greif, Inc., Class A	54,251	2,471,133
Greif, Inc., Class B	17,514	789,006
Packaging Corp. of America	40,536	1,023,128
Total		4,283,267
Metals & Mining 1.3%		
Olympic Steel, Inc.	46,096	1,074,959
Thompson Creek Metals Co., Inc.(b)	187,020	1,301,659
Worthington Industries, Inc.	85,000	1,392,300
Total		3,768,918
Paper & Forest Products 0.4%		
Wausau Paper Corp.(a)	150,857	1,246,079
TOTAL MATERIALS		19,124,550
TELECOMMUNICATION SERVICES 1.6%		
Diversified Telecommunication Services 1.1%		
Cbeyond, Inc.(b)	119,983	961,064
Lumos Networks Corp.	37,791	579,714
Neutral Tandem, Inc.(b)	93,360	998,018
Warwick Valley Telephone Co.	60,534	798,444
Total		3,337,240
Wireless Telecommunication Services 0.5%		
NTELOS Holdings Corp.	39,491	804,826
Shenandoah Telecommunications Co.	60,870	637,918
Total		1,442,744
TOTAL TELECOMMUNICATION SERVICES		4,779,984
UTILITIES 3.6%		
Electric Utilities 2.0%		
Allete, Inc.	47,229	1,982,674
IDACORP, Inc.	48,390	2,052,220
MGE Energy, Inc.	37,307	1,744,848
Total		5,779,742
Gas Utilities 1.2%		
Laclede Group, Inc. (The)(a)	36,811	1,489,741
Southwest Gas Corp.	50,071	2,127,517
Total		3,617,258
Multi-Utilities 0.4%		
CH Energy Group, Inc.(a)	18,125	1,058,137
TOTAL UTILITIES		10,455,137
Total Common Stocks		
(Cost: $313,676,011)		$290,530,616

Issuer	Shares	Value
Exchange-Traded Funds 0.3%		
iShares Russell 2000 Value	13,340	$875,638
Total Exchange-Traded Funds		
(Cost: $820,944)		$875,638

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan 3.8%			
Repurchase Agreements 3.8%			
Nomura Securities dated 12/30/11, matures 01/03/12, repurchase price $5,000,056(d)	0.100%	5,000,000	$5,000,000
Pershing LLC dated 12/30/11, matures 01/03/12, repurchase price $1,000,016,(d)	0.140%	1,000,000	1,000,000
RBS Securities, Inc. dated 12/30/11, matures 01/03/12, repurchase price $5,050,087(d)	0.080%	5,050,043	5,050,043
Total			11,050,043
Total Investments of Cash Collateral Received for Securities on Loan			
(Cost: $11,050,043)			$11,050,043
Total Investments			
(Cost: $325,546,998)			$302,456,297
Other Assets & Liabilities, Net			(11,225,810)
Net Assets			$291,230,487

The Accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Portfolio of Investments

(a) At December 31, 2011, security was partially or fully on loan.

(b) Non-income producing.

(c) Represents a foreign security. At December 31, 2011, the value of foreign securities, excluding short-term securities, amounted to $8,111,054 or 2.78% of net assets.

(d) The table below represents securities received as collateral for repurchase agreements. This collateral is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Nomura Securities (0.100%)

Security Description	Value
Fannie Mae Pool	$2,525,784
Ginnie Mae I Pool	1,251,535
Ginnie Mae II Pool	1,322,681
Total Market Value of Collateral Securities	$5,100,000

Pershing LLC (0.140%)

Security Description	Value
Fannie Mae Pool	$259,341
Fannie Mae REMICS	94,560
Fannie Mae Whole Loan	313
Fannie Mae-Aces	1,148
Federal Farm Credit Bank	8,808
Federal Home Loan Banks	9,933
Federal Home Loan Mortgage Corp	7,909
Federal National Mortgage Association	16,409
Freddie Mac Gold Pool	111,416
Freddie Mac Non Gold Pool	33,416
Freddie Mac Reference REMIC	3
Freddie Mac REMICS	75,430
Ginnie Mae I Pool	129,760
Ginnie Mae II Pool	173,841
Government National Mortgage Association	42,663
United States Treasury Bill	1,606
United States Treasury Note/Bond	52,140
United States Treasury Strip Coupon	1,304
Total Market Value of Collateral Securities	$1,020,000

RBS Securities, Inc. (0.080%)

Security Description	Value
Fannie Mae Pool	$5,151,049
Total Market Value of Collateral Securities	$5,151,049

Investments in affiliates during the year ended December 31, 2011:

Issuer	Beginning Cost	Purchase Cost	Sales Cost/ Proceeds from Sales	Realized Gain/Loss	Ending Cost	Dividends or Interest Income	Value
Columbia Short-Term Cash Fund	$—	$16,116,604	$(16,116,604)	$—	$—	$688	$—

The Accompanying Notes to Financial Statements are an integral part of this statement.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Foreign equity securities actively traded in markets where there is a significant delay in the local close relative to the New York Stock Exchange (NYSE) are classified as Level 2. The values of these securities may include an adjustment to reflect the impact of significant market movements following the close of local trading, as described in Note 2 to the financial statements – Security Valuation.

Short-term securities are valued using amortized cost, as permitted under Rule 2a-7 of the Investment Company Act of 1940, as amended. Generally, amortized cost approximates the current fair value of these securities, but because the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description(a)	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs(b)**	**Level 3 significant unobservable inputs**	**Total**
Equity Securities				
Common Stocks				
Consumer Discretionary	$30,133,755	$—	$—	$30,133,755
Consumer Staples	7,442,585	—	—	7,442,585
Energy	14,268,489	—	—	14,268,489
Financials	90,405,093	—	—	90,405,093
Health Care	25,124,690	—	—	25,124,690
Industrials	47,342,137	411,475	—	47,753,612
Information Technology	41,042,721	—	—	41,042,721
Materials	19,124,550	—	—	19,124,550
Telecommunication Services	4,779,984	—	—	4,779,984
Utilities	10,455,137	—	—	10,455,137
Total Equity Securities	290,119,141	411,475	—	290,530,616
Other				
Exchange-Traded Funds	875,638	—	—	875,638
Investments of Cash Collateral Received for Securities on Loan	—	11,050,043	—	11,050,043
Total Other	875,638	11,050,043	—	11,925,681
Total	$290,994,779	$11,461,518	$—	$302,456,297

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets. These assets include certain foreign securities for which a third party statistical pricing service may be employed for purposes of fair market valuation. The models utilized by the third party statistical pricing service take into account a security's correlation to available market data including, but not limited to, intraday index, ADR, and ETF movements.

(a) See the Portfolio of Investments for all investment classifications not indicated in the table.

(b) There were no significant transfers between Levels 1 and 2 during the period.

Statement of Assets and Liabilities – Columbia Variable Portfolio – Small Cap Value Fund

December 31, 2011

Assets	
Investments, at value*	
(identified cost $314,496,955)	$291,406,254
Investment of cash collateral received for securities on loan	
Repurchase agreements (identified cost $11,050,043)	11,050,043
Total investments (identified cost $325,546,998)	302,456,297
Receivable for:	
Investments sold	415,074
Capital shares sold	141,405
Dividends	382,544
Interest	5,883
Expense reimbursement due from Investment Manager	11,309
Prepaid expense	2,721
Trustees' deferred compensation plan	38,061
Total assets	303,453,294
Liabilities	
Disbursements in excess of cash	246,560
Due upon return of securities on loan	11,050,043
Payable for:	
Investments purchased	338,307
Capital shares purchased	202,419
Investment management fees	188,978
Distribution and service fees	54,417
Transfer agent fees	14,352
Administration fees	19,137
Compensation board members	326
Chief compliance officer expenses	163
Other expenses	70,044
Trustees' deferred compensation plan	38,061
Total liabilities	12,222,807
Net assets applicable to outstanding capital stock	$291,230,487

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities (continued) — Columbia Variable Portfolio – Small Cap Value Fund

December 31, 2011

Represented by	
Paid-in capital	$299,092,459
Undistributed net investment income	1,454,759
Accumulated net realized gain	13,773,970
Unrealized appreciation (depreciation) on:	
Investments	(23,090,701)
Total — representing net assets applicable to outstanding capital stock	$291,230,487
*Value of securities on loan	$ 10,754,938
Net assets applicable to outstanding shares	
Class 1	$ 25,058,283
Class 2	$266,172,204
Shares outstanding	
Class 1	1,717,992
Class 2	18,305,412
Net asset value per share	
Class 1	$ 14.59
Class 2	$ 14.54

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations – Columbia Variable Portfolio – Small Cap Value Fund

Year ended December 31, 2011

Net investment income

Income:	
Dividends	$ 5,014,682
Interest	113
Dividends from affiliates	688
Income from securities lending — net	74,923
Foreign taxes withheld	(2,553)
Total income	5,087,853
Expenses:	
Investment management fees	2,421,699
Distribution fees	
Class 2	693,759
Transfer agent fees	
Class 1	16,551
Class 2	166,501
Administration fees	157,695
Compensation of board members	24,328
Pricing and bookkeeping fees	51,588
Custodian fees	26,960
Printing and postage fees	67,707
Professional fees	43,266
Interest expense	857
Chief compliance officer expenses	615
Other	13,566
Total expenses	3,685,092
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(229,695)
Fees waived by distributor — Class 2	(278,271)
Total net expenses	3,177,126
Net investment income	1,910,727

Realized and unrealized gain (loss) — net

Net realized gain (loss) on:	
Investments	18,218,035
Foreign currency transactions	(6)
Net realized gain	18,218,029
Net change in unrealized appreciation (depreciation) on:	
Investments	(38,777,364)
Net change in unrealized depreciation	(38,777,364)
Net realized and unrealized loss	(20,559,335)
Net decrease in net assets from operations	$(18,648,608)

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets – Columbia Variable Portfolio – Small Cap Value Fund

	Year ended December 31, 2011	Year ended December 31, 2010
Operations		
Net investment income	$ 1,910,727	$ 2,223,373
Net realized gain	18,218,029	58,720,093
Net change in unrealized appreciation (depreciation)	(38,777,364)	22,272,693
Net increase (decrease) in net assets resulting from operations	(18,648,608)	83,216,159
Distributions to shareholders from:		
Net investment income		
Class 1	(273,258)	(312,593)
Class 2	(2,467,512)	(4,303,306)
Net realized gains		
Class 1	(2,997,112)	—
Class 2	(30,090,661)	—
Total distributions to shareholders	(35,828,543)	(4,615,899)
Increase (decrease) in net assets from share transactions	22,578,988	(215,355,808)
Total decrease in net assets	(31,898,163)	(136,755,548)
Net assets at beginning of year	323,128,650	459,884,198
Net assets at end of year	$ 291,230,487	$ 323,128,650
Undistributed net investment income	$ 1,454,759	$ 1,741,529

	Year ended December 31, 2011		Year ended December 31, 2010	
	Shares	Dollars($)	Shares	Dollars($)
Capital stock activity				
Class 1 shares				
Subscriptions	189,593	2,913,927	351,690	5,523,731
Distributions reinvested	210,043	3,270,370	21,119	312,593
Redemptions	(366,352)	(5,753,027)	(367,655)	(5,543,723)
Net increase	33,284	431,270	5,154	292,601
Class 2 shares				
Subscriptions	2,086,024	32,820,780	2,728,284	41,350,732
Distributions reinvested	2,096,470	32,558,173	290,602	4,303,306
Redemptions	(2,665,419)	(43,231,235)	(17,452,795)	(261,302,447)
Net increase (decrease)	1,517,075	22,147,718	(14,433,909)	(215,648,409)
Total net increase (decrease)	**1,550,359**	**22,578,988**	**(14,428,755)**	**(215,355,808)**

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights – Columbia Variable Portfolio – Small Cap Value Fund

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec. 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Class 1					
Per share data					
Net asset value, beginning of period	$17.53	$14.01	$11.35	$18.08	$20.67
Income from investment operations:					
Net investment income	0.12	0.13	0.12	0.17	0.13
Net realized and unrealized gain (loss)	(1.04)	3.58	2.70	(4.79)	(0.38)
Total from investment operations	(0.92)	3.71	2.82	(4.62)	(0.25)
Less distributions to shareholders from:					
Net investment income	(0.17)	(0.19)	(0.14)	(0.12)	(0.10)
Net realized gains	(1.85)	—	(0.02)	(1.99)	(2.24)
Total distributions to shareholders	(2.02)	(0.19)	(0.16)	(2.11)	(2.34)
Net asset value, end of period	$14.59	$17.53	$14.01	$11.35	$18.08
Total return	(5.96%)	26.75%	25.16%	(28.02%)	(2.36%)
Ratios to average net assets[a]					
Expenses prior to fees waived or expenses reimbursed (including interest expense)	0.98%[b]	0.93%[b]	0.92%	0.89%[b]	0.89%[b]
Net expenses after fees waived or expenses reimbursed (including interest expense)[c]	0.90%[b]	0.93%[b][d][e]	0.92%[d]	0.89%[b][d]	0.89%[b][d]
Expenses prior to fees waived or expenses reimbursed (excluding interest expense)	0.98%	0.93%	0.92%	0.89%	0.89%
Net expenses after fees waived or expenses reimbursed (excluding interest expense)[c]	0.90%	0.93%[d]	0.92%[d]	0.89%[d]	0.89%[d]
Net investment income	0.76%	0.85%[d]	0.99%[d]	1.16%[d]	0.63%[d]
Supplemental data					
Net assets, end of period (in thousands)	$25,058	$29,529	$23,538	$19,357	$10,598
Portfolio turnover	32%	39%	43%	48%	51%

Notes to Financial Highlights

[a] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[b] Includes interest expense which rounds to less than 0.01%.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

The Accompanying Notes to Financial Statements are an integral part of this statement.

	Year ended Dec. 31,				
	2011	2010	2009	2008	2007
Class 2					
Per share data					
Net asset value, beginning of period	$17.49	$13.98	$11.31	$18.01	$20.61
Income from investment operations:					
Net investment income	0.10	0.09	0.10	0.13	0.09
Net realized and unrealized gain (loss)	(1.04)	3.58	2.70	(4.77)	(0.39)
Total from investment operations	(0.94)	3.67	2.80	(4.64)	(0.30)
Less distributions to shareholders from:					
Net investment income	(0.16)	(0.16)	(0.11)	(0.07)	(0.06)
Net realized gains	(1.85)	—	(0.02)	(1.99)	(2.24)
Total distributions to shareholders	(2.01)	(0.16)	(0.13)	(2.06)	(2.30)
Net asset value, end of period	$14.54	$17.49	$13.98	$11.31	$18.01
Total return	(6.13%)	26.46%	25.00%	(28.15%)	(2.58%)
Ratios to average net assets[a]					
Expenses prior to fees waived or expenses reimbursed (including interest expense)	1.23%[b]	1.18%[b]	1.17%	1.14%[b]	1.14%[b]
Net expenses after fees waived or expenses reimbursed (including interest expense)[c]	1.05%[b]	1.10%[b][d][e]	1.10%[d]	1.10%[b][d]	1.10%[b][d]
Expenses prior to fees waived or expenses reimbursed (excluding interest expense)	1.23%	1.18%	1.17%	1.14%	1.14%
Net expenses after fees waived or expenses reimbursed (excluding interest expense)[c]	1.05%	1.10%[d]	1.10%[d]	1.10%[d]	1.10%[d]
Net investment income	0.61%	0.61%[d]	0.81%[d]	0.83%[d]	0.44%[d]
Supplemental data					
Net assets, end of period (in thousands)	$266,172	$293,600	$436,346	$314,060	$467,568
Portfolio turnover	32%	39%	43%	48%	51%

Notes to Financial Highlights

[a] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[b] Includes interest expense which rounds to less than 0.01%.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Note 1. Organization

Columbia Variable Portfolio – Small Cap Value Fund (the Fund), formerly known as Columbia Small Cap Value Fund, Variable Series, a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. On May 2, 2011, Columbia Small Cap Value Fund, Variable Series was renamed Columbia Variable Portfolio – Small Cap Value Fund.

Fund Shares—The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and/or variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors (collectively, Qualified Investors) authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure. On May 2, 2011, Class A and Class B shares of the Fund were renamed Class 1 and Class 2 shares, respectively.

Note 2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation—All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board of Trustees (the Board), including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board of Trustees (the Board). If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation—The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses)

arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements—The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions—Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition—Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

The Fund receives distributions from holdings in real estate investment trusts (REITs) which report information on the character of their distributions annually. REIT distributions are allocated to dividend income, capital gain and return of capital based on estimates made by the Fund's management if actual information has not yet been reported. Return of capital is recorded as a reduction of the cost basis of securities held. Management's estimates are subsequently adjusted when the actual character of the distributions is disclosed by the REITs which could result in a proportionate increase in return of capital to shareholders.

Awards from class action litigation are recorded as a reduction of cost if the Fund still owns the applicable securities on the payment date. If the Fund no longer owns the applicable securities, the proceeds are recorded as realized gains.

Expenses—General expenses of the Trust are allocated to the Funds and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value—All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status—The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Shareholders—Distributions from net investment income are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications—Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement—*Fair Value Measurements and Disclosures*—In May 2011, the Financial Accounting and Standards Board issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair

value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees—Under an Investment Management Services Agreement (IMSA), Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. Effective May 1, 2011, the management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.79% to 0.70% as the Fund's net assets increase. Prior to May 1, 2011, the management fee was equal to a percentage of the Fund's average daily net assets that declined from 0.80% to 0.70% as the Fund's net assets increased. The effective management fee rate for the year ended December 31, 2011 was 0.79% of the Fund's average daily net assets.

Administration Fees—Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. Effective May 1, 2011, the Fund pays the Fund Administrator an annual fee rate for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.08% to 0.05% as the Fund's net assets increase. Prior to May 1, 2011, the Investment Manager did not receive a fee for its services under the Administration Services Agreement. The effective administration fee rate for the year ended December 31, 2011 was 0.05% of the Fund's average daily net assets.

Pricing and Bookkeeping Fees—Prior to July 11, 2011, the Fund had entered into a Financial Reporting Services Agreement (the Financial Reporting Services Agreement) with State Street Bank and Trust Company (State Street) and the Investment Manager pursuant to which State Street provided financial reporting services to the Fund. The Fund also entered into an Accounting Services Agreement (collectively with the Financial Reporting Services Agreement, the State Street Agreements) with State Street and the Investment Manager pursuant to which State Street provided accounting services to the Fund. Under the State Street Agreements, the Fund paid State Street an annual fee of $38,000 paid monthly plus an additional monthly fee based on an annualized percentage rate of average daily net assets of the Fund for the month. The aggregate fee did not exceed $140,000 per year (exclusive of out-of-pocket expenses and charges). The Fund also reimbursed State Street for certain out-of-pocket expenses and charges. Effective July 11, 2011, these services are now provided under the Administrative Services Agreement discussed above.

Compensation of Board Members—Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligation of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer—The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fee—Under a Transfer and Dividend Disbursing Agent Agreement, Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, is responsible for providing transfer agency services to the Fund. The Transfer Agent has contracted with Boston Financial Data Services (BFDS) to serve as subtransfer agent. The Transfer Agent receives a monthly fee for its services at the annual rate of 0.06% of the average daily net assets attributable to Class 1 and Class 2 shares of the Fund.

The Transfer Agent may also retain, as additional compensation for its services, fees for wire, telephone and redemption orders, account transcript fees due to the Transfer Agent from shareholders of the Fund and interest (net of bank charges) earned with respect to balances in accounts the Transfer Agent maintains in connection with its services to the Fund.

Distribution Fees—The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates—Effective May 1, 2011, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses

(excluding certain fees and expenses described below), through April 30, 2012, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.88%
Class 2	1.03

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Prior to May 1, 2011, the Investment Manager voluntarily agreed to reimburse a portion of the Fund's expenses (excluding certain expenses, such as distribution and services fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any) so that the Fund's ordinary net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, did not exceed 0.95% of the Fund's average daily net assets on an annualized basis.

In addition, the Distributor has voluntarily agreed to reimburse the Class 2 distribution fee in excess of 0.15% if the total annual Fund operating expenses applicable to Class 2 shares, including distribution fees, exceed the annual rate of 1.03% of the average daily net assets attributable to Class 2 shares. This arrangement may be modified or terminated by the Distributor at any time. Prior to May 1, 2011, the Distributor voluntarily agreed to reimburse the Class B distribution fee in excess of 0.15% if the total annual Fund operating expenses applicable to Class B shares, including distribution fees, exceeded the annual rate of 1.10% of the average daily net assets attributable to Class B shares.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

For the year ended December 31, 2011, these differences are primarily due to differing treatments for foreign currency transactions, deferred trustees expense, passive foreign investment company (PFIC) holdings and deferral/reversal of wash sales. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$ 543,273
Accumulated net realized gain	(543,279)
Paid-in capital	6

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

	Year ended December 31,	
	2011	2010
Ordinary income	$ 3,731,475	$4,615,899
Long-term capital gains	32,097,068	—

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$ 3,195,229
Undistributed long-term capital gains	12,289,022
Unrealized depreciation	$(23,311,223)

At December 31, 2011, the cost of investments for federal income tax purposes was $325,767,520 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$ 25,593,361
Unrealized depreciation	$(48,904,584)
Net unrealized depreciation	$(23,311,223)

For the year ended December 31, 2011, $3,484,391 of capital loss carryforwards was utilized.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment 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, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $98,787,672 and $111,066,348, respectively, for the year ended December 31, 2011.

Note 6. Lending of Portfolio Securities

Effective July 11, 2011, the Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement, which replaces the previous security lending arrangement with State Street, authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

At December 31, 2011, securities valued at $10,754,938 were on loan, secured by cash collateral of $11,050,043 (which does not reflect calls for collateral made to borrowers by JPMorgan at period) that is partially or fully invested in short-term securities or other cash equivalents.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the year ended December 31, 2011 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Prior to July 11, 2011, the Fund participated in a securities lending arrangement with State Street. Each security on loan was collateralized in an amount at least equal to the market value of the securities loaned plus accrued income from the investment of collateral. The income generated by the investment of the collateral, net of any fees remitted to State Street as the lending agent and borrower rebates, was paid to the Fund.

Note 7. Custody Credits

Prior to July 11, 2011, the Fund had an agreement with its custodian bank under which custody fees may have been reduced by balance credits. These credits are recorded as part of expense reductions on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if they had not entered into such an agreement. Subsequent to this date, the Fund may invest its daily balance in an affiliated money market fund as detailed below. For the period January 1, 2011 through July 10, 2011, there were no custody credits.

Note 8. Affiliated Money Market Fund

Effective July 11, 2011, the Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 9. Shareholder Concentration

At December 31, 2011 three unaffiliated shareholder accounts owned 86.6% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially. Subscription and redemption activity of this account may have a significant effect on the operations of the Fund.

Note 10. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on July 11, 2011, replacing a prior credit facility. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011 amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum. For the period July 11, 2011 through December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

Prior to July 11, 2011, the Fund and certain other funds managed by the Investment Manager participated in a committed, unsecured revolving credit facility provided by State Street. For the period June 27, 2011 through July 8, 2011, the collective borrowing amount of the credit facility was $100 million. For the period May 16, 2011 through June 26, 2011, the collective borrowing amount of the credit facility was $150 million. For the period March 28, 2011 through May 15, 2011, the collective borrowing amount of the credit facility was $225 million. Prior to March 28, 2011, the collective borrowing amount of the credit facility was $280 million. Interest was charged to each fund based on its borrowings at a rate equal to the greater of the (i) federal funds rate plus 1.25% per annum or (ii) the overnight LIBOR rate plus 1.25% per annum. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.125% per annum.

For the year ended December 31, 2011, the average daily loan balance outstanding on days when borrowing existed was $1,725,000 at a weighted average interest rate of 1.49%.

Note 11. Significant Risks

Sector Focus Risk—The Fund may focus its investments in certain sectors, subjecting it to greater risk than a fund that that invests in a wider range of industries.

Note 12. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 13. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case

to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and
the Shareholders of Columbia Variable Portfolio – Small Cap Value Fund

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio—Small Cap Value Fund (formerly Columbia Small Cap Value Fund, Variable Series) (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 21, 2012

Federal Income Tax Information (Unaudited)

Columbia Variable Portfolio – Small Cap Value Fund

The Fund hereby designates as a capital gain dividend with respect to the fiscal year ended December 31, 2011, $13,008,498, or, if subsequently determined to be different, the net capital gain of such year.

99.06% of the ordinary income distributed by the Fund for the fiscal year ended December 31, 2011, qualifies for the corporate dividends received deduction.

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; CEO of Crystal River Capital, Inc. (real estate investment trust) from 2003 to 2010; Oversees 43; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2008 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parson Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President—Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 43; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel—Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University, from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Oversees 43; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director, Marketing of Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 43; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 43; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider); BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 43; CIT Group Inc. (commercial and consumer finance), eBay Inc. (online trading community), MBIA Corp (financial service provider), E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services), and University of Oklahoma Foundation.
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington, from January 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington, from 1993 to 2011; Adjunct Professor of Statistics, University of Washington, from 1980 to 2011; Associate Editor, Journal of Money Credit and Banking from 1993 to 2008; consultant on econometric and statistical matters. Oversees 43; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 43; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees (continued)	
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 43; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired since 1997 (formerly General Manager – Global Education Industry from 1994 to 1997, President – Application Systems Division from 1991 to 1994, Chief Financial Officer – US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology)). Oversees 43; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 1-800-345-6611.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
J. Kevin Connaughton (Born 1964) 225 Franklin Street Boston, MA 02110 President (since 2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; President, Columbia Funds, since 2009, and RiverSource Funds, since May 2010 (previously Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009, Treasurer, Columbia Funds, from October 2003 to May 2008, and senior officer of various other affiliated funds since 2000); Managing Director, Columbia Management Advisors, LLC from December 2004 to April 2010.
Michael G. Clarke (Born 1969) 225 Franklin Street Boston, MA 02110 Treasurer (since 2011) and Chief Financial Officer (since 2009)	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Scott R. Plummer (Born 1959) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President, Assistant Secretary and Chief Legal Officer (since 2010)	Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, from 2005 to April 2010; Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006; Senior officer of Columbia Funds and affiliated funds, since 2006.
Linda J. Wondrack (Born 1964) 225 Franklin Street Boston, MA 02110 Senior Vice President and Chief Compliance Officer (since 2007)	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Chief Compliance Officer, Columbia Funds, since 2007, and RiverSource Funds, since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, from June 2005 to April 2010; Director of Corporate Compliance and Conflicts Officer of MFS Investment Management (investment management) from August 2004 to May 2005.
William F. Truscott (Born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2010)	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer from 2005 to April 2010, and Senior Vice President – Chief Investment Officer, from 2001 to 2005); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. since May 2010 (previously Chairman of the Board and Chief Executive Officer from 2008 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.
Colin Moore (Born 1958) 225 Franklin Street Boston, MA 02110 Senior Vice President (since 2010)	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer of Columbia Management Advisors, LLC from 2007 to April 2010; Head of Equities, Columbia Management Advisors, LLC from 2002 to 2007.
Amy Johnson (Born 1965) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, from 2009 until April 2010, Vice President – Asset Management and Trust Company Services, from 2006 to 2009, and Vice President – Operations and Compliance from 2004 to 2006).
Joseph F. DiMaria (Born 1968) 225 Franklin Street Boston, MA 02110 Vice President (since 2011) and Chief Accounting Officer (since 2008)	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC from January 2006 to April 2010; Head of Tax/Compliance and Assistant Treasurer, Columbia Management Advisors, LLC, from November 2004 to December 2005.
Stephen T. Welsh (born 1957) 225 Franklin Street Boston, MA 02110 Vice President (since 2006)	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc. from July 2004 to April 2010; Managing Director, Columbia Management Distributors, Inc. from August 2007 to April 2010.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers (continued)	
Paul D. Pearson (born 1956) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2011)	Vice President, Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President, Managed Assets, Investment Accounting, Ameriprise Financial Corporation.
Paul B. Goucher (born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2010)	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel from November 2008 to January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman) from July 2008 to November 2008 and Managing Director and Associate General Counsel of Seligman from January 2005 to July 2008.
Christopher O. Petersen (born 1970) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010) and Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel from April 2004 to January 2010); Senior officer of Columbia Funds and affiliated funds, since 2007.
Michael E. DeFao (born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel Bank of America from June 2005 to April 2010

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Important Information About This Report

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities and a copy of the fund's voting records are available (i) at www.columbiamanagement.com, (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 1-800-368-0346. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available from the fund's website, www.columbiamanagement.com.

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Fund is available only through variable annuity contracts and/or variable life insurance policies issued by participating insurance companies, qualified pension or retirement plans or other eligible investors. Please contact your financial advisor or insurance representative for more information.

Please carefully consider the investment objectives, risks, charges and expenses of any Variable Fund and its related variable contract before investing. For Variable Fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectuses carefully before you invest.

ColumbiaManagement®

Columbia Variable Portfolio – Small Cap Value Fund
P.O. Box 8081 Boston, MA 02266-8081

C-1501 A (02/12)

This report must be accompanied or preceeded by the Fund's current prospectus. Columbia Management mutual funds are distributed by Columbia Management Investment Distributors, Inc.
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ColumbiaManagement

Columbia Variable Portfolio - Strategic Income Fund

Annual Report for the Period Ended December 31, 2011

Not FDIC insured • No bank guarantee • May lose value

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Portfolio Managers' Discussion

Columbia Variable Portfolio – Strategic Income Fund / December 31, 2011

Columbia Variable Portfolio – Strategic Income Fund seeks total return, consisting of current income and capital appreciation.

Colin J. Lundgren, CFA, Brian Lavin, CFA and Gene R. Tannuzzo, CFA have co-managed the fund since 2010.

Summary

For the 12-month period that ended December 31, 2011, the fund's Class 1 shares underperformed their primary benchmark, the Barclays Capital Government/Credit Bond Index[1] but slightly outperformed the return of the blended benchmark,[2] which consists of 35% Barclays Capital Aggregate Bond Index, 35% JPMorgan Global High Yield Index, 15% Citigroup Non-U.S. World Government Bond Index – Unhedged and 15% JPMorgan EMBI Global Diversified Index. Government bonds posted strong performance for the year as yields declined sharply. Credit-sensitive sectors of the market, such as mortgage-backed securities (MBS), corporate bonds and emerging market bonds, underperformed government debt as "spreads" – the difference in yield between government and comparable maturity non-government bonds – increased.

From volatile to positive, market environment evolves

After a tremendous spike in volatility in the third quarter, global bond markets ended the calendar year with solid performance. Surveys of manufacturing activity stabilized, following steady declines from March through September. After a weak first half, U.S. economic data improved in the fourth quarter, with jobless claims declining to the lowest levels since 2008. In addition, consumer confidence posted gains just in time for the holiday shopping season. Investor sentiment continues to be influenced by headlines regarding European sovereign debt. However, a recently introduced bank liquidity program from the European Central Bank appears to have calmed markets in the near term, helping avert funding pressures at year end.

Contributors and detractors

Interest-rate decisions contributed positively to performance as the yield curve – a graphic depiction of yields, from short term to long term – flattened in the third quarter. However, sector allocations produced mixed results. An overweight in high-yield bank loans added to performance, as bank loans outperformed other high-yield assets in the third quarter. An underweight in foreign developed-market bonds also added to performance as the U.S. dollar appreciated relative to foreign currencies. Security selection in the high-yield bond market and in the foreign developed and emerging markets also helped performance for the year. By contrast, underweight positions in U.S. government debt and MBS and an overweight in emerging market debt detracted from performance. Security selection in MBS and investment-grade corporate bonds also detracted modestly from performance.

Portfolio activity

Throughout the first half of the year, we reduced the fund's exposure to high-yield bonds and international developed-market bonds in favor of U.S. investment-grade assets, such as Treasury Inflation Protected Securities (TIPS) and MBS. However, after a volatile third quarter, we increased the fund's exposure to high-yield bonds to take advantage of more attractive valuations. From an interest-rate perspective, we favored long maturity bonds over shorter maturity notes at the beginning of the year. As interest rates moved lower, we reduced the fund's duration – a measure of interest-rate sensitivity – to help cushion the fund against rising rates in the future. The fund utilized a variety of derivative instruments to help manage duration and yield curve exposure, to hedge credit and currency exposure and to gain exposure to agency MBS.

Looking ahead

Financial markets underwent a material repricing in the second half of 2011 as global economic data slowed and Europe began to tip towards a recession. More recently, however, it appears that the global economy may be stabilizing, with the U.S. labor and housing markets showing some signs of improvement heading into 2012. While significant headwinds remain, including consumer deleveraging and sovereign debt concerns, we believe certain strong forces will help keep economic growth muddling along. Central banks continue to employ positive monetary policies and corporate balance sheets remain lean and flush with cash.

Given this outlook, the portfolio is overweight in investment-grade and high-yield corporate bonds and bank loans. With government balance sheets in the developed markets in disarray and yields at historical lows, the fund is underweight in government debt, specifically in the euro zone, Japan and the United States. The fund has zero exposure to sovereign debt issued by Portugal, Ireland, Italy, Greece and Spain. Government balance sheets in emerging markets are in much better shape than their developed market counterparts and the fund is overweight in emerging market bonds, with positions in local markets that, in our view, offer potential value. With interest rates near all-time lows, we have reduced the fund's duration to below that of the benchmark to protect against a potential rise in interest rates ahead.

Past performance is no guarantee of future results.

Strategic investing offers attractive income and total return opportunities, but also involves certain risks. The value and return of your investment may fluctuate as a result of changes in interest rates, the financial strength of issuers of lower-rated bonds, foreign, political and economic developments, and changes in currency exchange rates.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa. Investing in foreign fixed-income markets carries additional risks associated with foreign political and economic developments and changes in currency exchange rates.

Investing in emerging markets may involve greater risks than investing in more developed countries. In addition, concentration of investments in a single region may result in greater volatility.

Investments in high-yield bonds (sometimes referred to as "junk" bonds) offer the potential for high current income and attractive total return, but involve certain risks. Changes in economic conditions or other circumstances may adversely affect a junk bond issuer's ability to make principal and interest payments. Rising interest rates tend to lower the value of all bonds. High yield bonds issued by foreign entities have greater potential risks, including less regulation, currency fluctuations, economic instability and political developments.

Holdings are disclosed as of December 31, 2011, and are subject to change.

The outlook for the fund may differ from that presented for other Columbia Funds.

1 The Barclays Capital Government/Credit Bond Index tracks the performance of U.S. government and corporate bonds rated investment grade or better, with maturities of at least one year.

2 The Blended Benchmark is a custom composite established by the fund's Advisor which consists of a 35% weighting of the Barclays Capital Aggregate Bond Index, a 35% weighting of the JPMorgan Global High Yield Index, a 15% weighting of the Citigroup Non-U.S. World Government Bond Index – Unhedged and a 15% weighting of the JPMorgan EMBI Global Diversified Index. The Barclays Capital Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs and total return performance of fixed-rate, publicly placed, dollar-denominated and non-convertible investment grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity. The JPMorgan Global High Yield Index is designed to mirror the investable universe of the US dollar global high-yield corporate debt market, including domestic and international issues. The Citigroup Non-U.S. World Government Bond Index – Unhedged is calculated on a market-weighted basis and includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of U.S. $25 million while excluding floating or variable rate bonds, securities aimed principally at non-institutional investors and private placement-type securities. The JPMorgan Emerging Markets Bond Global Diversified ("EMBI Global") Index is a uniquely-weighted index that tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign entities, including Brady bonds, Eurobonds and quasi-sovereign entities, while limiting exposure to any one country.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Performance Information

Columbia Variable Portfolio – Strategic Income Fund / December 31, 2011

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC (the "Investment Manager") and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

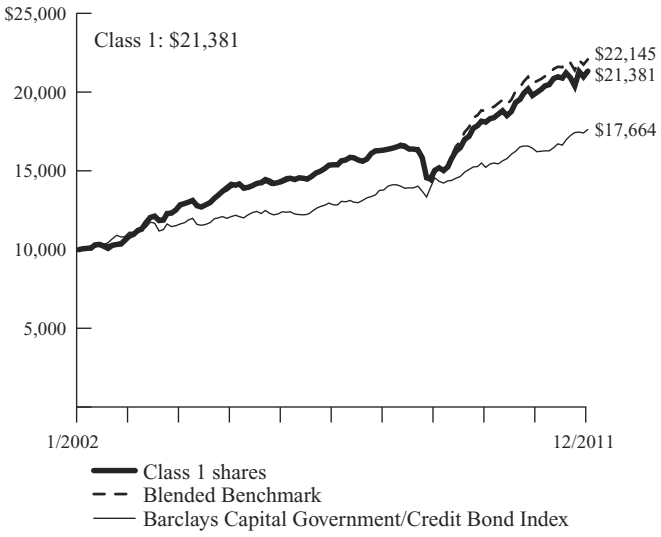
Average annual total return as of December 31, 2011 (%)

	1-year	5-year	10-year
Class 1 (07/05/94)	6.80	6.78	7.90
Class 2 (06/01/00)	6.56	6.56	7.67
Barclays Capital Government/ Credit Bond Index	8.74	6.55	5.85
Blended Benchmark	6.74	7.52	8.27

Inception date of share class is in parentheses.

Net asset value per share ($)	12/31/10	12/31/11
Class 1	8.83	8.73
Class 2	8.79	8.69

Performance of a $10,000 investment, 01/01/02 – 12/31/11



Quality breakdown as of 12/31/11 (%)

AAA	24.6
AA	2.3
A	4.0
BBB	15.6
BB	20.0
B	26.4
CCC	5.9
CC	0.1
D	0.0*
Non-Rated	1.5
Other**	-0.4

*Rounds to less than 0.1%.

**Comprised of equity and currency holdings.

Bond ratings apply to the underlying holdings of the fund and not the fund itself and are divided into categories ranging from AAA (highest) to D (lowest), and are subject to change. The ratings shown are determined by using the middle rating of Moody's Investor Services, Standard & Poor's, and Fitch Ratings after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower rating is used. When a rating from only one agency is available, that rating is used. When a bond is not rated by one of these agencies, it is designated as Non-Rated. The credit quality of the fund's investment does not remove market risk.

The graph compares the results of a hypothetical $10,000 investment in Class 1 shares of the fund with the indices. The returns for the indices and Class 1 shares assume reinvestment of dividends and capital gains, if any. Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due.

Fund Expense Example

Columbia Variable Portfolio – Strategic Income Fund / December 31, 2011

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension or retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

07/01/11 – 12/31/11	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,021.10	1,022.16	2.94	2.94	0.58
Class 2	1,000.00	1,000.00	1,020.00	1,020.91	4.20	4.20	0.83

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had the Investment Manager and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments – Columbia Variable Portfolio – Strategic Income Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) 50.9%			
Aerospace & Defense 1.4%			
ADS Tactical, Inc.			
Senior Secured(b)			
04/01/18	11.000%	$2,920,000	$2,920,000
Bombardier, Inc.			
Senior Unsecured(b)(c)(d)			
03/15/18	7.500%	1,200,000	1,284,000
Huntington Ingalls Industries, Inc.(b)			
03/15/18	6.875%	1,334,000	1,307,320
03/15/21	7.125%	2,146,000	2,103,080
Kratos Defense & Security Solutions, Inc.			
Senior Secured			
06/01/17	10.000%	3,374,000	3,458,350
Oshkosh Corp.			
03/01/17	8.250%	651,000	677,040
03/01/20	8.500%	2,086,000	2,148,580
TransDigm, Inc.			
12/15/18	7.750%	1,172,000	1,259,900
Total			15,158,270
Automotive 0.9%			
Allison Transmission, Inc.(b)			
05/15/19	7.125%	739,000	724,220
Chrysler Group LLC/Co-Issuer, Inc.(b)			
Senior Secured			
06/15/21	8.250%	410,000	372,075
Chrysler Group LLC/Co-Issuer, Inc.(b)(d)			
Senior Secured			
06/15/19	8.000%	469,000	427,962
Dana Holding Corp.			
Senior Unsecured			
02/15/19	6.500%	295,000	297,950
02/15/21	6.750%	199,000	203,478
Delphi Corp.(b)(d)			
05/15/19	5.875%	523,000	530,845
05/15/21	6.125%	349,000	357,725
Lear Corp.			
03/15/18	7.875%	680,000	734,400
03/15/20	8.125%	2,980,000	3,248,200
TRW Automotive, Inc.(b)			
12/01/17	8.875%	750,000	813,750
Tenneco, Inc.			
08/15/18	7.750%	16,000	16,960
Visteon Corp.(b)			
04/15/19	6.750%	1,984,000	1,934,400
Total			9,661,965
Banking 2.0%			
BanColombia SA			
Senior Unsecured(c)			
06/03/21	5.950%	1,200,000	1,204,500
Banco BMG SA			
Senior Notes(b)(c)			
04/15/18	8.000%	1,000,000	850,344
Banco Cruzeiro do Sul SA			
Senior Unsecured(b)(c)			
01/20/16	8.250%	1,200,000	816,626

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Banking (cont.)			
Bank of America Corp.			
Senior Unsecured			
05/13/21	5.000%	$4,750,000	$4,326,466
Citigroup, Inc.			
Senior Unsecured			
01/15/15	6.010%	460,000	480,564
01/14/22	4.500%	30,000	28,743
Goldman Sachs Group, Inc. (The)			
Senior Unsecured			
06/15/20	6.000%	1,815,000	1,859,217
JPMorgan Chase & Co.			
Senior Unsecured			
03/01/16	3.450%	6,075,000	6,171,915
08/15/21	4.350%	825,000	833,173
Lloyds Banking Group PLC(b)(c)			
11/29/49	6.267%	1,504,000	812,160
Morgan Stanley			
Senior Unsecured			
07/28/21	5.500%	2,865,000	2,649,079
Santander U.S. Debt SAU			
Bank Guaranteed(b)(c)(d)			
10/07/15	3.781%	1,000,000	913,686
Total			20,946,473
Brokerage 0.5%			
E*Trade Financial Corp.			
Senior Unsecured PIK			
11/30/17	12.500%	3,936,000	4,447,680
E*Trade Financial Corp.(d)			
Senior Unsecured			
12/01/15	7.875%	875,000	879,375
Nuveen Investments, Inc.			
11/15/15	10.500%	395,000	392,038
Total			5,719,093
Building Materials 0.8%			
Building Materials Corp. of America			
Senior Notes(b)			
05/01/21	6.750%	3,790,000	3,979,500
Gibraltar Industries, Inc.(e)			
12/01/15	8.000%	1,750,000	1,750,000
Interface, Inc.			
12/01/18	7.625%	595,000	629,213
Norcraft Companies LP/Finance Corp.			
Secured			
12/15/15	10.500%	1,625,000	1,515,312
Nortek, Inc.(b)			
12/01/18	10.000%	190,000	180,025
04/15/21	8.500%	1,198,000	1,012,310
Total			9,066,360
Chemicals 1.6%			
CF Industries, Inc.			
05/01/18	6.875%	735,000	841,575
05/01/20	7.125%	1,279,000	1,509,220
Celanese U.S. Holdings LLC			
10/15/18	6.625%	8,000	8,500

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Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Chemicals (cont.)			
Hexion U.S. Finance Corp./Nova Scotia ULC			
Secured			
11/15/20	9.000%	$247,000	$203,775
Senior Secured			
02/01/18	8.875%	1,853,000	1,737,187
Ineos Finance PLC			
Senior Secured(b)(c)			
05/15/15	9.000%	1,877,000	1,905,155
JM Huber Corp.			
Senior Unsecured(b)			
11/01/19	9.875%	1,175,000	1,201,438
LyondellBasell Industries NV(b)(c)			
11/15/21	6.000%	3,235,000	3,356,312
MacDermid, Inc.(b)			
04/15/17	9.500%	820,000	817,950
Momentive Performance Materials, Inc.			
06/15/14	12.500%	730,000	773,800
Nalco Co.(b)			
01/15/19	6.625%	1,465,000	1,695,738
Nova Chemicals Corp.(c)			
Senior Unsecured			
11/01/16	8.375%	1,535,000	1,673,150
11/01/19	8.625%	84,000	92,610
Polypore International, Inc.			
11/15/17	7.500%	1,025,000	1,060,875
Total			16,877,285
Construction Machinery 1.2%			
CNH Capital LLC(b)			
11/01/16	6.250%	1,635,000	1,684,050
Case New Holland, Inc.			
12/01/17	7.875%	2,453,000	2,771,890
Columbus McKinnon Corp.			
02/01/19	7.875%	381,000	395,764
Manitowoc Co., Inc. (The)			
11/01/20	8.500%	60,000	63,225
Manitowoc Co., Inc. (The)(d)			
02/15/18	9.500%	1,305,000	1,389,825
Neff Rental LLC/Finance Corp.			
Secured(b)			
05/15/16	9.625%	1,534,000	1,357,590
RSC Equipment Rental, Inc./Holdings III LLC			
02/01/21	8.250%	580,000	587,250
United Rentals North America, Inc.			
12/15/19	9.250%	2,569,000	2,697,450
United Rentals North America, Inc.(d)			
09/15/20	8.375%	1,612,000	1,571,700
Xerium Technologies, Inc.(b)			
06/15/18	8.875%	920,000	832,600
Total			13,351,344
Consumer Cyclical Services 0.1%			
Goodman Networks, Inc.			
Senior Secured(b)			
07/01/18	12.125%	1,035,000	988,425

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Consumer Products 0.6%			
Central Garden and Pet Co.			
03/01/18	8.250%	$820,000	$805,650
Libbey Glass, Inc.			
Senior Secured			
02/15/15	10.000%	851,000	910,570
Sealy Mattress Co.(d)			
06/15/14	8.250%	1,435,000	1,420,650
Spectrum Brands Holdings, Inc.			
Senior Secured			
06/15/18	9.500%	2,279,000	2,492,656
Spectrum Brands Holdings, Inc.(b)			
Senior Secured			
06/15/18	9.500%	528,000	577,500
Visant Corp.(d)			
10/01/17	10.000%	817,000	747,555
Total			6,954,581
Diversified Manufacturing 0.6%			
Amsted Industries, Inc.			
Senior Notes(b)			
03/15/18	8.125%	1,070,000	1,135,538
CPM Holdings, Inc.			
Senior Secured(e)			
09/01/14	10.625%	928,000	988,320
Tomkins LLC/Inc.			
Secured(e)			
10/01/18	9.000%	1,762,000	1,953,618
WireCo WorldGroup, Inc.(b)(e)			
05/15/17	10.000%	2,422,000	2,437,137
Total			6,514,613
Electric 3.8%			
AES Corp. (The)			
Senior Unsecured			
10/15/17	8.000%	261,000	287,100
AES Corp. (The)(b)			
Senior Unsecured			
07/01/21	7.375%	2,611,000	2,813,353
Atlantic Power Corp.(b)(c)			
11/15/18	9.000%	1,620,000	1,620,559
Calpine Corp.			
Senior Secured(b)			
02/15/21	7.500%	1,790,000	1,924,250
Consolidated Edison Co. of New York, Inc.			
Senior Unsecured			
04/01/38	6.750%	255,000	357,065
DPL, Inc.(b)			
Senior Unsecured			
10/15/16	6.500%	640,000	681,600
10/15/21	7.250%	373,000	402,840
Dominion Resources, Inc.			
Senior Unsecured			
08/15/19	5.200%	1,795,000	2,072,135
08/01/41	4.900%	515,000	555,599
Duke Energy Corp.			
Senior Unsecured			
09/15/14	3.950%	1,460,000	1,557,703
04/01/15	3.350%	4,600,000	4,849,058

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Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Electric (cont.)			
Duke Energy Ohio, Inc.			
1st Mortgage			
04/01/19	5.450%	$1,696,000	$2,022,616
Energy Future Holdings Corp.			
Senior Secured(e)			
01/15/20	10.000%	1,156,000	1,213,800
Energy Future Intermediate Holding Co. LLC/Finance, Inc.			
Senior Secured			
12/01/20	10.000%	257,000	271,135
Florida Power Corp.			
1st Mortgage			
06/15/38	6.400%	530,000	718,893
GenOn Energy, Inc.			
Senior Unsecured(d)			
10/15/18	9.500%	903,000	914,288
Ipalco Enterprises, Inc.			
Senior Secured(b)			
04/01/16	7.250%	75,000	80,250
Midwest Generation LLC			
Pass-Through Certificates			
01/02/16	8.560%	348,539	352,024
NRG Energy, Inc.(d)			
01/15/17	7.375%	3,709,000	3,848,088
Nevada Power Co.			
01/15/15	5.875%	2,055,000	2,304,904
05/15/18	6.500%	4,820,000	5,783,397
04/01/36	6.650%	30,000	40,194
Pacific Gas & Electric Co.			
Senior Unsecured(d)			
10/01/20	3.500%	630,000	657,843
Sierra Pacific Power Co.			
05/15/16	6.000%	1,395,000	1,618,289
TransAlta Corp.			
Senior Unsecured(c)			
05/15/18	6.650%	2,670,000	3,087,764
Xcel Energy, Inc.			
Senior Unsecured			
05/15/20	4.700%	525,000	591,687
Total			40,626,434
Entertainment 0.4%			
AMC Entertainment, Inc.			
06/01/19	8.750%	820,000	848,700
AMC Entertainment, Inc.(d)			
12/01/20	9.750%	1,120,000	1,064,000
Regal Cinemas Corp.			
07/15/19	8.625%	742,000	801,360
Six Flags, Inc.(b)(f)(g)(h)			
06/01/14	9.625%	95,000	—
Speedway Motorsports, Inc.			
06/01/16	8.750%	1,600,000	1,744,000
02/01/19	6.750%	32,000	32,320
Vail Resorts, Inc.			
05/01/19	6.500%	287,000	292,740
Total			4,783,120

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Environmental 0.1%			
Clean Harbors, Inc.			
Senior Secured			
08/15/16	7.625%	$493,000	$523,813
Food and Beverage 1.1%			
ConAgra Foods, Inc.			
Senior Unsecured			
10/01/28	7.000%	440,000	505,584
Cott Beverages, Inc.			
11/15/17	8.375%	135,000	145,631
09/01/18	8.125%	1,150,000	1,242,000
Darling International, Inc.			
12/15/18	8.500%	950,000	1,054,500
Kraft Foods, Inc.			
Senior Unsecured			
02/01/18	6.125%	5,685,000	6,663,741
MHP SA(b)(c)			
04/29/15	10.250%	1,160,000	1,021,623
Pinnacle Foods Finance LLC/Corp.			
04/01/15	9.250%	973,000	998,541
Total			11,631,620
Gaming 1.6%			
Caesars Entertainment Operating Co., Inc.			
Senior Secured			
06/01/17	11.250%	1,676,000	1,778,655
FireKeepers Development Authority			
Senior Secured(b)			
05/01/15	13.875%	2,090,000	2,372,150
MGM Resorts International			
Senior Secured			
03/15/20	9.000%	2,815,000	3,117,612
MGM Resorts International(d)			
07/15/15	6.625%	425,000	403,750
Senior Unsecured			
03/01/18	11.375%	2,001,000	2,201,100
Penn National Gaming, Inc.			
Senior Subordinated Notes			
08/15/19	8.750%	1,540,000	1,674,750
Pinnacle Entertainment, Inc.			
06/15/15	7.500%	199,000	197,010
ROC Finance LLC/Corp.			
Secured(b)			
09/01/18	12.125%	1,534,000	1,614,535
Seminole Indian Tribe of Florida(b)			
10/01/17	7.750%	1,663,000	1,729,520
10/01/20	7.804%	160,000	157,090
Senior Secured			
10/01/20	6.535%	65,000	63,313
Seneca Gaming Corp.(b)			
12/01/18	8.250%	1,340,000	1,309,850
Tunica-Biloxi Gaming Authority			
Senior Unsecured(b)			
11/15/15	9.000%	972,000	972,000
Total			17,591,335

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Gas Pipelines 2.8%			
El Paso Corp.			
Senior Unsecured			
06/15/14	6.875%	$70,000	$76,178
06/01/18	7.250%	368,000	402,960
09/15/20	6.500%	2,968,000	3,242,540
01/15/32	7.750%	2,196,000	2,536,380
Enterprise Products Operating LLC			
02/01/16	3.200%	1,250,000	1,294,100
02/15/42	5.700%	1,055,000	1,149,409
Kinder Morgan Energy Partners LP			
Senior Unsecured			
01/15/38	6.950%	170,000	192,013
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,698,000	1,774,410
Nisource Finance Corp.			
09/15/17	5.250%	3,675,000	4,056,693
Plains All American Pipeline LP/Finance Corp.			
05/01/19	8.750%	965,000	1,232,782
Regency Energy Partners LP/Finance Corp.			
06/01/16	9.375%	580,000	638,000
12/01/18	6.875%	2,559,000	2,712,540
07/15/21	6.500%	1,813,000	1,885,520
Southern Natural Gas Co.			
Senior Unsecured(b)			
04/01/17	5.900%	4,160,000	4,754,348
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	1,785,000	1,816,237
TransCanada PipeLines Ltd.			
Senior Unsecured(c)			
01/15/39	7.625%	320,000	461,515
Transcontinental Gas Pipe Line Co. LLC			
Senior Unsecured(b)			
08/15/41	5.400%	1,285,000	1,448,121
Total			29,673,746
Health Care 2.7%			
AMERIGROUP Corp.			
Senior Unsecured			
11/15/19	7.500%	143,000	147,290
AMGH Merger Sub, Inc.			
Senior Secured(b)(d)			
11/01/18	9.250%	818,000	842,540
American Renal Associates Holdings, Inc.			
Senior Unsecured			
03/01/16	9.750%	289,196	294,257
American Renal Holdings Co., Inc.			
Senior Secured			
05/15/18	8.375%	1,251,000	1,313,550
CHS/Community Health Systems, Inc.(b)(d)			
11/15/19	8.000%	1,241,000	1,253,410
ConvaTec Healthcare E SA			
Senior Unsecured(b)(c)			
12/15/18	10.500%	2,150,000	1,918,875
Emdeon, Inc.(b)			
12/31/19	11.000%	1,275,000	1,333,969

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Health Care (cont.)			
Fresenius Medical Care U.S. Finance, Inc.(b)			
09/15/18	6.500%	$305,000	$319,488
HCA, Inc.			
02/15/22	7.500%	1,000,000	1,022,500
Senior Secured			
02/15/20	6.500%	2,019,000	2,094,712
02/15/20	7.875%	3,389,000	3,660,120
09/15/20	7.250%	1,306,000	1,377,830
Hanger Orthopedic Group, Inc.			
11/15/18	7.125%	787,000	799,789
Health Management Associates, Inc.			
Senior Unsecured(b)			
01/15/20	7.375%	1,980,000	2,059,200
Healthsouth Corp.(d)			
09/15/22	7.750%	143,000	140,676
InVentiv Health, Inc.(b)			
08/15/18	10.000%	1,768,000	1,591,200
Kinetic Concepts/KCI U.S.A., Inc.(b)			
11/01/18	10.500%	852,000	834,960
LifePoint Hospitals, Inc.			
10/01/20	6.625%	425,000	440,406
Multiplan, Inc.(b)			
09/01/18	9.875%	1,856,000	1,934,880
Omnicare, Inc.			
06/01/20	7.750%	740,000	794,575
Radnet Management, Inc.			
04/01/18	10.375%	465,000	409,200
Rural/Metro Corp.			
Senior Unsecured(b)			
07/15/19	10.125%	816,000	771,120
STHI Holding Corp.			
Secured(b)			
03/15/18	8.000%	403,000	414,083
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	2,615,000	2,595,387
02/01/19	7.750%	682,000	654,720
Total			29,018,737
Healthcare Insurance 0.1%			
WellPoint, Inc.			
Senior Unsecured			
02/15/19	7.000%	505,000	609,319
Home Construction 0.1%			
Shea Homes LP/Funding Corp.			
Senior Secured(b)			
05/15/19	8.625%	1,070,000	1,000,450
Independent Energy 4.2%			
Anadarko Petroleum Corp.			
Senior Unsecured			
09/15/16	5.950%	3,990,000	4,522,864
Antero Resources Finance Corp.			
12/01/17	9.375%	73,000	78,840
Antero Resources Finance Corp.(b)			
08/01/19	7.250%	105,000	107,625
Bill Barrett Corp.			
10/01/19	7.625%	1,030,000	1,076,350

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Independent Energy (cont.)			
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	$2,256,000	$2,278,560
Carrizo Oil & Gas, Inc.(b)			
10/15/18	8.625%	648,000	654,480
Chaparral Energy, Inc.			
10/01/20	9.875%	441,000	476,280
09/01/21	8.250%	1,236,000	1,251,450
Chesapeake Energy Corp.			
02/15/21	6.125%	2,441,000	2,508,127
Chesapeake Energy Corp.(d)			
08/15/20	6.625%	3,398,000	3,627,365
Concho Resources, Inc.			
01/15/21	7.000%	875,000	939,531
01/15/22	6.500%	1,430,000	1,494,350
Continental Resources, Inc.			
10/01/19	8.250%	104,000	114,400
10/01/20	7.375%	6,000	6,540
04/01/21	7.125%	1,598,000	1,731,832
Forest Oil Corp.(d)			
06/15/19	7.250%	1,946,000	1,984,920
Goodrich Petroleum Corp.(b)			
03/15/19	8.875%	1,145,000	1,145,000
Hilcorp Energy I LP/Finance Co.			
Senior Notes(b)			
02/15/20	8.000%	85,000	90,950
Kodiak Oil & Gas Corp.(b)(c)			
12/01/19	8.125%	2,513,000	2,604,096
Laredo Petroleum, Inc.(b)			
02/15/19	9.500%	2,975,000	3,153,500
MEG Energy Corp.(b)(c)			
03/15/21	6.500%	1,185,000	1,211,663
National JSC Naftogaz of Ukraine			
Government Guaranteed(c)			
09/30/14	9.500%	2,135,000	1,991,437
Newfield Exploration Co.			
Senior Subordinated Notes			
04/15/16	6.625%	125,000	128,750
02/01/20	6.875%	70,000	74,900
Oasis Petroleum, Inc.			
02/01/19	7.250%	1,990,000	2,059,650
11/01/21	6.500%	1,223,000	1,213,828
Petrohawk Energy Corp.			
08/15/18	7.250%	1,521,000	1,711,125
06/01/19	6.250%	497,000	546,700
Pioneer Natural Resources Co.			
Senior Unsecured			
01/15/20	7.500%	415,000	486,069
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	1,145,000	1,233,738
Range Resources Corp.			
05/01/18	7.250%	1,019,000	1,085,235
05/15/19	8.000%	485,000	540,775
06/01/21	5.750%	1,450,000	1,569,625
SM Energy Co.			
Senior Unsecured(b)			
11/15/21	6.500%	621,000	639,630
Southwestern Energy Co.			
02/01/18	7.500%	$50,000	$57,625
WPX Energy, Inc.			
Senior Unsecured(b)			
01/15/22	6.000%	1,064,000	1,089,270
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	77,330
Total			45,564,410
Integrated Energy 0.2%			
Lukoil International Finance BV(b)(c)			
11/09/20	6.125%	1,200,000	1,178,880
Marathon Petroleum Corp.			
Senior Unsecured			
03/01/41	6.500%	600,000	679,936
Total			1,858,816
Lodging 0.1%			
Starwood Hotels & Resorts Worldwide, Inc.			
Senior Unsecured			
05/15/18	6.750%	1,022,000	1,154,860
Wyndham Worldwide Corp.			
Senior Unsecured			
12/01/16	6.000%	35,000	37,744
Total			1,192,604
Media Cable 2.0%			
CCO Holdings LLC/Capital Corp.			
04/30/18	7.875%	1,000,000	1,067,500
04/30/20	8.125%	1,867,000	2,044,365
CCO Holdings LLC/Capital Corp.(d)			
01/15/19	7.000%	650,000	677,625
CSC Holdings LLC			
Senior Unsecured(b)			
11/15/21	6.750%	1,953,000	2,055,532
Cequel Communications Holdings I LLC/Capital Corp.			
Senior Unsecured(b)			
11/15/17	8.625%	3,541,000	3,753,460
Comcast Corp.			
08/15/37	6.950%	1,135,000	1,444,070
DISH DBS Corp.			
09/01/19	7.875%	2,212,000	2,499,560
06/01/21	6.750%	1,788,000	1,926,570
Insight Communications Co., Inc.			
Senior Unsecured(b)			
07/15/18	9.375%	559,000	638,658
Quebecor Media, Inc.			
Senior Unsecured(c)			
03/15/16	7.750%	4,022,000	4,132,605
Time Warner Cable, Inc.			
05/01/17	5.850%	15,000	17,082
02/01/20	5.000%	14,000	15,337
UPCB Finance V Ltd.			
Senior Secured(b)(c)			
11/15/21	7.250%	921,000	932,228
Total			21,204,592

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Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Media Non-Cable 3.1%			
AMC Networks, Inc.(b)			
07/15/21	7.750%	$2,826,000	$3,073,275
Clear Channel Communications, Inc.			
Senior Secured			
03/01/21	9.000%	706,000	594,805
Clear Channel Worldwide Holdings, Inc.			
12/15/17	9.250%	2,825,000	3,051,000
Cumulus Media, Inc.(b)			
05/01/19	7.750%	787,000	696,495
EH Holding Corp.(b)			
06/15/21	7.625%	605,000	635,250
EH Holding Corp.(b)(d)			
Senior Secured			
06/15/19	6.500%	2,203,000	2,296,627
Intelsat Jackson Holdings SA(b)(c)			
04/01/21	7.500%	680,000	687,650
Intelsat Jackson Holdings SA(c)			
06/15/16	11.250%	2,285,000	2,400,678
Intelsat Luxembourg SA(b)(c)			
PIK			
02/04/17	11.500%	894,000	862,710
Intelsat Luxembourg SA(c)			
PIK			
02/04/17	11.500%	894,000	862,710
Lamar Media Corp.(d)			
04/15/18	7.875%	301,000	319,060
National CineMedia LLC			
Senior Unsecured			
07/15/21	7.875%	1,639,000	1,624,659
News America, Inc.			
12/15/35	6.400%	55,000	60,269
Nielsen Finance LLC/Co.			
10/15/18	7.750%	2,366,000	2,555,280
RR Donnelley & Sons Co.			
Senior Unsecured			
06/15/20	7.625%	385,000	359,975
Salem Communications Corp.			
Secured			
12/15/16	9.625%	2,139,000	2,256,645
Sinclair Television Group, Inc.			
Secured(b)			
11/01/17	9.250%	2,250,000	2,452,500
TCM Sub LLC(b)			
01/15/15	3.550%	2,650,000	2,788,602
Univision Communications, Inc.(b)			
05/15/21	8.500%	710,000	646,100
Senior Secured			
11/01/20	7.875%	1,930,000	1,958,950
XM Satellite Radio, Inc.(b)			
11/01/18	7.625%	2,778,000	2,944,680
Total			33,127,920
Metals 2.6%			
Alpha Natural Resources, Inc.			
06/01/19	6.000%	1,632,000	1,583,040
06/01/21	6.250%	722,000	698,535
Metals (cont.)			
ArcelorMittal			
Senior Unsecured(c)(d)			
03/01/21	5.500%	$3,660,000	$3,359,547
Arch Coal, Inc.(b)			
06/15/19	7.000%	1,923,000	1,971,075
06/15/21	7.250%	1,772,000	1,820,730
Calcipar SA			
Senior Secured(b)(c)			
05/01/18	6.875%	1,709,000	1,538,100
Consol Energy, Inc.			
04/01/20	8.250%	3,421,000	3,780,205
FMG Resources August 2006 Proprietary Ltd.(b)(c)			
11/01/15	7.000%	2,090,000	2,110,900
02/01/16	6.375%	687,000	666,390
Senior Notes			
11/01/19	8.250%	2,614,000	2,640,140
FMG Resources August 2006 Proprietary Ltd.(b)(c)(d)			
02/01/18	6.875%	464,000	444,280
JMC Steel Group			
Senior Notes(b)			
03/15/18	8.250%	1,140,000	1,111,500
Metalloinvest Finance Ltd.(b)(c)			
07/21/16	6.500%	1,000,000	895,226
Novelis, Inc.(c)			
12/15/17	8.375%	1,095,000	1,163,437
12/15/20	8.750%	344,000	368,940
Peabody Energy Corp.(b)			
11/15/18	6.000%	1,558,000	1,589,160
11/15/21	6.250%	1,038,000	1,074,330
Rain CII Carbon LLC/Corp.			
Senior Secured(b)			
12/01/18	8.000%	1,115,000	1,140,088
Total			27,955,623
Non-Captive Consumer 0.4%			
SLM Corp.			
Senior Notes			
01/25/16	6.250%	1,033,000	1,004,571
Senior Unsecured			
03/25/20	8.000%	1,661,000	1,677,610
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	2,468,000	1,783,130
Total			4,465,311
Non-Captive Diversified 3.4%			
Ally Financial, Inc.			
03/15/20	8.000%	8,654,000	8,870,350
09/15/20	7.500%	95,000	95,950
CIT Group, Inc.(b)			
Secured			
05/02/17	7.000%	7,185,000	7,176,019
CIT Group, Inc.(b)(d)			
Secured			
04/01/18	6.625%	1,415,000	1,453,913

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Non-Captive Diversified (cont.)			
Ford Motor Credit Co. LLC			
Senior Unsecured			
04/15/15	7.000%	$1,000,000	$1,075,000
05/15/18	5.000%	1,483,000	1,486,845
01/15/20	8.125%	3,840,000	4,519,941
02/01/21	5.750%	183,000	190,710
General Electric Capital Corp.			
Senior Unsecured			
01/08/20	5.500%	730,000	800,499
10/17/21	4.650%	5,110,000	5,333,138
International Lease Finance Corp.			
Senior Unsecured			
09/01/17	8.875%	1,685,000	1,739,762
05/15/19	6.250%	533,000	492,380
01/15/22	8.625%	1,094,000	1,106,698
International Lease Finance Corp.(d)			
Senior Unsecured			
12/15/20	8.250%	1,975,000	1,994,750
Total			36,335,955
Oil Field Services 0.8%			
Green Field Energy Services, Inc.			
Senior Secured(b)			
11/15/16	13.000%	1,854,000	1,798,380
Novatek Finance Ltd.			
Senior Unsecured(b)(c)			
02/03/21	6.604%	2,000,000	2,031,138
Offshore Group Investments Ltd.			
Senior Secured(c)			
08/01/15	11.500%	3,360,000	3,633,000
Oil States International, Inc.			
06/01/19	6.500%	1,583,000	1,618,617
Weatherford International Ltd.(c)			
03/15/13	5.150%	4,000	4,160
Total			9,085,295
Other Industry —%			
Interline Brands, Inc.			
11/15/18	7.000%	489,000	506,115
Packaging 1.1%			
ARD Finance SA			
Senior Secured PIK(b)(c)			
06/01/18	11.125%	377,232	328,192
Ardagh Packaging Finance PLC(b)(c)			
Senior Secured			
10/15/17	7.375%	1,355,000	1,368,550
Ardagh Packaging Finance PLC(b)(c)(d)			
10/15/20	9.125%	978,000	968,220
Ball Corp.			
09/01/19	7.375%	540,000	591,300
Greif, Inc.			
Senior Unsecured			
08/01/19	7.750%	1,800,000	1,944,000
Reynolds Group Issuer, Inc./LLC(b)			
Senior Secured			
04/15/19	7.125%	889,000	904,557
08/15/19	7.875%	1,686,000	1,761,870

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Packaging (cont.)			
Senior Unsecured			
08/15/19	9.875%	$615,000	$596,550
Reynolds Group Issuer, Inc./LLC(b)(e)			
05/15/18	9.250%	1,000,000	957,500
Senior Secured			
10/15/16	8.750%	1,684,000	1,772,410
Sealed Air Corp.(b)(d)			
09/15/21	8.375%	352,000	388,960
Total			11,582,109
Paper 0.2%			
Cascades, Inc.(c)			
12/15/17	7.750%	1,586,000	1,570,140
Verso Paper Holdings LLC/Inc.			
Secured(d)			
02/01/19	8.750%	1,203,000	733,830
Total			2,303,970
Pharmaceuticals 0.6%			
Endo Pharmaceuticals Holdings, Inc.			
01/15/22	7.250%	559,000	594,636
Grifols, Inc.			
02/01/18	8.250%	1,226,000	1,287,300
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured(b)(d)			
12/01/19	9.500%	435,000	456,750
Mylan, Inc.(b)			
11/15/18	6.000%	3,017,000	3,103,739
Warner Chilcott Co. LLC/Finance			
09/15/18	7.750%	705,000	719,981
Total			6,162,406
Railroads 0.2%			
CSX Corp.			
Senior Unsecured			
04/15/41	5.500%	1,195,000	1,353,574
Union Pacific Corp.			
Senior Unsecured			
08/15/18	5.700%	385,000	456,490
Total			1,810,064
Refining 0.1%			
United Refining Co.			
Senior Secured			
02/28/18	10.500%	1,259,000	1,177,165
Retailers 1.1%			
Best Buy Co., Inc.			
Senior Unsecured			
03/15/21	5.500%	165,000	157,836
Burlington Coat Factory Warehouse Corp.			
02/15/19	10.000%	705,000	689,138
Limited Brands, Inc.			
04/01/21	6.625%	2,281,000	2,417,860
Number Merger Sub, Inc.			
Senior Notes(b)			
12/15/19	11.000%	627,000	633,270

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Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Retailers (cont.)			
QVC, Inc.(b)			
Senior Secured			
04/15/17	7.125%	$20,000	$21,175
10/01/19	7.500%	2,130,000	2,300,400
Rite Aid Corp.			
06/15/17	9.500%	1,185,000	1,081,312
Senior Secured			
08/15/20	8.000%	2,250,000	2,486,250
Sally Holdings LLC/Capital, Inc.(b)(d)			
11/15/19	6.875%	585,000	608,400
Toys R Us Property Co. II LLC			
Senior Secured			
12/01/17	8.500%	1,800,000	1,863,000
Total			12,258,641
Sovereign 0.2%			
Morgan Stanley			
Senior Unsecured(c)			
10/22/20	11.500%	BRL 3,415,000	1,743,122
Supranational 0.4%			
Asian Development Bank			
Senior Unsecured(c)			
06/21/27	2.350%	JPY 120,000,000	1,734,626
European Investment Bank			
Senior Unsecured(c)			
06/20/17	1.400%	JPY 189,000,000	2,480,637
International Finance Corp.(c)			
02/28/13	7.500%	AUD 120,000	127,700
Total			4,342,963
Technology 1.8%			
Amkor Technology, Inc.(d)			
Senior Unsecured			
05/01/18	7.375%	1,299,000	1,328,227
06/01/21	6.625%	1,893,000	1,822,012
CDW LLC / Finance Corp.			
04/01/19	8.500%	1,910,000	1,924,325
Senior Secured			
12/15/18	8.000%	1,153,000	1,202,003
Cardtronics, Inc.			
09/01/18	8.250%	1,143,000	1,245,870
CommScope, Inc.(b)			
01/15/19	8.250%	891,000	891,000
Equinix, Inc.			
Senior Unsecured			
07/15/21	7.000%	510,000	540,600
First Data Corp.			
PIK			
09/24/15	10.550%	1,046,000	997,623
First Data Corp.(b)			
01/15/21	12.625%	924,000	803,880
Senior Secured			
08/15/20	8.875%	1,305,000	1,305,000
Freescale Semiconductor, Inc.			
Senior Secured(b)(c)			
04/15/18	9.250%	1,350,000	1,442,812

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Technology (cont.)			
Interactive Data Corp.			
08/01/18	10.250%	$1,525,000	$1,669,875
NXP BV/Funding LLC			
Senior Secured(b)(c)			
08/01/18	9.750%	2,816,000	3,083,520
iGate Corp.(b)			
05/01/16	9.000%	1,418,000	1,474,720
Total			19,731,467
Transportation Services 0.4%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	471,000	467,468
03/15/20	9.750%	695,000	714,112
ERAC U.S.A. Finance LLC(b)			
07/01/13	2.750%	330,000	333,897
10/01/20	5.250%	305,000	325,341
Hertz Corp. (The)			
10/15/18	7.500%	1,035,000	1,081,575
01/15/21	7.375%	872,000	886,170
Total			3,808,563
Wireless 2.6%			
CC Holdings GS V LLC/Crown Castle GS III Corp.			
Senior Secured(b)			
05/01/17	7.750%	1,500,000	1,616,250
Cricket Communications, Inc.			
Senior Secured			
05/15/16	7.750%	3,711,000	3,831,607
Cricket Communications, Inc.(d)			
10/15/20	7.750%	751,000	657,125
MetroPCS Wireless, Inc.			
09/01/18	7.875%	1,740,000	1,766,100
MetroPCS Wireless, Inc.(d)			
11/15/20	6.625%	250,000	233,125
NII Capital Corp.			
04/01/21	7.625%	1,314,000	1,304,145
SBA Telecommunications, Inc.			
08/15/19	8.250%	2,295,000	2,495,813
Sprint Capital Corp.			
11/15/28	6.875%	5,180,000	3,697,225
Sprint Nextel Corp.(b)			
11/15/18	9.000%	4,837,000	5,072,804
United States Cellular Corp.			
Senior Unsecured			
12/15/33	6.700%	780,000	783,174
VimpelCom Holdings BV(b)(c)			
03/01/22	7.504%	1,500,000	1,260,000
Wind Acquisition Finance SA(b)(c)			
Secured			
07/15/17	11.750%	1,340,000	1,199,300
Senior Secured			
02/15/18	7.250%	4,693,000	4,235,432
Total			28,152,100
Wirelines 3.0%			
AT&T, Inc.			
Senior Unsecured			
02/15/39	6.550%	1,645,000	2,092,504
08/15/41	5.550%	1,715,000	2,019,270

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes(a) (continued)			
Wirelines (cont.)			
BellSouth Corp.			
Senior Unsecured			
09/15/14	5.200%	$1,065,000	$1,177,350
Cincinnati Bell, Inc.			
10/15/20	8.375%	615,000	613,463
Embarq Corp.			
Senior Unsecured			
06/01/16	7.082%	1,500,000	1,625,919
06/01/36	7.995%	1,805,000	1,870,319
Frontier Communications Corp.			
Senior Unsecured			
10/01/18	8.125%	795,000	800,963
04/15/20	8.500%	844,000	864,045
Integra Telecom Holdings, Inc.			
Senior Secured(b)			
04/15/16	10.750%	538,000	433,090
Level 3 Communications, Inc.			
Senior Unsecured			
02/01/19	11.875%	950,000	1,011,750
Level 3 Financing, Inc.			
02/15/17	8.750%	1,058,000	1,076,515
02/01/18	10.000%	986,000	1,045,160
04/01/19	9.375%	623,000	650,256
Level 3 Financing, Inc.(b)			
Senior Unsecured			
07/01/19	8.125%	1,008,000	992,880
PAETEC Holding Corp.			
12/01/18	9.875%	1,845,000	2,029,500
Senior Secured			
06/30/17	8.875%	1,808,000	1,952,640
Qtel International Finance Ltd.(b)(c)			
02/16/21	4.750%	1,000,000	1,018,891
10/19/25	5.000%	1,100,000	1,075,862
Telefonica Emisiones SAU(c)			
04/27/15	3.729%	2,665,000	2,555,676
06/20/16	6.421%	415,000	434,295
Tw telecom holdings, inc.			
03/01/18	8.000%	1,133,000	1,206,645
Verizon Communications, Inc.			
Senior Unsecured			
04/01/16	3.000%	2,000,000	2,094,380
Verizon New York, Inc.			
Senior Unsecured			
04/01/32	7.375%	1,742,000	2,028,463
Windstream Corp.			
09/01/18	8.125%	50,000	53,563
04/01/23	7.500%	1,949,000	1,924,638
Total			32,648,037
Total Corporate Bonds & Notes (Cost: $536,632,963)			$547,714,231

Issuer	Coupon Rate	Principal Amount	Value
Residential Mortgage-Backed Securities—Agency 4.4%			
Federal Home Loan Mortgage Corp.(e)(i)(j)			
CMO IO Series 3122 Class IS			
03/15/36	6.422%	$5,774,495	$909,262
CMO IO Series 3761 Class KS			
06/15/40	5.722%	6,732,467	941,806
CMO IO Series 3852 Class SW			
05/15/41	5.722%	8,451,357	1,397,536
Federal Home Loan Mortgage Corp.(i)			
10/01/26	8.000%	49,711	54,922
Federal Home Loan Mortgage Corp.(i)(k)			
01/01/42	4.000%	6,000,000	6,292,500
Federal National Mortgage Association(e)(i)(j)			
CMO IO Series 2006-5 Class N2			
02/25/35	2.001%	4,980,202	271,916
CMO IO Series 2010-135 Class MS			
12/25/40	5.656%	4,120,799	633,570
Federal National Mortgage Association(i)			
10/01/39-05/01/41	4.000%	1,530,032	1,602,567
03/01/39-01/01/41	4.500%	11,337,835	12,074,566
09/01/37-05/01/40	5.000%	2,738,653	2,973,305
02/01/37-08/01/38	6.000%	4,612,942	5,083,752
Federal National Mortgage Association(i)(l)			
04/01/40	5.000%	5,116,343	5,584,189
08/01/39	5.500%	4,044,168	4,425,979
11/01/36	6.500%	675,487	758,680
Government National Mortgage Association(e)(i)(j)			
CMO IO Series 2010-108 Class PI			
02/20/38	5.815%	8,077,300	1,212,907
Government National Mortgage Association(i)			
04/15/40	4.500%	2,656,272	2,897,578
Government National Mortgage Association(i)(j)			
CMO IO Series 2010-167 Class GI			
02/20/38	4.000%	4,032,681	524,001
Total Residential Mortgage-Backed Securities—Agency (Cost: $46,709,770)			$47,639,036
Residential Mortgage-Backed Securities—Non-Agency 1.9%			
BCAP LLC Trust(b)(e)(i)			
CMO Series 2010-RR7 Class 17A7			
03/26/36	5.047%	$780,000	$618,709
BCAP LLC Trust(b)(i)			
CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	1,145,000	1,130,562
Castle Peak Loan Trust(b)(i)			
CMO Series 2010-NPL1 Class A			
12/25/50	7.750%	788,174	788,174
CMO Series 2011-1 Class 22A1			
05/25/52	6.250%	1,518,983	1,513,666
Citigroup Mortgage Loan Trust, Inc.(b)(e)(i)			
CMO Series 2009-3 Class 4A3			
10/25/33	2.449%	2,635,000	1,937,516
CMO Series 2009-4 Class 9A2			
03/25/36	4.547%	1,365,000	1,049,307
CMO Series 2010-6 Class 2A2			
09/25/35	2.722%	515,000	369,173

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Issuer	Coupon Rate	Principal Amount	Value
Residential Mortgage-Backed Securities—Non-Agency (continued)			
CMO Series 2010-6 Class 3A2			
07/25/36	2.730%	$2,215,000	$2,048,726
Credit Suisse Mortgage Capital Certificates(b)(e)(i)			
CMO Series 2010-17R Class 1A2			
06/26/36	2.459%	1,250,000	750,187
Series 2011-4R Class 4A7			
08/27/37	4.000%	3,880,000	3,743,594
Deutsche Mortgage Securities, Inc.			
CMO Series 2003-1 Class 1A7(i)			
04/25/33	5.500%	1,773,147	1,804,987
JPMorgan Reremic			
CMO Series 2010-5 Class 1A6(b)(e)(i)			
04/26/37	4.500%	615,000	547,350
PennyMac Loan Trust			
Series 2011-NPL1 Class A(b)(e)(i)			
09/25/51	5.250%	992,119	989,142
RBSSP Resecuritization Trust			
CMO Series 2010-12 Class 3A4(b)(e)(i)			
06/27/32	4.000%	1,473,437	1,478,340
Wells Fargo Mortgage-Backed Securities Trust			
CMO Series 2005-18 Class 2A6(i)			
01/25/36	5.500%	1,184,868	1,181,175
Total Residential Mortgage-Backed Securities—Non-Agency			
(Cost: $20,432,049)			$19,950,608
Commercial Mortgage-Backed Securities—Non-Agency 2.7%			
Bear Stearns Commercial Mortgage Securities			
Series 2007-T26 Class A4(e)(i)			
01/12/45	5.471%	$3,440,000	$3,872,419
Credit Suisse Mortgage Capital Certificates			
Series 2006-C3 Class A3(e)(i)			
06/15/38	5.815%	2,000,000	2,224,634
DBUBS Mortgage Trust			
Series 2011-LC2A Class A1(b)(i)			
07/10/44	3.527%	1,921,681	1,976,190
GS Mortgage Securities Corp. II			
Series 2005-GG4 Class A4A(i)			
07/10/39	4.751%	675,000	720,572
Greenwich Capital Commercial Funding Corp.(e)(i)			
Series 2004-GG1 Class A7			
06/10/36	5.317%	1,936,000	2,063,176
Greenwich Capital Commercial Funding Corp.(i)			
Series 2007-GG9 Class A4			
03/10/39	5.444%	2,350,000	2,543,607
Morgan Stanley Capital I(e)(i)			
Series 2005-IQ10 Class A4A			
09/15/42	5.230%	500,000	550,159
Morgan Stanley Capital I(i)			
Series 2005-HQ5 Class A4			
01/14/42	5.168%	2,635,000	2,848,103
Series 2005-HQ6 Class A4A			
08/13/42	4.989%	175,000	190,475
Morgan Stanley Reremic Trust			
Series 2010-GG10 Class A4A(b)(e)(i)			
08/15/45	5.790%	$7,050,000	$7,904,037
Wachovia Bank Commercial Mortgage Trust(e)(i)			
Series 2005-C20 Class A7			
07/15/42	5.118%	1,800,000	1,973,385
Series 2005-C21 Class A4			
10/15/44	5.204%	175,000	191,816
Series 2006-C27 Class A3			
07/15/45	5.765%	1,875,000	2,074,684
Total Commercial Mortgage-Backed Securities—Non-Agency			
(Cost: $27,583,802)			$29,133,257
Asset-Backed Securities—Non-Agency —%			
GMAC Mortgage Corp. Loan Trust			
Series 2004-HE5 Class A5 (FGIC)(e)			
09/25/34	4.865%	$258,476	$191,228
Total Asset-Backed Securities—Non-Agency			
(Cost: $258,476)			$191,228
Inflation-Indexed Bonds 3.2%			
U.S. Treasury Inflation-Indexed Bond			
01/15/21	1.125%	$5,175,600	$5,770,794
02/15/41	2.125%	10,003,950	13,512,365
U.S. Treasury Inflation-Indexed Bond(d)			
04/15/14	1.250%	7,350,556	7,702,582
Uruguay Government International Bond(c)			
04/05/27	4.250%	UYU 89,080,229	4,451,335
06/26/37	3.700%	UYU 26,824,944	1,161,723
Senior Unsecured			
12/15/28	4.375%	UYU 24,957,078	1,243,121
Total Inflation-Indexed Bonds			
(Cost: $31,010,122)			$33,841,920
U.S. Treasury Obligations 4.4%			
U.S. Treasury			
04/15/13	1.750%	$12,950,000	$13,206,980
07/31/16	1.500%	5,000,000	5,169,140
02/15/20	3.625%	11,700,000	13,569,262
11/15/21	2.000%	1,872,000	1,893,352
U.S. Treasury(d)			
08/15/40	3.875%	200,000	239,750
08/15/41	3.750%	11,373,000	13,375,717
Total U.S. Treasury Obligations			
(Cost: $45,171,839)			$47,454,201

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Issuer	Coupon Rate	Principal Amount	Value
Foreign Government Obligations(a) 23.2%			
ARGENTINA 0.7%			
Argentina Bonos(c)			
Senior Unsecured			
09/12/13	7.000%	$385,000	$384,700
10/03/15	7.000%	1,595,000	1,487,338
04/17/17	7.000%	660,000	561,000
Argentina Republic Government International Bond			
Senior Unsecured(c)(e)			
12/15/35	4.383%	5,000,000	637,500
Argentine Republic Government International Bond			
Senior Unsecured(c)			
12/31/33	8.280%	2,234,132	1,630,916
Provincia de Buenos Aires(b)(c)			
Senior Unsecured			
10/05/15	11.750%	730,000	660,917
01/26/21	10.875%	1,110,000	832,818
Provincia de Cordoba			
Senior Unsecured(b)(c)			
08/17/17	12.375%	1,380,000	1,159,200
Total			7,354,389
AUSTRALIA 0.7%			
Treasury Corp. of Victoria(c)			
Local Government Guaranteed			
11/15/16	5.750%	AUD 4,750,000	5,182,933
06/15/20	6.000%	AUD 2,315,000	2,607,805
Total			7,790,738
BRAZIL 1.4%			
Banco Nacional de Desenvolvimento Economico e Social(b)(c)			
07/12/20	5.500%	150,000	162,188
Brazilian Government International Bond(c)			
01/20/34	8.250%	4,835,000	7,288,762
Senior Unsecured			
01/05/22	12.500%	BRL 4,550,000	3,113,100
Petrobras International Finance Co.(c)			
03/15/19	7.875%	3,135,000	3,742,240
01/27/21	5.375%	600,000	630,183
Total			14,936,473
BULGARIA —%			
Bulgaria Government International Bond			
Senior Unsecured(b)(c)			
01/15/15	8.250%	330,000	368,775
CANADA 0.8%			
Canadian Government Bond(c)			
06/01/18	4.250%	CAD 1,100,000	1,260,020
06/01/19	3.750%	CAD 6,600,000	7,413,120
06/01/23	8.000%	CAD 85,000	133,425
Total			8,806,565
CHILE 0.2%			
Corp. Nacional del Cobre de Chile			
Senior Unsecured(b)(c)			
01/15/19	7.500%	1,380,000	1,757,616
COLOMBIA 0.7%			
Colombia Government International Bond			
Senior Unsecured(c)			
05/21/24	8.125%	1,885,000	2,620,150

Issuer	Coupon Rate	Principal Amount	Value
Foreign Government Obligations(a) (continued)			
COLOMBIA (cont.)			
Ecopetrol SA			
Senior Unsecured(c)			
07/23/19	7.625%	$1,200,000	$1,446,000
Empresa de Energia de Bogota SA			
Senior Unsecured(b)(c)			
11/10/21	6.125%	900,000	904,129
Empresas Publicas de Medellin ESP			
Senior Unsecured(b)(c)			
02/01/21	8.375%	COP 5,280,000,000	2,858,037
Total			7,828,316
CROATIA 0.1%			
Croatia Government International Bond(b)(c)			
Senior Unsecured			
07/14/20	6.625%	605,000	564,162
03/24/21	6.375%	500,000	456,250
Total			1,020,412
DOMINICAN REPUBLIC 0.3%			
Dominican Republic International Bond(b)(c)			
Senior Unsecured			
05/06/21	7.500%	1,075,000	1,055,141
04/20/27	8.625%	2,000,000	2,040,000
Total			3,095,141
EL SALVADOR 0.1%			
El Salvador Government International Bond(b)(c)			
02/01/41	7.625%	600,000	594,000
FINLAND 0.2%			
Finland Government Bond			
Senior Unsecured(c)			
07/04/15	4.250%	EUR 1,160,000	1,668,699
FRANCE 1.0%			
France Government Bond OAT(c)			
04/25/13	4.000%	EUR 2,360,000	3,201,716
04/25/19	4.250%	EUR 4,080,000	5,787,262
04/25/29	5.500%	EUR 1,160,000	1,853,693
Total			10,842,671
GERMANY 1.4%			
Bundesrepublik Deutschland(c)			
06/20/16	6.000%	EUR 245,000	389,807
07/04/17	4.250%	EUR 4,260,000	6,477,819
01/04/19	3.750%	EUR 5,555,000	8,332,701
Total			15,200,327
HUNGARY 0.1%			
Hungary Government International Bond(c)			
Senior Unsecured			
02/03/15	4.750%	80,000	72,800
03/29/41	7.625%	500,000	440,000
Hungary Government International Bond(c)(d)			
Senior Unsecured			
03/29/21	6.375%	600,000	552,000
Total			1,064,800

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Issuer	Coupon Rate	Principal Amount	Value
Foreign Government Obligations(a) (continued)			
INDONESIA 2.1%			
Indonesia Government International Bond(b)(c)			
Senior Unsecured			
05/04/14	10.375%	$310,000	$362,313
04/20/15	7.250%	4,155,000	4,705,538
03/13/20	5.875%	5,630,000	6,361,900
Indonesia Treasury Bond(c)			
Senior Unsecured			
09/15/19	11.500%	IDR 8,500,000,000	1,252,893
07/15/22	10.250%	IDR 10,680,000,000	1,526,682
09/15/24	10.000%	IDR 9,000,000,000	1,282,210
09/15/25	11.000%	IDR 31,690,000,000	4,847,132
Majapahit Holding BV(b)(c)			
06/29/37	7.875%	540,000	630,450
Majapahit Holding BV(b)(c)(d)			
08/07/19	8.000%	1,000,000	1,170,000
Total			22,139,118
JAPAN 0.5%			
Japan Government 10-Year Bond(c)			
Senior Unsecured			
09/20/18	1.500%	JPY 80,000,000	1,105,124
12/20/18	1.400%	JPY 15,000,000	206,008
Japan Government 20-Year Bond			
Senior Unsecured(c)			
09/20/26	2.200%	JPY 270,000,000	3,852,500
Total			5,163,632
KAZAKHSTAN 0.5%			
KazMunayGas National Co.(b)(c)			
Senior Unsecured			
07/02/18	9.125%	3,275,000	3,815,375
04/09/21	6.375%	1,500,000	1,522,500
Total			5,337,875
LATVIA 0.1%			
Republic of Latvia			
Senior Unsecured(b)(c)			
06/16/21	5.250%	1,250,000	1,152,738
LITHUANIA 0.1%			
Lithuania Government International Bond(b)(c)			
Senior Unsecured			
09/14/17	5.125%	700,000	688,025
03/09/21	6.125%	600,000	598,555
Total			1,286,580
MALAYSIA 0.1%			
Penerbangan Malaysia Bhd(b)(c)			
Government Guaranteed			
03/15/16	5.625%	470,000	522,843
Penerbangan Malaysia Bhd(c)			
Government Guaranteed			
03/15/16	5.625%	135,000	149,598
Petronas Capital Ltd.(b)(c)			
08/12/19	5.250%	600,000	672,984
Petronas Capital Ltd.(c)			
08/12/19	5.250%	75,000	84,105
Total			1,429,530

Issuer	Coupon Rate	Principal Amount	Value
Foreign Government Obligations(a) (continued)			
MEXICO 2.5%			
Mexican Bonos(c)			
12/20/12	9.000%	MXN 2,300,000	$1,714,640
12/15/16	7.250%	MXN 500,000	383,539
12/13/18	8.500%	MXN 3,663,500	3,009,467
06/03/27	7.500%	MXN 1,265,000	937,490
Mexico Government International Bond(c)			
Senior Unsecured			
09/15/16	11.375%	145,000	205,175
01/15/20	5.125%	4,670,000	5,335,475
01/11/40	6.050%	3,530,000	4,315,425
Pemex Finance Ltd.(c)			
Senior Unsecured			
11/15/18	9.150%	310,000	381,806
Senior Unsecured (NPFGC)			
08/15/17	10.610%	215,000	263,259
Pemex Project Funding Master Trust(c)			
03/01/18	5.750%	5,420,000	5,962,000
01/21/21	5.500%	3,000,000	3,255,000
Petroleos Mexicanos(c)			
06/02/41	6.500%	1,000,000	1,125,000
Total			26,888,276
NETHERLANDS 0.4%			
Netherlands Government Bond(c)			
07/15/16	4.000%	EUR 2,565,000	3,726,090
NEW ZEALAND 0.2%			
New Zealand Government Bond			
Senior Unsecured(c)			
05/15/21	6.000%	NZD 2,725,000	2,484,130
NORWAY 0.8%			
Norway Government Bond(c)			
05/19/17	4.250%	NOK 42,900,000	8,001,363
PERU 0.4%			
Peruvian Government International Bond(b)(c)			
Senior Unsecured			
08/12/20	7.840%	PEN 1,500,000	634,267
Peruvian Government International Bond(c)			
Senior Unsecured			
05/03/16	8.375%	1,710,000	2,120,400
07/21/25	7.350%	1,210,000	1,603,250
11/21/33	8.750%	205,000	312,625
Total			4,670,542
PHILIPPINES 0.8%			
Philippine Government International Bond(c)			
Senior Unsecured			
03/17/15	8.875%	100,000	121,000
01/20/20	6.500%	2,400,000	2,871,120
01/15/21	4.000%	390,000	399,282
03/30/26	5.500%	1,675,000	1,876,000
01/14/36	6.250%	PHP 46,000,000	1,064,645
Power Sector Assets & Liabilities Management Corp.(b)(c)			
Government Guaranteed			
05/27/19	7.250%	1,470,000	1,775,025
12/02/24	7.390%	610,000	744,189
Total			8,851,261

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Issuer	Coupon Rate	Principal Amount	Value
Foreign Government Obligations(a) (continued)			
POLAND 0.6%			
Poland Government Bond(c)			
10/24/15	6.250%	PLN 13,600,000	$4,090,885
10/25/19	5.500%	PLN 4,280,000	1,225,886
Poland Government International Bond(c)			
Senior Unsecured			
07/15/19	6.375%	200,000	221,500
04/21/21	5.125%	500,000	508,750
Total			6,047,021
QATAR 0.1%			
Nakilat, Inc.			
Senior Secured(b)(c)			
12/31/33	6.067%	180,000	191,700
Qatar Government International Bond			
Senior Unsecured(b)(c)			
01/20/22	4.500%	1,000,000	1,030,000
Total			1,221,700
REPUBLIC OF THE CONGO —%			
Republic of Congo			
Senior Unsecured(c)(e)			
06/30/29	3.000%	617,500	413,725
RUSSIAN FEDERATION 1.7%			
Gazprom OAO Via Gaz Capital SA(b)(c)			
Senior Unsecured			
04/11/18	8.146%	3,115,000	3,504,375
03/07/22	6.510%	1,460,000	1,481,900
Russian Foreign Bond—Eurobond(b)(c)			
Senior Unsecured			
04/29/15	3.625%	2,450,000	2,462,250
03/10/18	7.850%	RUB 40,000,000	1,260,713
Russian Foreign Bond—Eurobond(b)(c)(e)			
03/31/30	7.500%	5,757,325	6,685,694
Russian Foreign Bond—Eurobond(c)(e)			
Senior Unsecured			
03/31/30	7.500%	789,075	916,313
Vnesheconombank Via VEB Finance PLC			
Senior Unsecured(b)(c)			
11/22/25	6.800%	2,190,000	2,121,562
Total			18,432,807
SOUTH AFRICA 0.2%			
South Africa Government International Bond(c)			
Senior Unsecured			
03/09/20	5.500%	1,180,000	1,321,600
03/08/41	6.250%	400,000	461,520
Total			1,783,120
SWEDEN 0.8%			
Sweden Government Bond(c)			
08/12/17	3.750%	SEK 49,765,000	8,197,933
12/01/20	5.000%	SEK 3,100,000	580,054
Total			8,777,987
TRINIDAD AND TOBAGO 0.1%			
Petroleum Co. of Trinidad & Tobago Ltd.			
Senior Unsecured(b)(c)			
08/14/19	9.750%	1,290,000	1,523,109
TURKEY 1.2%			
Turkey Government International Bond(c)			
01/14/41	6.000%	$1,700,000	$1,602,250
Senior Unsecured			
09/26/16	7.000%	3,635,000	3,984,869
03/30/21	5.625%	3,050,000	3,084,312
02/05/25	7.375%	3,540,000	4,004,625
Total			12,676,056
UKRAINE 0.1%			
City of Kyiv Via Kyiv Finance PLC			
Senior Unsecured(b)(c)			
07/11/16	9.375%	600,000	478,691
Ukraine Government International Bond			
Senior Unsecured(b)(c)			
02/23/21	7.950%	440,000	386,234
Total			864,925
UNITED ARAB EMIRATES 0.1%			
Abu Dhabi National Energy Co.			
Senior Unsecured(b)(c)			
12/13/21	5.875%	700,000	731,410
UNITED KINGDOM 0.7%			
United Kingdom Gilt(c)			
03/07/18	5.000%	GBP 1,740,000	3,304,112
09/07/19	3.750%	GBP 200,000	358,439
03/07/25	5.000%	GBP 2,050,000	4,153,931
Total			7,816,482
URUGUAY 0.1%			
Uruguay Government International Bond			
Senior Unsecured PIK(c)			
01/15/33	7.875%	935,000	1,306,662
VENEZUELA 1.3%			
Petroleos de Venezuela SA(c)			
04/12/17	5.250%	4,660,000	2,959,100
11/02/17	8.500%	7,035,000	5,304,390
Venezuela Government International Bond(c)			
Senior Unsecured			
08/23/22	12.750%	1,510,000	1,362,775
05/07/23	9.000%	6,436,000	4,601,740
Total			14,228,005
Total Foreign Government Obligations			
(Cost: $235,140,324)			$249,283,066
Municipal Bonds —%			
Cabazon Band Mission Indians			
Revenue Bonds			
Series 2004(b)(g)(m)			
06/30/12	7.358%	$350,000	$210,000
Total Municipal Bonds			
(Cost: $350,000)			$210,000

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Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans 4.8%			
Aerospace & Defense 0.1%			
Huntington Ingalls Industries, Inc.			
Term Loan(e)(n)			
03/30/16	3.063%	$96,250	$93,844
TASC, Inc.			
Tranche B Term Loan(e)(n)			
12/18/15	4.500%	74,493	73,996
TransDigm, Inc.			
1st Lien Term Loan(e)(n)			
02/14/17	4.000%	421,745	417,793
Total			585,633
Airlines 0.1%			
Delta Air Lines, Inc.			
Term Loan(e)(n)			
04/20/17	5.500%	298,500	281,336
U.S. Airways Group, Inc.			
Term Loan(e)(n)			
03/21/14	2.796%	493,056	426,000
United Air Lines, Inc.			
Tranche B Term Loan(e)(n)			
02/01/14	2.313%	270,998	258,183
Total			965,519
Automotive 0.1%			
Allison Transmission, Inc.			
Term Loan(e)(n)			
08/07/14	2.780%	314,047	305,455
Chrysler Group LLC			
Tranche B Term Loan(e)(n)			
05/24/17	6.000%	199,000	187,905
Goodyear Tire & Rubber Co. (The)			
2nd Lien Term Loan(e)(n)			
04/30/14	1.930%	700,000	675,500
UCI International, Inc.			
Term Loan(e)(n)			
07/26/17	5.500%	222,750	222,681
Total			1,391,541
Brokerage —%			
Nuveen Investments, Inc.			
Tranche B Term Loan(e)(n)(o)			
05/13/17	7.250%	125,000	122,916
Building Materials 0.1%			
Armstrong World Industries, Inc.			
Tranche B1 Term Loan(e)(n)			
03/10/18	4.000%	148,875	147,173
CPG International I, Inc.			
Term Loan(e)(n)			
02/18/17	6.000%	346,500	322,245
Goodman Global, Inc.			
1st Lien Term Loan(e)(n)			
10/28/16	5.750%	349,062	348,410
Potters Holdings II LP(e)(n)			
Tranche B 1st Lien Term Loan			
05/06/17	6.000%	274,313	270,883
Tranche B 2nd Lien Term Loan			
11/06/17	10.250%	75,000	74,188
Total			1,162,899

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Chemicals 0.3%			
Arizona Chemical			
Tranche B Term Loan(e)(n)(o)			
12/22/17	7.250%	$75,000	$74,508
Ashland, Inc.			
Tranche B Term Loan(e)(n)			
08/23/18	3.750%	249,241	249,615
Celanese U.S. Holdings LLC			
Term Loan(e)(n)			
04/02/14	1.771%	425,000	413,312
Matrix Acquisition Corp.			
Tranche B Term Loan(e)(n)			
04/12/14	2.296%	322,476	313,527
Momentive Specialty Chemicals, Inc.			
Tranche C4A Term Loan(e)(n)			
05/05/13	2.688%	389,649	366,028
Norit Holding BV			
Term Loan(c)(e)(n)			
07/10/17	6.750%	124,688	125,311
Omnova Solutions, Inc.			
Term Loan(e)(n)			
05/31/17	5.750%	347,369	340,421
PQ Corp.			
1st Lien Term Loan(e)(n)			
07/30/14	3.653%	270,459	253,802
Rockwood Specialties Group, Inc.			
Term Loan(e)(n)			
02/10/18	3.500%	199,000	199,466
Solutia, Inc.			
Tranche 1 Term Loan(e)(n)			
08/01/17	3.500%	309,330	308,879
Styron SARL			
Term Loan(c)(e)(n)			
08/02/17	6.000%	247,500	213,315
Univar, Inc.			
Tranche B Term Loan(e)(n)			
06/30/17	5.000%	519,750	499,693
Total			3,357,877
Construction Machinery 0.1%			
Douglas Dynamics LLC			
Term Loan(e)(n)			
04/18/18	5.750%	322,562	316,650
NACCO Materials Handling Group, Inc.			
Term Loan(e)(n)			
03/21/13	2.263%	164,476	162,009
Terex Corp.			
Term Loan(e)(n)			
04/28/17	5.500%	274,313	275,426
Total			754,085
Consumer Cyclical Services 0.1%			
Instant Web, Inc.(e)(n)			
Delayed Draw Term Loan			
08/07/14	3.671%	14,014	13,138
Term Loan			
08/07/14	3.671%	134,436	126,034

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Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Consumer Cyclical Services (cont.)			
KAR Auction Services, Inc.			
Term Loan(e)(n)			
05/19/17	5.000%	$74,625	$73,474
Live Nation Entertainment, Inc.			
Tranche B Term Loan(e)(n)			
11/07/16	4.500%	222,173	220,091
Sabre, Inc.			
Term Loan(e)(n)			
09/30/14	2.333%	318,780	262,904
ServiceMaster Co. (The)(e)(n)			
Delayed Draw Term Loan			
07/24/14	2.800%	31,370	29,865
Term Loan			
07/24/14	2.834%	315,003	299,893
Total			1,025,399
Consumer Products 0.2%			
Affinion Group, Inc.			
Tranche B Term Loan(e)(n)			
10/09/16	5.000%	98,745	87,965
Amscan Holdings, Inc.			
Term Loan(e)(n)			
12/02/17	6.750%	494,183	490,230
Jarden Corp.			
Tranche B Term Loan(e)(n)			
03/31/18	3.296%	124,063	124,113
NBTY, Inc.			
Tranche B1 Term Loan(e)(n)			
10/01/17	4.250%	430,714	425,331
Visant Corp.			
Tranche B Term Loan(e)(n)			
12/22/16	5.260%	471,766	441,436
Total			1,569,075
Diversified Manufacturing 0.2%			
Acosta, Inc.			
Tranche B Term Loan(e)(n)			
03/01/18	4.750%	323,375	315,291
Capital Safety Group			
Tranche B Term Loan(e)(n)(o)			
01/19/19	6.250%	275,000	273,281
Colfax Corp.			
Tranche B Term Loan(e)(n)(o)			
09/12/18	4.500%	125,000	124,961
Generac Acquisition Corp.			
1st Lien Term Loan(e)(n)			
12/31/13	2.804%	283,578	279,678
IMG Worldwide, Inc.			
Tranche B Term Loan(e)(n)			
06/16/16	5.500%	373,125	364,965
Tomkins LLC/Inc.			
Tranche B1 Term Loan(c)(e)(n)			
09/29/16	4.250%	431,476	429,410
Total			1,787,586

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Electric 0.2%			
Calpine Corp.(e)(n)			
Term Loan			
04/01/18	4.500%	$273,435	$267,510
04/01/18	4.500%	149,250	146,016
Covanta Energy Corp.(e)(n)			
Letter of Credit			
02/10/14	1.981%	33,840	33,191
Term Loan			
02/10/14	1.813%	65,472	64,217
Equipower Resources Holdings LLC			
Tranche B Term Loan(e)(n)			
01/26/18	5.750%	24,152	22,703
FirstLight Power Resources, Inc.			
2nd Lien Term Loan(e)(n)			
05/01/14	4.813%	375,000	336,750
GenOn Energy/Americas, Inc.			
Term Loan(e)(n)			
09/20/17	6.000%	198,992	198,139
NRG Energy, Inc.			
Term Loan(e)(n)			
07/01/18	4.000%	298,500	297,270
TPF Generation Holdings LLC(e)(n)			
1st Lien Synthetic Letter of Credit			
12/15/13	2.579%	145,529	140,981
1st Lien Term Loan			
12/15/13	2.579%	243,831	236,211
Texas Competitive Electric Holdings Co. LLC			
Term Loan(e)(n)			
10/10/14	3.776%	624,903	434,670
Total			2,177,658
Entertainment 0.1%			
AMC Entertainment, Inc.			
Tranche B2 Term Loan(e)(n)			
12/15/16	3.546%	321,579	314,022
Cedar Fair LP			
Tranche 1 Term Loan(e)(n)			
12/15/17	4.000%	146,962	146,556
Regal Cinemas Corp.			
Term Loan(e)(n)			
08/23/17	3.579%	148,500	146,952
Six Flags Theme Parks, Inc.			
Tranche B Term Loan(e)(n)(o)			
12/20/18	4.250%	125,000	124,244
Total			731,774
Environmental —%			
EnviroSolutions Real Property Holdings, Inc.			
2nd Lien Term Loan(e)(n)			
07/29/14	8.000%	410,294	400,037
Food and Beverage 0.3%			
Advantage Sales & Marketing, Inc.			
1st Lien Term Loan(e)(n)			
12/17/17	5.250%	74,250	72,951

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Food and Beverage (cont.)			
Aramark Corp.(e)(n)			
2nd Letter of Credit			
07/26/16	3.545%	$20,055	$19,539
Tranche B Term Loan			
07/26/16	3.829%	304,945	297,105
B&G Foods, Inc.			
Tranche B Term Loan(e)(n)			
11/30/18	4.500%	100,000	100,083
Dean Foods Co.			
Tranche B Term Loan(e)(n)			
04/02/16	3.580%	519,724	500,884
Del Monte Foods Co.			
Term Loan(e)(n)			
03/08/18	4.500%	398,000	377,105
Dole Food Co., Inc.			
Tranche B2 Term Loan(e)(n)			
07/08/18	5.043%	152,850	151,863
Earthbound Holdings III LLC			
Term Loan(e)(n)			
12/21/16	5.500%	396,000	385,854
JBS U.S.A. LLC			
Term Loan(e)(n)			
05/25/18	4.250%	99,500	96,515
Pierre Foods, Inc.			
1st Lien Term Loan(e)(n)			
09/30/16	7.001%	346,810	345,402
Solvest Ltd.			
Tranche C2 Term Loan(e)(n)			
07/08/18	5.029%	283,865	282,031
U.S. Foodservice, Inc.			
Term Loan(e)(n)			
07/03/14	2.795%	346,373	320,974
WM. Bolthouse Farms, Inc.			
1st Lien Term Loan(e)(n)			
02/11/16	5.504%	302,816	301,429
Windsor Quality Food Co., Ltd.			
Tranche B Term Loan(e)(n)			
02/16/17	5.000%	382,800	356,961
Total			3,608,696
Gaming 0.2%			
Affinity Gaming LLC			
Term Loan(e)(n)			
12/31/15	10.000%	400,000	400,776
Ameristar Casinos, Inc.			
Tranche B Term Loan(e)(n)			
04/16/18	4.000%	124,062	123,520
Caesars Entertainment Operating Co., Inc.			
Tranche B2 Term Loan(e)(n)			
01/28/15	3.375%	400,000	346,752
Caesars Octavius LLC			
Tranche B Term Loan(e)(n)			
04/25/17	9.250%	325,000	308,425
Isle of Capri Casinos, Inc.			
Term Loan(e)(n)			
11/01/13	4.750%	124,063	122,868
Gaming (cont.)			
Las Vegas Sands LLC(e)(n)			
Tranche B Term Loan			
05/23/14	1.930%	$164,283	$161,066
11/23/16	2.930%	153,897	147,277
Tranche I Delayed Draw Term Loan			
05/23/14	1.930%	33,703	33,043
11/23/16	2.930%	19,344	18,512
ROC Finance LLC			
Tranche B Term Loan(e)(n)			
08/19/17	8.500%	75,000	74,813
Twin River Worldwide Holdings, Inc.			
Term Loan(e)(n)			
11/05/15	8.500%	127,500	126,624
Total			1,863,676
Health Care 0.4%			
Alere, Inc.			
Tranche B Term Loan(e)(n)			
06/30/17	4.500%	99,750	97,475
Community Health Systems, Inc.(e)(n)			
Delayed Draw Term Loan			
07/25/14	2.546%	39,890	38,594
Term Loan			
07/25/14	2.757%	777,989	752,704
ConvaTec, Inc.			
Term Loan(e)(n)			
12/22/16	5.750%	321,750	317,931
DaVita, Inc.			
Tranche B Term Loan(e)(n)			
10/20/16	4.500%	321,750	321,589
HCA, Inc.			
Tranche A1 Term Loan(e)(n)			
11/16/12	1.546%	340,753	337,925
Health Management Associates, Inc.			
Tranche B Term Loan(e)(n)			
11/16/18	4.500%	125,000	124,275
Iasis Healthcare LLC			
Tranche B Term Loan(e)(n)			
05/03/18	5.000%	496,250	477,953
Inventiv Health, Inc.			
Term Loan(e)(n)			
08/04/16	6.500%	198,000	189,090
Lifepoint Hospitals, Inc.			
Tranche B-2 Term Loan(e)(n)			
04/15/15	3.280%	500,000	491,450
MedAssets, Inc.			
Term Loan(e)(n)			
11/16/16	5.250%	296,159	294,382
Onex Carestream Finance LP			
Term Loan(e)(n)			
02/25/17	5.000%	372,133	332,973
Quintiles Transnational Corp.			
Tranche B Term Loan(e)(n)			
06/08/18	5.000%	472,625	462,464
Res-Care, Inc.			
Tranche B Term Loan(e)(n)			
12/22/16	7.250%	99,000	93,555

The Accompanying Notes to Financial Statements are an integral part of this statement.

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Health Care (cont.)			
Select Medical Corp.			
Tranche B Term Loan(e)(n)			
06/01/18	5.500%	$124,375	$118,094
Total			4,450,454
Independent Energy —%			
MEG Energy Corp.			
Term Loan(c)(e)(n)			
03/18/18	4.000%	74,813	74,415
Integrated Energy —%			
Gibson Energy ULC			
Term Loan(c)(e)(n)			
06/15/18	5.750%	124,375	123,877
Life Insurance —%			
CNO Financial Group, Inc.			
Tranche B1 Term Loan(e)(n)			
09/30/16	6.250%	221,181	220,352
Media Cable 0.2%			
Bresnan Broadband Holdings LLC			
Tranche B Term Loan(e)(n)			
12/14/17	4.500%	99,000	97,680
Cequel Communications LLC			
Term Loan(e)(n)			
11/05/13	2.274%	321,623	317,246
MCC Iowa LLC			
Tranche F Term Loan(e)(n)			
10/23/17	4.500%	321,734	311,882
Mediacom Illinois LLC			
Tranche E Term Loan(e)(n)			
10/23/17	4.500%	494,975	476,824
San Juan Cable LLC(e)(n)			
2nd Lien Term Loan			
06/09/18	10.000%	100,000	96,750
Tranche B 1st Lien Term Loan			
06/09/17	6.000%	74,625	72,200
TWCC Holding Corp.			
Term Loan(e)(n)			
02/11/17	4.250%	124,062	123,481
UPC Financing Partnership			
Tranche N Term Loan(c)(e)(n)			
12/31/14	2.020%	750,000	714,998
WideOpenWest Finance LLC			
1st Lien Term Loan(e)(n)			
06/30/14	2.787%	248,405	231,431
Total			2,442,492
Media Non-Cable 0.5%			
AMC Networks, Inc.			
Tranche B Term Loan(e)(n)			
12/31/18	4.000%	99,500	97,821
Clear Channel Communications, Inc.			
Tranche B Term Loan(e)(n)			
01/29/16	3.946%	489,208	360,996
Cumulus Media Holdings, Inc.(e)(n)			
1st Lien Term Loan			
09/16/18	5.750%	275,000	269,206

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Media Non-Cable (cont.)			
2nd Lien Term Loan			
03/18/19	7.500%	$350,000	$339,938
Encompass Digital Media			
Tranche B Term Loan(e)(n)			
02/28/16	7.750%	248,125	245,644
Getty Images, Inc.			
Term Loan(e)(n)			
11/07/16	5.250%	73,552	73,521
Gray Television, Inc			
Tranche B Term Loan(e)(n)			
12/31/14	3.780%	494,845	477,456
Hubbard Radio LLC			
lst Lien Term Loan(e)(n)			
04/29/17	5.250%	149,250	146,359
Intelsat Jackson Holdings SA			
Tranche B Term Loan(c)(e)(n)			
04/02/18	5.250%	300,000	297,375
LIN Television Corp.			
Term Loan(e)(n)			
12/21/18	5.000%	75,000	74,719
NextMedia Operating, Inc.			
Term Loan(e)(n)			
05/27/16	8.250%	495,587	478,242
Postmedia Network, Inc.			
Tranche C Term Loan(c)(e)(n)			
07/13/16	6.252%	247,455	242,595
Quad Graphics, Inc.			
Tranche B Term Loan(e)(n)			
07/26/18	4.000%	349,125	344,105
Radio One, Inc.			
Term Loan(e)(n)			
03/31/16	7.500%	397,000	367,423
Sinclair Television Group, Inc.			
Tranche B Term Loan(e)(n)			
10/28/16	4.000%	198,462	197,610
Spanish Broadcasting System, Inc.			
1st Lien Term Loan(e)(n)			
06/11/12	2.050%	372,008	343,363
Univision Communications, Inc.			
1st Lien Term Loan(e)(n)			
03/31/17	4.546%	594,726	528,456
Total			4,884,829
Metals —%			
Novelis, Inc.			
Tranche B2 Term Loan(c)(e)(n)			
03/10/17	3.750%	224,437	219,107
Non-Captive Diversified —%			
International Lease Finance Corp.			
Tranche 1 Term Loan(e)(n)			
03/17/15	6.750%	175,000	175,044
iStar Financial, Inc.			
Tranche A2 Term Loan(e)(n)			
06/30/14	7.000%	100,000	96,438
Total			271,482

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Oil Field Services —%			
Frac Tech Services			
Term Loan(e)(n)			
05/06/16	6.250%	$114,856	$113,068
Other Financial Institutions 0.1%			
Harland Clarke Holdings Corp.			
Tranche B Term Loan(e)(n)			
06/30/14	2.838%	296,891	250,131
Springleaf Financial Funding Co.			
Term Loan(e)(n)			
05/10/17	5.500%	125,000	108,567
Vantiv LLC			
Tranche B1 1st Lien Term Loan(e)(n)			
11/03/16	4.500%	322,563	321,111
Total			679,809
Other Industry —%			
Rexnord LLC/RBS Global, Inc.			
Tranche B1 Term Loan(e)(n)			
07/19/13	2.894%	50,000	49,166
Packaging 0.1%			
BWay Holding Co.			
Tranche B Term Loan(e)(n)			
02/23/18	4.500%	445,850	438,605
Berry Plastics Holding Corp.			
Tranche C Term Loan(e)(n)			
04/03/15	2.278%	172,733	164,442
ICL Industrial Containers ULC			
Tranche C Term Loan(e)(n)			
02/23/18	4.500%	41,100	40,432
Reynolds Group Holdings, Inc.(e)(n)			
Tranche B Term Loan			
02/09/18	6.500%	270,001	268,033
Tranche C Term Loan			
08/09/18	6.500%	197,359	195,914
Total			1,107,426
Paper —%			
NewPage Corp.			
Debtor In Possession Term Loan(e)(n)(p)			
03/08/13	8.000%	150,000	150,874
Rock-Tenn Co.			
Tranche B Term Loan(e)(n)			
05/28/18	3.500%	149,250	149,037
Total			299,911
Pharmaceuticals —%			
Endo Pharmaceuticals Holdings, Inc.(e)(n)			
Tranche A Term Loan			
06/17/16	2.813%	122,656	121,082
Tranche B Term Loan			
06/17/18	4.000%	78,259	78,174
Pharmaceutical Product Development, Inc.			
Term Loan(e)(n)			
12/05/18	6.250%	100,000	99,266
Total			298,522

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Property & Casualty —%			
Asurion LLC			
2nd Lien Term Loan(e)(n)			
05/24/19	9.000%	$500,000	$491,460
REITs —%			
CB Richard Ellis Services, Inc.			
Tranche C Term Loan(e)(n)			
03/04/18	3.546%	99,500	97,200
Retailers 0.7%			
Academy Ltd.			
Term Loan(e)(n)			
08/03/18	6.000%	175,000	172,982
BJ's Wholesale Club, Inc.			
1st Lien Term Loan(e)(n)			
09/28/18	7.000%	175,000	175,312
Bass Pro Group LLC			
Term Loan(e)(n)			
06/13/17	5.250%	323,375	319,064
Claire's Stores, Inc.			
Tranche B Term Loan(e)(n)			
05/29/14	3.069%	523,209	451,995
Dollar General Corp.			
Tranche B1 Term Loan(e)(n)			
07/07/14	3.114%	325,000	324,444
General Nutrition Centers, Inc.			
Tranche B Term Loan(e)(n)			
03/02/18	4.250%	650,000	637,273
J. Crew Group, Inc.			
Term Loan(e)(n)			
03/07/18	4.750%	497,500	466,227
JRD Holdings, Inc.			
Term Loan(e)(n)			
07/02/14	2.550%	500,000	492,085
Jo-Ann Stores, Inc.			
Term Loan(e)(n)			
03/16/18	4.750%	422,875	401,998
Michaels Stores, Inc.(e)(n)			
Tranche B2 Term Loan			
07/31/16	5.015%	170,000	166,983
Tranche B3 Term Loan			
07/31/16	5.015%	443,052	435,299
Neiman Marcus Group, Inc. (The)			
Term Loan(e)(n)			
05/16/18	4.750%	500,000	481,250
Orchard Supply Hardware LLC			
Term Loan(e)(n)			
12/21/13	5.063%	495,677	368,452
Pantry, Inc. (The)(e)(n)			
Delayed Draw Term Loan			
05/15/14	2.050%	33,812	32,735
Term Loan			
05/15/14	2.050%	359,765	348,299
Pep Boys-Manny, Moe & Jack (The)			
Term Loan(e)(n)			
10/27/13	2.530%	198,189	193,729

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Retailers (cont.)			
PetCo Animal Supplies, Inc.			
Term Loan(e)(n)			
11/24/17	4.500%	$495,000	$481,452
Rite Aid Corp.			
Tranche 2 Term Loan(e)(n)			
06/04/14	2.040%	485,958	458,987
Sally Holdings LLC			
Tranche B Term Loan(e)(n)			
11/16/13	2.550%	227,180	226,384
Toys 'R' Us-Delaware, Inc.			
Term Loan(e)(n)			
09/01/16	6.000%	342,399	337,027
Yankee Candle Co., Inc.			
Term Loan(e)(n)			
02/06/14	2.551%	387,227	381,782
Total			7,353,759
Supermarkets 0.1%			
Great Atlantic & Pacific Tea Co., Inc. (The)			
Debtor In Possession Term Loan(e)(n)(p)			
06/14/12	8.750%	275,000	275,344
Supervalu, Inc.			
Tranche B2 Term Loan(e)(n)			
10/05/15	3.546%	396,000	383,221
Total			658,565
Technology 0.4%			
Aeroflex, Inc.			
Tranche B Term Loan(e)(n)			
05/09/18	4.250%	124,375	117,224
CPI International Acquistion, Inc.			
Tranche B Term Loan(e)(n)			
02/13/17	5.000%	990,000	970,200
CommScope, Inc.			
Term Loan(e)(n)			
01/14/18	5.000%	99,250	98,307
Dealer Computer Services, Inc.(e)(n)			
Tranche A Term Loan			
04/21/16	2.796%	21,042	20,410
Tranche B Term Loan			
04/21/18	3.750%	72,482	72,097
Edwards (Cayman Islands II) Ltd.(c)(e)(n)			
1st Lien Term Loan			
05/31/16	5.500%	123,750	116,347
05/31/16	5.500%	198,496	186,622
Fidelity National Information Services, Inc.			
Tranche B Term Loan(e)(n)			
07/18/16	4.250%	100,000	99,765
First Data Corp.			
Tranche B1 Term Loan(e)(n)			
09/24/14	3.044%	422,367	382,508
Freescale Semiconductor, Inc.			
Term Loan(e)(n)			
12/01/16	4.520%	297,085	283,568
Infor Enterprise Solutions Holdings, Inc.(e)(n)			
1st Lien Delayed Draw Term Loan			
07/28/15	6.050%	111,474	104,785
1st Lien Term Loan			
07/28/15	6.050%	209,895	197,302
Technology (cont.)			
Interactive Data Corp.			
Tranche B Term Loan(e)(n)			
02/11/18	4.500%	$198,500	$195,026
Kasima LLC			
Term Loan(e)(n)			
03/31/17	5.000%	148,875	146,642
Microsemi Corp			
Term Loan(e)(n)			
02/03/18	5.750%	399,000	397,703
NDS Finance Ltd.			
Tranche B Term Loan(e)(n)			
03/12/18	4.000%	74,437	72,297
Novell, Inc.			
1st Lien Term Loan(e)(n)			
04/27/17	6.500%	74,063	72,248
Openlink Financial, Inc.			
Term Loan(e)(n)			
10/28/17	7.750%	75,000	75,000
Rovi Solutions Corp./Guides, Inc.(e)(n)			
Tranche A Term Loan			
02/07/16	2.800%	50,000	49,625
Tranche B Term Loan			
02/07/18	4.000%	49,625	49,253
Sensata Technology BV/Finance Co. LLC			
Term Loan(e)(n)			
05/12/18	4.000%	174,125	171,985
SunGard Data Systems, Inc.			
Tranche B Term Loan(e)(n)			
02/28/16	3.997%	268,950	262,732
Syniverse Holdings, Inc.			
Term Loan(e)(n)			
12/21/17	5.250%	74,250	74,096
Trans Union LLC			
Term Loan(e)(n)			
02/10/18	4.750%	99,250	98,796
Verifone, Inc.			
Tranche B Term Loan(e)(n)(o)			
12/28/18	4.250%	100,000	99,438
Verint Systems, Inc.			
Term Loan(e)(n)			
10/29/17	4.500%	99,500	98,505
Total			4,512,481
Textile —%			
Springs Window Fashions LLC			
Tranche B Term Loan(e)(n)			
05/31/17	6.000%	121,875	118,219
Transportation Services 0.1%			
Hertz Corp. (The)(e)(n)			
Letter of Credit			
03/11/18	3.750%	250,000	235,000
Tranche B Term Loan			
03/11/18	3.750%	297,750	291,843
Total			526,843

The Accompanying Notes to Financial Statements are an integral part of this statement.

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans (continued)			
Wireless —%			
MetroPCS Wireless, Inc.			
Tranche B3 Term Loan(e)(n)			
03/19/18	4.063%	$347,062	$336,304
Ntelos, Inc.			
Tranche B Term Loan(e)(n)			
08/07/15	4.000%	154,747	152,425
Total			488,729
Wirelines 0.1%			
Alaska Communications Systems Holdings, Inc.			
Term Loan(e)(n)			
10/21/16	5.500%	423,930	393,546
Level 3 Financing, Inc.			
Tranche B Term Loan(e)(n)(o)			
09/01/18	5.750%	175,000	172,244
Windstream Corp.			
Tranche B2 Term Loan(e)(n)			
12/17/15	3.131%	420,696	415,905
Total			981,695
Total Senior Loans			
(Cost: $53,402,132)			$51,968,232

Issuer	Shares	Value
Common Stocks —%		
FINANCIALS —%		
Real Estate Investment Trusts (REITs) —%		
Fairlane Management Corp.(f)(g)(h)(q)	2,000	$—
TOTAL FINANCIALS		—
Total Common Stocks		
(Cost: $—)		$—
Warrants —%		
ENERGY —%		
Energy Equipment & Services —%		
Green Field Energy Services, Inc.(q)	1,854	$85,284
TOTAL ENERGY		85,284
INFORMATION TECHNOLOGY —%		
Communications Equipment —%		
CMP Susquehanna Corp.(b)(g)(h)(q)	3,304	33
TOTAL INFORMATION TECHNOLOGY		33
Total Warrants		
(Cost: $75,065)		$85,317
Money Market Funds 3.5%		
Columbia Short-Term Cash Fund, 0.141%(r)(s)	37,296,441	$37,296,441
Total Money Market Funds		
(Cost: $37,296,441)		$37,296,441

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan 3.0%			
Asset-Backed Commercial Paper 0.1%			
Atlantis One			
02/01/12	0.370%	$999,569	$999,569
Certificates of Deposit 0.1%			
Standard Chartered Bank PLC			
03/05/12	0.630%	1,000,000	1,000,000
Other Short-Term Obligations 0.1%			
Natixis Financial Products LLC			
01/03/12	0.390%	1,500,000	1,500,000
Repurchase Agreements 2.7%			
Citibank NA			
dated 12/30/11, matures 01/03/12, repurchase price $5,000,044(t)	0.080%	5,000,000	5,000,000
Citigroup Global Markets, Inc.(t)			
dated 12/30/11, matures 01/03/12, repurchase price $2,000,011	0.050%	2,000,000	2,000,000
repurchase price $5,000,028	0.050%	5,000,000	5,000,000
Mizuho Securities USA, Inc.			
dated 12/30/11, matures 01/03/12, repurchase price $3,000,033(t)	0.100%	3,000,000	3,000,000
Pershing LLC			
dated 12/30/11, matures 01/03/12, repurchase price $5,000,078(t)	0.140%	5,000,000	5,000,000
RBS Securities, Inc.			
dated 12/30/11, matures 01/03/12, repurchase price $8,960,184(t)	0.080%	8,960,104	8,960,104
Total			28,960,104
Total Investments of Cash Collateral Received for Securities on Loan			
(Cost: $32,459,673)			$32,459,673
Total Investments			
(Cost: $1,066,522,656)			$1,097,227,210
Other Assets & Liabilities, Net			(21,783,206)
Net Assets			$1,075,444,004

The Accompanying Notes to Financial Statements are an integral part of this statement.

Futures Contracts Outstanding at December 31, 2011

Contract Description	Number of Contracts Long (Short)	Notional Market Value	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
U.S. Treasury Long Bond, 20-year	243	35,189,438	March 2012	$388,839	$—
U.S. Treasury Note, 2-year	313	69,031,173	March 2012	50,305	—
U.S. Treasury Note, 5-year	(125)	(15,407,226)	March 2012	—	(51,945)
U.S. Treasury Note, 10-year	(722)	(94,672,250)	March 2012	—	(694,882)
U.S. Treasury Ultra Bond, 30-year	(62)	(9,931,625)	March 2012	—	(50,280)
Total				$439,144	$(797,107)

Credit Default Swap Contracts Outstanding at December 31, 2011
Buy Protection

Counterparty	Reference Entity	Expiration Date	Pay Fixed Rate	Notional Amount	Market Value	Periodic Payments Receivable (Payable)	Unrealized Appreciation	Unrealized Depreciation
Barclays Capital	Federative Republic of Brazil	September 20, 2014	1.470%	$400,000	$(3,058)	$(1,666)	$—	$(4,724)
Total							$—	$(4,724)

Forward Foreign Currency Exchange Contracts Open at December 31, 2011

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation	Unrealized Depreciation
UBS Securities	January 11, 2012	13,659,000 (CAD)	13,339,852 (USD)	$—	$(65,577)
Goldman, Sachs & Co.	January 11, 2012	6,148,000 (EUR)	8,209,999 (USD)	252,575	—
J.P. Morgan Securities, Inc.	January 11, 2012	416,756,000 (JPY)	5,351,073 (USD)	—	(64,040)
HSBC Securities (USA), Inc.	January 11, 2012	5,362,395 (USD)	3,416,000 (GBP)	—	(57,697)
Deutsche Bank	January 11, 2012	13,468,430 (USD)	79,950,000 (NOK)	—	(104,026)
Morgan Stanley	January 11, 2012	8,042,213 (USD)	55,234,000 (SEK)	—	(19,479)
State Street Bank & Trust Company	January 12, 2012	4,996,000 (EUR)	6,681,376 (USD)	214,955	—
UBS Securities	January 31, 2012	2,729,000 (NZD)	2,065,034 (USD)	—	(54,922)
Total				$467,530	$(365,741)

Notes to Portfolio of Investments

(a) Principal amounts are denominated in United States Dollars unless otherwise noted.

(b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2011, the value of these securities amounted to $274,745,719 or 25.55% of net assets.

(c) Represents a foreign security. At December 31, 2011, the value of foreign securities, excluding short-term securities, amounted to $342,248,386 or 31.82% of net assets.

(d) At December 31, 2011, security was partially or fully on loan.

(e) Variable rate security. The interest rate shown reflects the rate as of December 31, 2011.

(f) Negligible market value.

(g) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2011 was $210,033, representing 0.02% of net assets. Information concerning such security holdings at December 31, 2011 was as follows:

Security	Acquisition Dates	Cost
Cabazon Band Mission Indians Revenue Bonds Series 2004 06/30/12 7.358%	10/04/04	$350,000
CMP Susquehanna Corp. Warrants	03/26/09	33
Fairlane Management Corp.	09/23/02	—
Six Flags, Inc. 06/01/14 9.625%	05/07/10	—

(h) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2011, the value of these securities amounted to $33, which represents less than 0.01% of net assets.

(i) The maturity dates shown represent the original maturity of the underlying obligation. Actual maturity may vary based upon prepayment activity on these obligations. Unless otherwise noted, the coupon rates presented are fixed rates.

(j) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

(k) Represents a security purchased on a when-issued or delayed delivery basis.

(l) At December 31, 2011, investments in securities included securities valued at $3,656,124 that were partially pledged as collateral to cover initial margin deposits on open interest rate futures contracts.

(m) Municipal obligations include debt obligations issued by or on behalf of territories, possessions, or sovereign nations within the territorial boundaries of the United States. At December 31, 2011, the value of these securities amounted to $210,000 or 0.02% of net assets.

(n) Senior loans have rates of interest that float periodically based primarily on the London Interbank Offered Rate ("LIBOR") and other short-term rates. The interest rate shown reflects the weighted average of the coupon rates in effect as of December 31, 2011. Remaining maturities of senior loans may be less than the stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty.

(o) Represents a senior loan purchased on a when-issued or delayed delivery basis. Certain details associated with this purchase are not known prior to the settlement date of the transaction. In addition, senior loans typically trade without accrued interest and therefore a weighted average coupon rate is not available prior to settlement. At settlement, if still unknown, the borrower or counterparty will provide the Fund with the final weighted average coupon rate and maturity date.

(p) The borrower filed for protection under Chapter 11 of the U.S. Federal Bankruptcy Code.

(q) Non-income producing.

(r) The rate shown is the seven-day current annualized yield at December 31, 2011.

(s) Investments in affiliates during the year ended December 31, 2011:

Issuer	Beginning Cost	Purchase Cost	Sales Cost/ Proceeds from Sales	Realized Gain/Loss	Ending Cost	Dividends or Interest Income	Value
Columbia Short-Term Cash Fund	$—	$300,440,351	$(263,143,910)	$—	$37,296,441	$31,136	$37,296,441

The Accompanying Notes to Financial Statements are an integral part of this statement.

(t) The table below represents securities received as collateral for repurchase agreements. This collateral, which is generally high quality short-term obligations, is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the proper level of collateral.

Citibank NA (0.080%)

Security Description	Value
Fannie Mae REMICS	$1,451,611
Freddie Mac REMICS	3,528,536
Government National Mortgage Association	119,853
Total Market Value of Collateral Securities	$5,100,000

Citigroup Global Markets, Inc. (0.050%)

Security Description	Value
Fannie Mae REMICS	$1,262,382
Freddie Mac REMICS	621,450
Government National Mortgage Association	156,168
Total Market Value of Collateral Securities	$2,040,000

Citigroup Global Markets, Inc. (0.050%)

Security Description	Value
Fannie Mae REMICS	$3,155,955
Freddie Mac REMICS	1,553,624
Government National Mortgage Association	390,421
Total Market Value of Collateral Securities	$5,100,000

Mizuho Securities USA, Inc. (0.100%)

Security Description	Value
Fannie Mae Pool	$1,987,524
Federal National Mortgage Association	27,352
Freddie Mac Gold Pool	696,332
Freddie Mac Non Gold Pool	227,532
Ginnie Mae I Pool	121,118
Ginnie Mae II Pool	142
Total Market Value of Collateral Securities	$3,060,000

Pershing LLC (0.140%)

Security Description	Value
Fannie Mae Pool	$1,296,707
Fannie Mae REMICS	472,800
Fannie Mae Whole Loan	1,563
Fannie Mae-Aces	5,738
Federal Farm Credit Bank	44,037
Federal Home Loan Banks	49,667
Federal Home Loan Mortgage Corp	39,546
Federal National Mortgage Association	82,047
Freddie Mac Gold Pool	557,082
Freddie Mac Non Gold Pool	167,081
Freddie Mac Reference REMIC	13
Freddie Mac REMICS	377,149
Ginnie Mae I Pool	648,801
Ginnie Mae II Pool	869,203
Government National Mortgage Association	213,316
United States Treasury Bill	8,031
United States Treasury Note/Bond	260,701
United States Treasury Strip Coupon	6,518
Total Market Value of Collateral Securities	$5,100,000

RBS Securities, Inc. (0.080%)

Security Description	Value
Fannie Mae Pool	$9,139,317
Total Market Value of Collateral Securities	$9,139,317

Abbreviation Legend

CMO	Collateralized Mortgage Obligation
FGIC	Financial Guaranty Insurance Company
NPFGC	National Public Finance Guarantee Corporation
PIK	Payment-in-Kind

Currency Legend

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
COP	Colombian Peso
EUR	Euro
GBP	Pound Sterling
IDR	Indonesian Rupiah
JPY	Japanese Yen
MXN	Mexican Peso
NOK	Norwegian Krone
NZD	New Zealand Dollar
PEN	Peru Nuevos Soles
PHP	Philippine Peso
PLN	Polish Zloty
RUB	Russian Rouble
SEK	Swedish Krona
USD	US Dollar
UYU	Uruguay Pesos

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description(a)	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs(b)**	**Level 3 significant unobservable inputs**	**Total**
Bonds				
Corporate Bonds & Notes				
Electric	$—	$40,274,410	$352,024	$40,626,434
All Other Industries	—	507,087,797	—	507,087,797
Residential Mortgage-Backed Securities—Agency	—	47,639,036	—	47,639,036
Residential Mortgage-Backed Securities—Non-Agency	—	13,805,588	6,145,020	19,950,608
Commercial Mortgage-Backed Securities—Non-Agency	—	29,133,257	—	29,133,257
Asset-Backed Securities—Non-Agency	—	191,228	—	191,228
Inflation-Indexed Bonds	—	33,841,920	—	33,841,920
U.S. Treasury Obligations	47,454,201	—	—	47,454,201
Foreign Government Obligations	—	249,283,066	—	249,283,066
Municipal Bonds	—	210,000	—	210,000
Total Bonds	47,454,201	921,466,302	6,497,044	975,417,547
Senior Loans				
Building Materials	—	840,654	322,245	1,162,899
Chemicals	—	2,866,538	491,339	3,357,877
Construction Machinery	—	592,076	162,009	754,085
Electric	—	2,154,955	22,703	2,177,658
Food and Beverage	—	3,512,181	96,515	3,608,696
Health Care	—	4,356,899	93,555	4,450,454
Media Non-Cable	—	4,639,185	245,644	4,884,829
Retailers	—	6,861,674	492,085	7,353,759
Technology	—	3,178,307	1,334,174	4,512,481
All Other Industries	—	19,705,494	—	19,705,494
Total Senior Loans	—	48,707,963	3,260,269	51,968,232
Equity Securities				
Common Stocks				
Financials	—	—	—	—
Warrants				
Energy	—	85,284	—	85,284
Information Technology	—	—	33	33
Total Equity Securities	—	85,284	33	85,317
Other				
Money Market Funds	37,296,441	—	—	37,296,441
Investments of Cash Collateral Received for Securities on Loan	—	32,459,673	—	32,459,673
Total Other	37,296,441	32,459,673	—	69,756,114
Investments in Securities	84,750,642	1,002,719,222	9,757,346	1,097,227,210
Derivatives(c)				
Assets				
Futures Contracts	439,144	—	—	439,144
Forward Foreign Currency Exchange Contracts	—	467,530	—	467,530
Liabilities				
Futures Contracts	(797,107)	—	—	(797,107)
Forward Foreign Currency Exchange Contracts	—	(365,741)	—	(365,741)
Swap Contracts	—	(4,724)	—	(4,724)
Total	$84,392,679	$1,002,816,287	$9,757,346	$1,096,966,312

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances.

Certain corporate bonds and senior loans classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Fair Value Measurements (continued)

Certain warrants classified as Level 3 are valued using a market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, trades of similar securities, estimated earnings of the respective company, market multiples derived from a set of comparable companies, and the position of the company within the respective company's capital structure.

Financial Assets were transferred from Level 2 to Level 3 due to utilizing a single market quotation from a broker dealer. As a result, as of period end, management determined to fair value the security under consistently applied procedures established by and under the general supervision of the Board of Trustees.

(a) See the Portfolio of Investments for all investment classifications not indicated in the table.

(b) There were no significant transfers between Levels 1 and 2 during the period.

(c) Derivative instruments are valued at unrealized appreciation (depreciation).

The following table is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes	Residential Mortgage-Backed Securities— Non-Agency	Senior Loans	Preferred Stocks	Warrants	Total
Balance as of December 31, 2010	$7,080	$—	$—	$29	$33	$7,142
Accrued discounts/premiums	3,025	12,237	5,936	—	—	21,198
Realized gain (loss)	1,922	2,735	225	28,881	—	33,763
Change in unrealized appreciation (depreciation)*	18,496	(268,104)	(63,736)	—	—	(313,344)
Sales	(72,964)	(1,717,201)	(27,702)	(28,910)	—	(1,846,777)
Purchases	394,465	8,115,353	1,955,977	—	—	10,465,795
Transfers into Level 3	—	—	1,389,569	—	—	1,389,569
Transfers out of Level 3	—	—	—	—	—	—
Balance as of December 31, 2011	$352,024	$6,145,020	$3,260,269	$—	$33	$9,757,346

* Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2011 was $(317,622), which is comprised of Corporate Bonds & Notes of $14,218, Residential Mortgage-Backed Securities – Non-Agency of $(268,104) and Senior Loans of $(63,736).

Transfers in and/or out of Level 3 are determined based on the fair value at the beginning of the period for security positions held throughout the period.

Statement of Assets and Liabilities – Columbia Variable Portfolio – Strategic Income Fund

December 31, 2011

Assets	
Investments, at value*	
Unaffiliated issuers (identified cost $996,766,542)	$1,027,471,096
Affiliated issuers (identified cost $37,296,441)	37,296,441
Investment of cash collateral received for securities on loan	
Short-term securities (identified cost $3,499,569)	3,499,569
Repurchase agreements (identified cost $28,960,104)	28,960,104
Total investments (identified cost $1,066,522,656)	1,097,227,210
Cash	398,735
Foreign currency (identified cost $1,976,044)	1,927,141
Unrealized appreciation on forward foreign currency exchange contracts	467,530
Receivable for:	
Investments sold	5,993,809
Capital shares sold	54,982
Dividends	4,961
Interest	15,228,733
Reclaims	76,390
Expense reimbursement due from Investment Manager	95,793
Prepaid expense	8,058
Trustees' deferred compensation plan	29,231
Total assets	1,121,512,573
Liabilities	
Due upon return of securities on loan	32,459,673
Unrealized depreciation on forward foreign currency exchange contracts	365,741
Unrealized depreciation on swap contracts	4,724
Payable for:	
Investments purchased	3,989,957
Investments purchased on a delayed delivery basis	7,284,092
Capital shares purchased	959,103
Variation margin on futures contracts	159,029
Foreign capital gains taxes deferred	95,442
Investment management fees	462,529
Distribution fees	6,325
Transfer agent fees	52,689
Administration fees	58,854
Chief compliance officer expenses	729
Other expenses	140,451
Trustees' deferred compensation plan	29,231
Total liabilities	46,068,569
Net assets applicable to outstanding capital stock	$1,075,444,004

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities (continued) — Columbia Variable Portfolio – Strategic Income Fund

December 31, 2011

Represented by	
Paid-in capital	$1,017,465,198
Undistributed net investment income	37,082,882
Accumulated net realized loss	(9,298,505)
Unrealized appreciation (depreciation) on:	
Investments	30,704,554
Foreign currency translations	(153,785)
Forward foreign currency exchange contracts	101,789
Futures contracts	(357,963)
Swap contracts	(4,724)
Foreign capital gains tax	(95,442)
Total — representing net assets applicable to outstanding capital stock	$1,075,444,004
*Value of securities on loan	$ 45,568,255
Net assets applicable to outstanding shares	
Class 1	$1,044,575,444
Class 2	$ 30,868,560
Shares outstanding	
Class 1	119,603,086
Class 2	3,553,582
Net asset value per share	
Class 1	$ 8.73
Class 2	$ 8.69

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations – Columbia Variable Portfolio – Strategic Income Fund

Year Ended December 31, 2011

Net investment income	
Income:	
Dividends	$ 7,878
Interest	42,833,885
Dividends from affiliates	31,136
Income from securities lending — net	117,028
Foreign taxes withheld	(234,169)
Total income	42,755,758
Expenses:	
Investment management fees	3,889,690
Distribution fees	
Class 2	72,614
Transfer agent fees	
Class 1	423,970
Class 2	17,503
Administration fees	479,022
Compensation of board members	26,282
Pricing and bookkeeping fees	20,873
Custodian fees	92,599
Printing and postage fees	3,891
Professional fees	47,744
Chief compliance officer expenses	961
Merger costs	37,938
Other	19,402
Total expenses	5,132,489
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(741,266)
Expense reductions	(13)
Total net expenses	4,391,210
Net investment income	38,364,548
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	11,587,838
Foreign currency translations	(18,582)
Forward foreign currency exchange contracts	779,145
Futures contracts	(8,311,997)
Options contracts written	484,439
Swap contracts	(4,361)
Net realized gain	4,516,482
Net change in unrealized appreciation (depreciation) on:	
Investments	(17,121,563)
Foreign currency translations	(346,091)
Forward foreign currency exchange contracts	315,162
Futures contracts	809,695
Swap contracts	3,878
Foreign capital gains tax	(95,442)
Net change in unrealized depreciation	(16,434,361)
Net realized and unrealized loss	(11,917,879)
Net increase in net assets resulting from operations	$ 26,446,669

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets – Columbia Variable Portfolio – Strategic Income Fund

	Year ended December 31, 2011	Year ended December 31, 2010
Operations		
Net investment income	$ 38,364,548	$ 3,546,426
Net realized gain	4,516,482	3,277,325
Net change in unrealized depreciation	(16,434,361)	(234,047)
Net increase in net assets resulting from operations	26,446,669	6,589,704
Distributions to shareholders from:		
Net investment income		
Class 1	(2,779,236)	(2,620,631)
Class 2	(1,940,793)	(1,956,024)
Total distributions to shareholders	(4,720,029)	(4,576,655)
Increase (decrease) in net assets from share transactions	988,368,575	(7,193,417)
Total increase (decrease) in net assets	1,010,095,215	(5,180,368)
Net assets at beginning of year	65,348,789	70,529,157
Net assets at end of year	$1,075,444,004	$65,348,789
Undistributed net investment income	$ 37,082,882	$ 4,264,050

	Year ended December 31, 2011		Year ended December 31, 2010	
	Shares	Dollars($)	Shares	Dollars($)
Capital stock activity				
Class 1 shares				
Subscriptions	5,867,775	50,493,729	429,403	3,777,973
Fund merger	116,606,245	995,714,495	—	—
Distributions reinvested	326,585	2,779,236	310,501	2,620,631
Redemptions	(7,455,447)	(63,894,044)	(1,105,840)	(9,719,781)
Net increase (decrease)	115,345,158	985,093,416	(365,936)	(3,321,177)
Class 2 shares				
Subscriptions	611,156	5,234,018	289,189	2,521,694
Fund merger	369,809	3,147,028	—	—
Distributions reinvested	228,867	1,940,793	232,583	1,956,024
Redemptions	(814,148)	(7,046,680)	(955,918)	(8,349,958)
Net increase (decrease)	395,684	3,275,159	(434,146)	(3,872,240)
Total net increase (decrease)	**115,740,842**	**988,368,575**	**(800,082)**	**(7,193,417)**

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights – Columbia Variable Portfolio – Strategic Income Fund

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec. 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Class 1					
Per share data					
Net asset value, beginning of period	$8.83	$8.60	$8.01	$9.47	$9.70
Income from investment operations:					
Net investment income	0.45	0.47	0.51	0.53	0.55
Net realized and unrealized gain (loss)	0.13[a]	0.40	1.04	(1.21)	0.01
Total from investment operations	0.58	0.87	1.55	(0.68)	0.56
Less distributions to shareholders from:					
Net investment income	(0.68)	(0.64)	(0.96)	(0.78)	(0.79)
Total distributions to shareholders	(0.68)	(0.64)	(0.96)	(0.78)	(0.79)
Net asset value, end of period	$8.73	$8.83	$8.60	$8.01	$9.47
Total return	6.80%	10.43%	20.40%	(7.81%)	6.07%
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	0.68%	0.98%	0.90%	0.84%	0.82%
Net expenses after fees waived or expenses reimbursed[c]	0.58%[d]	0.65%[d]	0.65%[d]	0.84%[d]	0.82%[d]
Net investment income	5.22%[d]	5.34%[d]	6.11%[d]	5.89%[d]	5.69%[d]
Supplemental data					
Net assets, end of period (in thousands)	$1,044,575	$37,602	$39,774	$37,407	$54,416
Portfolio turnover	95%[e]	78%	50%[f]	28%[f]	44%[f]

Notes to Financial Highlights

[a] Calculation of the net gain per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized loss presented in the Statement of Operations due to the timing of sales and repurchases of Fund shares in relation to fluctuations in the market value of the portfolio.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 82% for the year ended December 31, 2011.

[f] Excludes mortgage dollar rolls.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights (continued) — Columbia Variable Portfolio – Strategic Income Fund

	Year ended Dec. 31,				
	2011	2010	2009	2008	2007
Class 2					
Per share data					
Net asset value, beginning of period	$8.79	$8.56	$7.98	$9.43	$9.67
Income from investment operations:					
Net investment income	0.43	0.44	0.49	0.51	0.53
Net realized and unrealized gain (loss)	0.13[a]	0.41	1.03	(1.19)	—
Total from investment operations	0.56	0.85	1.52	(0.68)	0.53
Less distributions to shareholders from:					
Net investment income	(0.66)	(0.62)	(0.94)	(0.77)	(0.77)
Total distributions to shareholders	(0.66)	(0.62)	(0.94)	(0.77)	(0.77)
Net asset value, end of period	$8.69	$8.79	$8.56	$7.98	$9.43
Total return	6.56%	10.21%	20.14%	(7.92%)	5.75%
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	1.08%	1.23%	1.15%	1.09%	1.07%
Net expenses after fees waived or expenses reimbursed[c]	0.91%[d]	0.90%[d]	0.90%[d]	1.00%[d]	1.00%[d]
Net investment income	5.01%[d]	5.09%[d]	5.87%[d]	5.73%[d]	5.50%[d]
Supplemental data					
Net assets, end of period (in thousands)	$30,869	$27,747	$30,755	$33,737	$52,012
Portfolio turnover	95%[e]	78%	50%[f]	28%[f]	44%[f]

Notes to Financial Highlights

[a] Calculation of the net gain per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized loss presented in the Statement of Operations due to the timing of sales and repurchases of Fund shares in relation to fluctuations in the market value of the portfolio.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Includes mortgage dollar rolls. If mortgage dollar roll transactions were excluded, the portfolio turnover would have been 82% for the year ended December 31, 2011.

[f] Excludes mortgage dollar rolls.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Note 1. Organization

Columbia Variable Portfolio – Strategic Income Fund (the Fund), formerly known as Columbia Strategic Income Fund, Variable Series, a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Delaware statutory trust. On May 2, 2011, Columbia Strategic Income Fund, Variable Series was renamed Columbia Variable Portfolio – Strategic Income Fund.

Fund Shares—The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and/or variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension or retirement plans and other qualified institutional investors (collectively, Qualified Investors) authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure. On May 2, 2011, Class A and Class B shares of the Fund were renamed Class 1 and Class 2 shares, respectively.

Note 2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation—All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Certain debt securities, which tend to be more thinly traded and of lesser quality, are priced based on fundamental analysis of the financial condition of the issuer and the estimated value of any collateral. Valuations developed through pricing techniques may vary from the actual amounts realized upon sale of the securities, and the potential variation may be greater for those securities valued using fundamental analysis.

Asset and mortgage backed securities are generally valued by pricing services, which utilize pricing models that incorporate the securities' cash flow and loan performance data. These models also take into account available market data, including trades, market quotations, and benchmark yield curves for identical or similar securities. Factors used to identify similar securities may include, but are not limited to, issuer, collateral type, vintage, prepayment speeds, collateral performance, credit ratings, credit enhancement and expected life. Asset-backed securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Forward foreign currency exchange contracts are marked-to-market based upon foreign currency exchange rates provided by a pricing service.

Futures and options on futures contracts are valued based upon the settlement price established each day by the board of trade or exchange on which they are traded.

Swap transactions are valued through an independent pricing service or broker, or if neither is available, through an internal model based upon observable inputs.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation—The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Derivative Instruments—The Fund invests in certain derivative instruments as detailed below to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

Forward Foreign Currency Exchange Contracts—Forward foreign currency exchange contracts are agreements between two parties to buy and sell a currency at a set price on a future date. These contracts are intended to be used to minimize the exposure to foreign exchange rate fluctuations during the period between the trade and settlement dates of the contract. The Fund utilized forward foreign currency exchange contracts for the settlement of purchases and sales of securities, to hedge the currency exposure associated with some or all of the Fund's securities, to shift foreign currency exposure back to U.S. dollars and to shift investment exposure from one currency to another.

The values of forward foreign currency exchange contracts fluctuate with changes in foreign currency exchange rates. The Fund will record a realized gain or loss when the forward foreign currency exchange contract is closed.

The use of forward foreign currency exchange contracts does not eliminate fluctuations in the prices of the Fund's portfolio securities. The risks of forward foreign currency exchange contracts include movement in the values of the foreign currencies relative to the U.S. dollar (or other foreign

currencies) and the possibility that counterparties will not complete their contractual obligations, which may be in excess of the amount reflected, if any, in the Statement of Assets and Liabilities.

Futures Contracts—Futures contracts represent commitments for the future purchase or sale of an asset at a specified price on a specified date. The Fund bought and sold futures contracts to manage the duration and yield curve exposure of the Fund versus the benchmark. Upon entering into futures contracts, the Fund bears risks which may include interest rates, exchange rates or securities prices moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. Additional risks include counterparty credit risk, the possibility of an illiquid market, and that a change in the value of the contract or option may not correlate with changes in the value of the underlying asset.

Upon entering into a futures contract, the Fund pledges cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily change in the contract value and are recorded as variation margin receivable or payable and are offset in unrealized gains or losses. The Fund recognizes a realized gain or loss when the contract is closed or expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities.

Options—Options are contracts which entitle the holder to purchase or sell securities or other identified assets at a specified price, or in the case of index option contracts, to receive or pay the difference between the index value and the strike price of the index option contract. The Fund purchased and wrote option contracts to manage the duration and yield curve exposure of the Fund versus the benchmark. Completion of transactions for option contracts traded in the OTC market depends upon the performance of the other party. Cash collateral may be collected or posted by the Fund to secure certain OTC option contract trades. Cash collateral held or posted by the Fund for such option contract trades must be returned to the counterparty or the Fund upon closure, exercise or expiration of the contract.

Option contracts purchased are recorded as investments and options contracts written are recorded as liabilities of the Fund. The Fund will realize a gain or loss when the option contract expires or is exercised. When option contracts on debt securities or futures are exercised, the Fund will realize a gain or loss. When other option contracts are exercised, the proceeds on sales for a written call or purchased put option contract, or the purchase cost for a written put or purchased call option contract, is adjusted by the amount of premium received or paid.

The risk in buying an option contract is that the Fund pays a premium whether or not the option contract is exercised. The Fund also has the additional risk of being unable to enter into a closing transaction if a liquid secondary market does not exist. The risk in writing a call option contract is that the Fund gives up the opportunity for profit if the market price of the security increases. The risk in writing a put option contract is that the Fund may incur a loss if the market price of the security decreases and the option contract is exercised. The Fund's maximum payout in the case of written put option contracts represents the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under the contract. For OTC options contracts, the transaction is also subject to counterparty credit risk. The maximum payout amount may be offset by the subsequent sale, if any, of assets obtained upon the exercise of the put option contracts by holders of the option contracts or proceeds received upon entering into the contracts.

Contracts and premiums associated with options contracts written for the year ended December 31, 2011 are as follows:

	Calls	
	Number of Contracts	Premiums Received
Balance at December 31, 2010	—	$ —
Opened	280	484,439
Expired	(280)	(484,439)
Balance at December 31, 2011	—	$ —

Credit Default Swap Contracts—Credit default swap contracts are agreements in which one party pays fixed periodic payments to a counterparty in consideration for a guarantee from the counterparty to make a specific payment should a specified negative credit event(s) take place. The Fund entered into credit default swap contracts to hedge the Fund's exposure on a debt security that it owns or in lieu of selling such debt security.

As the purchaser of a credit default swap contract, the Fund purchases protection by paying a periodic interest rate on the notional amount to the counterparty. The interest amount is accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized loss upon payment. If a credit event as specified in the contract occurs, the Fund may have the option either to deliver the reference obligation to the seller in exchange for a cash payment of its par amount, or to receive a net cash settlement equal to the par amount less an agreed-upon value of the reference obligation as of the date of the credit event. The difference between the value of the obligation or cash delivered and the notional amount received will be recorded as a realized gain (loss).

As the seller of a credit default swap contract, the Fund sells protection to a buyer and will generally receive a periodic interest rate on the notional amount. The interest amount is

accrued daily as a component of unrealized appreciation (depreciation) and is recorded as a realized gain upon receipt of the payment. If a credit event as specified in the contract occurs, the Fund may either be required to accept the reference obligation from the buyer in exchange for a cash payment of its notional amount, or to pay the buyer a net cash settlement equal to the notional amount less an agreed-upon value of the reference obligation as of the date of the credit event. The difference between the value of the obligation or cash received and the notional amount paid will be recorded as a realized gain (loss). The maximum potential amount of undiscounted future payments the Fund could be required to make as the seller of protection under a credit default swap contract is equal to the notional amount of the reference obligation. Notional amounts of all credit default swap contracts outstanding for which the Fund is the seller of protection, if any, are disclosed in the Credit Default Swap Contracts Outstanding schedule following the Portfolio of Investments. These potential amounts may be partially offset by any recovery values of the respective reference obligations or premiums received upon entering into the agreement.

As a protection seller, the Fund bears the risk of loss from the credit events specified in the contract. Although specified events are contract specific, credit events are generally defined as bankruptcy, failure to pay, restructuring, obligation acceleration, obligation default, or repudiation/moratorium. For credit default swap contracts on credit indices, quoted market prices and resulting market values serve as an indicator of the current status of the payment/performance risk. Increasing market values, in absolute terms when compared to the notional amount of the swap, represent a deterioration of the reference entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the contract. Market values for credit default swap contracts in which the Fund is the seller of protection, if any, are disclosed in the Credit Default Swap Contracts Outstanding schedule following the Portfolio of Investments.

The notional amounts and market values of credit default swap contracts are not recorded in the financial statements. Any premium paid or received by the Fund upon entering into a credit default swap contract is recorded as an asset or liability, respectively, and amortized daily as a component of realized gain (loss) in the Statement of Operations. Credit default swap contracts are valued daily, and the change in value is recorded as unrealized appreciation (depreciation) until the termination of the swap, at which time a realized gain (loss) is recorded.

Credit default swap contracts can involve greater risks than if a fund had invested in the reference obligation directly since, in addition to general market risks, credit default swaps are subject to counterparty credit risk, leverage risk, hedging risk, correlation risk and liquidity risk. The Fund will enter into credit default swap transactions only with counterparties that meet certain standards of creditworthiness.

Effects of Derivative Transactions in the Financial Statements—The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund, including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

Fair Values of Derivative Instruments at December 31, 2011

	Asset derivatives		Liability derivatives	
Risk Exposure Category	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Credit contracts		$ —	Unrealized depreciation on swap contracts	$ 4,724
Foreign exchange contracts	Unrealized appreciation on forward foreign currency exchange contracts	467,530	Unrealized depreciation on forward foreign currency exchange contracts	365,741
Interest rate contracts	Net assets – unrealized appreciation on futures contracts	439,144*	Net assets – unrealized depreciation on futures contracts	797,107*
Total		$906,674		$1,167,572

* Includes cumulative appreciation (depreciation) of futures contracts as reported in the Futures Contracts Outstanding table following the Portfolio of Investments. Only the current day's variation margin is reported in receivables or payables in the Statement of Assets and Liabilities.

	Effect of Derivative Instruments in the Statement of Operations for the Year Ended December 31, 2011				
	Amount of Realized Gain (Loss) on Derivatives Recognized in Income				
Risk Exposure Category	Forward Foreign Currency Exchange Contracts	Futures Contracts	Options Contracts Written and Purchased	Swap Contracts	Total
Credit contracts	$ —	$ —	$ —	$(4,361)	$ (4,361)
Foreign exchange contracts	779,145	—	—	—	$ 779,145
Interest rate contracts	—	(8,311,997)	484,439	—	$(7,827,558)
Total	$779,145	$(8,311,997)	$484,439	$(4,361)	$(7,052,774)

	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income				
Risk Exposure Category	Forward Foreign Currency Exchange Contracts	Futures Contracts	Options Contracts Written and Purchased	Swap Contracts	Total
Credit contracts	$ —	$ —	$—	$3,878	$ 3,878
Foreign exchange contracts	315,162	—	—	—	$ 315,162
Interest rate contracts	—	809,695	—	—	$ 809,695
Total	$315,162	$809,695	$—	$3,878	$1,128,735

	Volume of Derivative Instruments for the Year Ended December 31, 2011
	Contracts Opened
Forward Foreign Currency Exchange Contracts	413
Futures Contracts	8,349
Options Contracts	1,266
	Aggregate Notional Opened
Credit Default Swap Contracts – Buy Protection	$—

Repurchase Agreements—The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on the Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Delayed Delivery Securities—The Fund may trade securities on other than normal settlement terms, including securities purchased or sold on a "when-issued" basis. This may increase the risk if the other party to the transaction fails to deliver and causes the Fund to subsequently invest at less advantageous prices. The Fund designates cash or liquid securities in an amount equal to the delayed delivery commitment.

Mortgage Dollar Roll Transactions—The Fund may enter into mortgage "dollar rolls" in which the Fund sells securities for delivery in the current month and simultaneously contracts with the same counterparty to repurchase similar (same type, coupon and maturity) but not identical securities on a specified future date not exceeding 120 days. During the roll period, the Fund loses the right to receive principal and interest paid on the securities sold. However, the Fund will benefit because it receives negotiated amounts in the form of reductions of the purchase price for the future purchase plus the interest earned on the cash proceeds of the securities sold until the settlement date of the forward purchase. The Fund records the incremental difference between the forward purchase and sale of each forward roll as a realized gain or loss. Unless any realized gains exceed the income, capital appreciation, and gain or loss due to mortgage prepayments that would have been realized on the securities sold as part of the mortgage dollar roll, the use of this technique will diminish the investment performance of the Fund compared to what the performance would have been without the use of mortgage dollar rolls. All cash proceeds will be invested in instruments that are permissible investments for the Fund. The Fund identifies within its Portfolio of Investments cash or liquid securities in an amount equal to the forward purchase price.

For financial reporting and tax purposes, the Fund treats "to be announced" mortgage dollar rolls as two separate

transactions, one involving the purchase of a security and a separate transaction involving a sale. This treatment may exaggerate the Fund's portfolio turnover rate. The Fund does not currently enter into mortgage dollar rolls that are accounted for as financing transactions.

Mortgage dollar rolls involve certain risks. If the broker-dealer to whom the Fund sells the securities becomes insolvent, the Fund's right to purchase or repurchase the mortgage-related securities may be restricted and the instruments which the Fund is required to repurchase may be worth less than instruments which the Fund originally held. Successful use of mortgage dollar rolls may depend upon the Investment Manager's ability to predict interest rates and mortgage prepayments. For these reasons, there is no assurance that mortgage dollar rolls can be successfully employed.

Treasury Inflation Protected Securities—The Fund may invest in treasury inflation protected securities (TIPS). The principal amount of TIPS is adjusted periodically and is increased for inflation or decreased for deflation based on a monthly published index. Interest payments are based on the adjusted principal at the time the interest is paid. These adjustments are recorded as interest income in the Statement of Operations.

Loan Participations and Commitments—The Fund may invest in loan participations. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participation (Selling Participant), but not the borrower. However, the Fund assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. The Fund may not directly benefit from the collateral supporting the senior loan which it has purchased from the Selling Participant.

Stripped Securities—The Fund may invest in Interest only (IO) and Principal Only (PO) stripped mortgage-backed securities. These securities are derivative multi-class mortgage securities structured so that one class receives most, if not all, of the principal from the underlying mortgage assets, while the other class receives most, if not all, of the interest and the remainder of the principal. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Fund may fail to fully recoup its initial investment in an IO security, therefore the daily interest accrual factor is adjusted each month to reflect the paydown of principal. The market value of these securities can be extremely volatile in response to changes in interest rates. Credit risk reflects the risk that the Fund may not receive all or part of its principal because the issuer or credit enhancer has defaulted on its obligation.

Security Transactions—Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition—Interest income is recorded on the accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any. For convertible securities, premiums attributable to the conversion feature are not amortized.

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

The value of additional securities received as an income payment is recorded as income and increases the cost basis of such securities.

Expenses—General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value—All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status—The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Foreign Taxes—The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Distributions to Shareholders—Distributions from net investment income are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications—Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees—Under an Investment Management Services Agreement (IMSA), Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. Effective April 30, 2011, the management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.530% to 0.353% as the Fund's net assets increase. Prior to April 30, 2011, the management fee was equal to a percentage of the Fund's average daily net assets that declined from 0.60% to 0.49% as the Fund's net assets increased. The effective management fee rate for the year ended December 31, 2011 was 0.53% of the Fund's average daily net assets.

Administration Fees—Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. Effective April 30, 2011, the Fund pays the Fund Administrator an annual fee rate for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.07% to 0.04% as the Fund's net assets increase. Prior to April 30, 2011, the Investment Manager did not receive a fee for its services under the Administration Services Agreement. The effective administration fee rate for the year ended December 31, 2011 was 0.07% of the Fund's average daily net assets.

Pricing and Bookkeeping Fees—Prior to March 28, 2011, the Fund had entered into a Financial Reporting Services Agreement (the Financial Reporting Services Agreement) with State Street Bank and Trust Company (State Street) and the Investment Manager pursuant to which State Street provided financial reporting services to the Fund. The Fund also entered into an Accounting Services Agreement (collectively with the Financial Reporting Services Agreement, the State Street Agreements) with State Street and the Investment Manager pursuant to which State Street provided accounting services to the Fund. Under the State Street Agreements, the Fund paid State Street an annual fee of $38,000 paid monthly plus an additional monthly fee based on an annualized percentage rate of average daily net assets of the Fund for the month. The aggregate fee did not exceed $140,000 per year (exclusive of out-of-pocket expenses and charges). The Fund also reimbursed State Street for certain out-of-pocket expenses and charges. Effective March 28, 2011, these services are now provided under the Administrative Services Agreement discussed above.

Compensation of Board Members—Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligation of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer—The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. Effective April 1, 2011, the Fund's expenses associated with the Chief Compliance Officer are paid directly by Columbia. Prior to

April 1, 2011, the Fund, along with other affiliated funds, paid its pro-rata share of the expenses for the Chief Compliance Officer. Such fees did not exceed $15,000 per year.

Transfer Agent Fee—Under a Transfer and Dividend Disbursing Agent Agreement, Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, is responsible for providing transfer agency services to the Fund. The Transfer Agent has contracted with Boston Financial Data Services (BFDS) to serve as sub-transfer agent. The Transfer Agent receives a monthly fee for its services at the annual rate of 0.06% of the average daily net assets attributable to Class 1 and Class 2 shares of the Fund.

The Transfer Agent may also retain, as additional compensation for its services, fees for wire, telephone and redemption orders, account transcript fees due to the Transfer Agent from shareholders of the Fund and interest (net of bank charges) earned with respect to balances in accounts the Transfer Agent maintains in connection with its services to the Fund.

Distribution Fees—The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates—Effective April 30, 2011, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below as well as any reorganization costs allocated to the Fund), through April 30, 2012, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.58%
Class 2	0.83

Under the agreement, the following fees and expenses are excluded from the Fund's operating expenses when calculating the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties. Reorganization (see Note 11) costs were allocated to the Fund only to the extent they are expected to be offset by the anticipated reduction in expenses borne by the Fund's shareholders during the first year following the reorganization.

Prior to April 30, 2011, the Investment Manager voluntarily agreed to reimburse a portion of the Fund's expenses (excluding certain expenses, such as distribution fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any) so that the Fund's ordinary net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, did not exceed 0.65% of the Fund's average daily net assets on an annualized basis.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

For the year ended December 31, 2011, these differences are primarily due to differing treatments for market discount/premium, deferral/reversal of wash sale losses, capital loss carryforward limitations related to ownership changes, foreign currency transactions, deferral/reversal of certain future losses, deferred trustee expense and non-deductible expenses. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$4,300,632
Accumulated net realized loss	(3,824,641)
Paid-in capital	(475,991)

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year ended December 31,	2011	2010
Ordinary income	$4,720,029	$4,576,655

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$39,912,270
Undistributed long-term capital gains	—
Unrealized appreciation	30,477,580

At December 31, 2011, the cost of investments for federal income tax purposes was $1,066,749,630 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$ 44,667,640
Unrealized depreciation	$(14,190,060)
Net unrealized appreciation	$ 30,477,580

The following capital loss carryforwards, determined at December 31, 2011, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount
2016	$1,918,681
2017	6,611,145
Total	$8,529,826

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment 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, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

For the year ended December 31, 2011, $1,209,415 of capital loss carryforward was utilized.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations but including mortgage dollar rolls, aggregated to $642,874,525 and $627,376,581, respectively, for the year ended December 31, 2011, of which $405,091,472 and $309,856,775, respectively, were U.S. government securities.

Note 6. Lending of Portfolio Securities

Effective March 28, 2011, the Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement, which replaces the previous security lending arrangement with State Street, authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned. At December 31, 2011, securities valued at $45,568,255 were on loan, secured by U.S. government securities valued at $13,946,067 and by cash collateral of $32,459,673 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the year ended December 31, 2011 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Prior to March 28, 2011, the Fund participated in a securities lending arrangement with State Street. Each security on loan was collateralized in an amount at least equal to the market value of the securities loaned plus accrued income from the investment of collateral. The income generated by the investment of the collateral, net of any fees remitted to State Street as the lending agent and borrower rebates, was paid to the Fund.

Note 7. Custody Credits

Prior to March 28, 2011, the Fund had an agreement with its custodian bank under which custody fees may have been reduced by balance credits. These credits are recorded as part of expense reductions on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if they had not entered into such an agreement. Subsequent to this date, the Fund may invest its daily balance in an affiliated money market fund as detailed below. For the period January 1, 2011 through March 27, 2011, these credits reduced total expenses by $13.

Note 8. Affiliated Money Market Fund

Effective March 28, 2011, the Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 9. Shareholder Concentration

At December 31, 2011, affiliated shareholder accounts owned 94.7% of the outstanding shares of the Fund. Subscription and redemption activity of these accounts may have a significant effect on the operations of the Fund.

Note 10. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on March 28, 2011, replacing a prior credit facility. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011 amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

For the period March 28, 2011 through December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

Prior to March 28, 2011, the Fund and certain other funds managed by the Investment Manager participated in a $280 million committed, unsecured revolving credit facility provided by State Street. Interest was charged to each fund based on its borrowings at a rate equal to the greater of the (i) federal funds rate plus 1.25% per annum or (ii) the overnight LIBOR rate plus 1.25% per annum. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.125% per annum.

The Fund had no borrowings during the year ended December 31, 2011.

Note 11. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of RiverSource Variable Portfolio – Strategic Income Fund, a series of Columbia Funds Variable Series Trust II. The reorganization was completed after shareholders approved the agreement and plan of reorganization on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $64,473,972 and the combined net assets immediately after the acquisition were $1,063,335,495.

The merger was accomplished by a tax-free exchange of 96,054,561 shares of RiverSource Variable Portfolio – Strategic Income Fund valued at $998,861,523 (including $42,951,869 of unrealized appreciation).

In exchange for RiverSource Variable Portfolio – Strategic Income Fund shares, the Fund issued the following number of shares:

	Shares
Class 1	116,606,245
Class 2	369,809

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, RiverSource Variable Portfolio – Strategic Income Fund's cost of investments was carried forward.

The financial statements reflect the operations of the Fund for the period prior to the merger and the combined fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of RiverSource Variable Portfolio – Strategic Income Fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011 the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net increase in net assets from operations for the year ended December 31, 2011 would have been approximately $54.4 million, $12.3 million, $(1.3) million and $65.4 million, respectively.

Note 12. Significant Risks

High Yield Securities Risk—Investing in high-yield fixed income securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

Foreign Securities Risk—Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities. Investing in emerging markets may accentuate these risks.

Investments in emerging market countries are subject to additional risk. The risk of foreign investments is typically increased in less developed countries. These countries are also more likely to experience high levels of inflation, deflation or currency devaluation which could hurt their economies and securities markets.

Asset-Backed Securities Risk—The value of asset-backed securities may be affected by, among other factors, changes in interest rates, the market's assessment of the quality of underlying assets, the creditworthiness of the servicer for the underlying assets, factors concerning the interests in and structure of the issuer or the originator of the underlying assets, or the creditworthiness or rating of the entities that provide any supporting letters of credit, surety bonds, derivative instruments, or other credit enhancement. The value of asset-backed securities also will be affected by the exhaustion, termination or expiration of any credit enhancement. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility.

Mortgage-Backed Securities Risk—The value of mortgage-backed securities may be affected by, among other things, changes in interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements or the quality of underlying assets or the market's assessment thereof. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of mortgage-backed securities may be difficult to predict and may result in greater volatility.

Note 13. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 14. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (currently branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and
the Shareholders of Columbia Variable Portfolio – Strategic Income Fund

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio – Strategic Income Fund (formerly Columbia Strategic Income Fund, Variable Series) (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended 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 at December 31, 2011 by correspondence with the custodian, brokers and transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 21, 2012

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; CEO of Crystal River Capital, Inc. (real estate investment trust) from 2003 to 2010; Oversees 43; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2008 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parson Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President – Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 43; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel – Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University, from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Oversees 43; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director, Marketing of Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 43; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 43; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider); BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 43; CIT Group Inc. (commercial and consumer finance), eBay Inc. (online trading community), MBIA Corp (financial service provider), E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services), and University of Oklahoma Foundation.
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington, from January 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington, from 1993 to 2011; Adjunct Professor of Statistics, University of Washington, from 1980 to 2011; Associate Editor, Journal of Money Credit and Banking from 1993 to 2008; consultant on econometric and statistical matters. Oversees 43; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 43; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 43; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired since 1997 (formerly General Manager – Global Education Industry from 1994 to 1997, President – Application Systems Division from 1991 to 1994, Chief Financial Officer – US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology)). Oversees 43; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 1-800-345-6611.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
J. Kevin Connaughton (Born 1964) 225 Franklin Street Boston, MA 02110 President (since 2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; President, Columbia Funds, since 2009, and RiverSource Funds, since May 2010 (previously Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009, Treasurer, Columbia Funds, from October 2003 to May 2008, and senior officer of various other affiliated funds since 2000); Managing Director, Columbia Management Advisors, LLC from December 2004 to April 2010.
Michael G. Clarke (Born 1969) 225 Franklin Street Boston, MA 02110 Treasurer (since 2011) and Chief Financial Officer (since 2009)	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Scott R. Plummer (Born 1959) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President, Assistant Secretary and Chief Legal Officer (since 2010)	Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, from 2005 to April 2010; Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006; Senior officer of Columbia Funds and affiliated funds, since 2006.
Linda J. Wondrack (Born 1964) 225 Franklin Street Boston, MA 02110 Senior Vice President and Chief Compliance Officer (since 2007)	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Chief Compliance Officer, Columbia Funds, since 2007, and RiverSource Funds, since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, from June 2005 to April 2010; Director of Corporate Compliance and Conflicts Officer of MFS Investment Management (investment management) from August 2004 to May 2005.
William F. Truscott (Born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2010)	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer from 2005 to April 2010, and Senior Vice President – Chief Investment Officer, from 2001 to 2005); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. since May 2010 (previously Chairman of the Board and Chief Executive Officer from 2008 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.
Colin Moore (Born 1958) 225 Franklin Street Boston, MA 02110 Senior Vice President (since 2010)	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer of Columbia Management Advisors, LLC from 2007 to April 2010; Head of Equities, Columbia Management Advisors, LLC from 2002 to 2007.
Amy Johnson (Born 1965) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, from 2009 until April 2010, Vice President – Asset Management and Trust Company Services, from 2006 to 2009, and Vice President – Operations and Compliance from 2004 to 2006).
Joseph F. DiMaria (Born 1968) 225 Franklin Street Boston, MA 02110 Vice President (since 2011) and Chief Accounting Officer (since 2008)	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC from January 2006 to April 2010; Head of Tax/Compliance and Assistant Treasurer, Columbia Management Advisors, LLC, from November 2004 to December 2005.
Stephen T. Welsh (Born 1957) 225 Franklin Street Boston, MA 02110 Vice President (since 2006)	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc. from July 2004 to April 2010; Managing Director, Columbia Management Distributors, Inc. from August 2007 to April 2010.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
Paul D. Pearson (Born 1956) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2011)	Vice President, Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President, Managed Assets, Investment Accounting, Ameriprise Financial Corporation.
Paul B. Goucher (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2010)	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel from November 2008 to January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman) from July 2008 to November 2008 and Managing Director and Associate General Counsel of Seligman from January 2005 to July 2008.
Christopher O. Petersen (Born 1970) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010) and Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel from April 2004 to January 2010); Senior officer of Columbia Funds and affiliated funds, since 2007.
Michael E. DeFao (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel Bank of America from June 2005 to April 2010

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Important Information About This Report

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities and a copy of the fund's voting records are available (i) at www.columbiamanagement.com, (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 1-800-368-0346. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available from the fund's website, www.columbiamanagement.com.

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Fund is available only through variable annuity contracts and/or variable life insurance policies issued by participating insurance companies, qualified pension or retirement plans or other eligible investors. Please contact your financial advisor or insurance representative for more information.

Please carefully consider the investment objectives, risks, charges and expenses of any Variable Fund and its related variable contract before investing. For Variable Fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectuses carefully before you invest.

ColumbiaManagement®

Columbia Variable Portfolio – Strategic Income Fund
P.O. Box 8081 Boston, MA 02266-8081

C-1521 A (2/12)

This report must be accompanied or preceeded by the Fund's current prospectus. Columbia Management mutual funds are distributed by Columbia Management Investment Distributors, Inc.
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Annual Report

ColumbiaManagement

Columbia Variable Portfolio – Diversified Equity Income Fund

Annual Report for the Period Ended December 31, 2011

Columbia Variable Portfolio – Diversified Equity Income Fund seeks to provide shareholders with a high level of current income and, as a secondary objective, steady growth of capital.

Please remember that you may not buy (nor will you own) shares of the Fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the Fund.

Not FDIC insured · No bank guarantee • May lose value

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See the Fund's prospectus for risks associated with investing in the Fund.

Your Fund at a Glance

FUND SUMMARY

> Columbia Variable Portfolio (VP) – Diversified Equity Income Fund (the Fund) Class 3 shares fell 5.01% for the 12 months ended December 31, 2011.

> The Fund underperformed its benchmark, the Russell 1000® Value Index, which increased 0.39% for the period.

ANNUALIZED TOTAL RETURNS *(for period ended December 31, 2011)*

	1 year	5 years	10 years
Columbia VP – Diversified Equity Income Fund			
Class 1	-4.85%	-1.82%	+5.30%
Class 2	-5.09%	-2.01%	+5.13%
Class 3	-5.01%	-1.88%	+5.27%
Russell 1000® Value Index (unmanaged)	+0.39%	-2.64%	+3.89%

(See "The Fund's Long-term Performance" for a description of the index.)

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your financial intermediary.

Performance results reflect any fee waivers or reimbursements of fund expenses by the Investment Manager and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

The returns shown for Class 1 and Class 2 shares include the return of the fund's Class 3 shares (the oldest existing share class) for periods prior to May 3, 2010, the date on which Class 1 and Class 2 shares were first offered by the Fund. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity, life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

The index does not reflect the effects of expenses. It is not possible to invest directly in an index.

Manager Commentary

Effective May 2, 2011, RiverSource Variable Portfolio (VP) – Diversified Equity Income Fund was re-named Columbia VP – Diversified Equity Income Fund.

As of Dec. 31, 2011, approximately 56% of the Fund's shares were owned in the aggregate by affiliated funds-of-funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager). As a result of asset allocation decisions by the Investment Manager, it is possible that Columbia VP – Diversified Equity Income Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds (see page 20, Class 1 capital stock activity for related activity during the most recent fiscal period). While the Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time, Columbia VP – Diversified Equity Income Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds. For more information on the Fund's expenses, see the discussions beginning on pages 10 and 26.

Columbia VP – Diversified Equity Income Fund (the Fund) Class 3 shares fell 5.01% for the 12 months ended December 31, 2011. The Fund underperformed its benchmark, the Russell 1000® Value Index (Russell Index), which increased 0.39% for the period.

Significant performance factors

The U.S. equity markets generated rather flat returns for 2011, but such returns mask what was a year characterized by frequent bouts of dramatic volatility. Such significant volatility was driven primarily by shifting sentiment toward U.S. economic activity and the potential impact of international economies on the U.S. optimism early in the year for a continued economic recovery gave way to deep concerns about deteriorating U.S. economic data, persistent sovereign debt crises in Europe and the possibility of a hard landing for China's economy. During the year, the U.S. equity markets also faced several other exogenous challenges, including the Arab spring, the Japanese natural and nuclear disasters and the massive flooding in Thailand. The third quarter of 2011 was particularly challenging, as these factors, along with political paralysis in Washington D.C. and an unprecedented downgrade of U.S. sovereign debt by Standard & Poor's, caused investor risk aversion to heighten such that the U.S. equity markets experienced their worst quarter since the fourth quarter of 2008. In the last months of 2011, U.S. equities rebounded strongly on better than anticipated U.S. economic data in the important labor, housing and manufacturing markets, which more than offset the impact of vacillating hope and then disappointment surrounding October and December meetings held by key players in an effort to find solutions to the European sovereign debt crisis.

PORTFOLIO BREAKDOWN[1] *(at December 31, 2011)*

Stocks	**97.2%**
Consumer Discretionary	11.9
Consumer Staples	9.7
Energy	15.0
Financials	10.7
Health Care	10.5
Industrials	13.6
Information Technology	12.2
Materials	3.1
Telecommunication Services	5.9
Utilities	4.6
Convertible Bonds	**0.1**
Other[2]	**2.7**

(1) Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan) The Fund's portfolio composition is subject to change.

(2) Includes investments in an affiliated money market fund.

TOP TEN HOLDINGS[1] *(at December 31, 2011)*

Lorillard, Inc.	3.5%
Exxon Mobil Corp.	3.1
Microsoft Corp.	2.9
Chevron Corp.	2.9
XL Group PLC	2.4
AT&T, Inc.	2.3
JPMorgan Chase & Co.	2.3
Mastercard, Inc., Class A	2.2
Pfizer, Inc.	2.2
Ford Motor Co.	2.2

[1] Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan and Cash Equivalents.)

For further detail about these holdings, please refer to the section entitled "Portfolio of Investments."

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any securities.

As a flight to quality dominated the year overall, there was a major bifurcation in the U.S. equity markets. Traditionally defensive sectors, most notably utilities, health care and consumer staples, performed best within the Russell Index on a relative basis for the annual period overall. The more cyclical, economically-sensitive sectors, including financials, materials and information technology, were the weakest performers in the Russell Index during the annual period.

The Fund underperformed the Russell Index due primarily to stock selection. Sector allocation overall also detracted from the Fund's results but to a more modest degree.

Stock selection in the energy sector negatively impacted the Fund's annual results most, more than offsetting the positive contribution made by having a significant allocation to the relatively strong performing sector. Stock selection was especially challenging in the exploration and production and the oilfield services industries. Apache and Newfield Exploration, exploration and production companies, were particular disappointments. The former was impacted primarily by its investments in Egypt and the latter by its announcement that it would not meet production targets. Among the Fund's oilfield services holdings, McDermott International and Halliburton were poor performers, impacted not by any company-specific fundamentals but more by a general anticipation of reduced demand.

The Fund's results were also hurt by having only a modest allocation to health care, which was among the strongest performing sectors within the Russell Index during the annual period. In particular, having only a modest exposure to the pharmaceuticals industry detracted from returns as this was one of the better performing areas of the sector. Within pharmaceuticals, the Fund's position in Novartis detracted from returns most. Several positions in the life sciences industry also disappointed. These included Thermo Fisher Scientific, Agilent Technologies and Life Technologies.

In materials, the second worst performer in the Russell Index during the annual period, having a sizable allocation to the sector and industry and stock selection detracted from returns. The Fund had an emphasis on the metals and mining and chemicals industries, which both were weak overall. Within metals and mining, a significant position in Freeport-McMoRan Copper & Gold hurt, as the mining company was impacted by declining copper prices and ongoing concerns over slowing global economic growth, in particular, slowing demand in China. In the chemicals industry, sizable positions in Dow Chemical and Huntsman hampered results. Shares of each of these chemical companies fell on concerns regarding pricing power in the face of slower end demand.

Industry and stock selection in the consumer discretionary sector further detracted from the Fund's results during the annual period, more than outweighing the boost provided by having a modestly greater allocation to the strongly-performing sector than the Russell Index. Specifically, greater exposure to the leisure and the auto and auto parts industries hurt. In the leisure industry, a significant holding in the cruise line operator Carnival, hurt the Fund's relative performance. In the auto and auto parts industry, a sizable position in automobile manufacturer Ford Motor hindered results.

Manager Commentary *(continued)*

On the positive side, stock selection in the consumer staples and information technology sectors proved effective, more than offsetting the detracting impact of weightings to these sectors. In consumer staples, a significant exposure to the tobacco industry contributed most positively to the Fund's results, with positions in Lorillard, Philip Morris International and Altria Group each adding value. Shares of these companies rose in large part on their comparatively defensive characteristics.

In information technology, an emphasis on the services industries boosted results most. In particular, sizable positions in global payment solutions provider MasterCard and computer solutions provider International Business Machines (IBM) benefited the Fund during the annual period. Shares of MasterCard advanced as the company's volumes held up better than anticipated even in the face of a slowing economy. Shares of IBM advanced as the company issued good earnings reports and as it remains a major blue-chip name and thus considered among the more recession-resistant companies within the sector. Additionally, timing of our trades during the annual period in Hewlett-Packard and Apple proved especially prudent, contributing positively to the Fund's results.

Changes to the Fund's portfolio

Through the annual period, we increased the Fund's positions in the consumer staples and consumer discretionary sectors. In consumer staples, we initiated new Fund positions in Kimberly-Clark, Kraft Foods and Philip Morris International. In consumer discretionary, we added to the Fund's position in Ford Motor and established new Fund positions in automotive systems provider Johnson Controls and fast-food retail giant McDonald's.

We correspondingly reduced the Fund's positions in the financials and industrials sectors. In financials, we reduced the Fund's holdings in XL Group, ACE, Bank of America and Goldman Sachs and eliminated its position in Morgan Stanley. In industrials, we reduced the Fund's positions in Siemens and Deere & Co. and sold the Fund's holdings in Emerson Electric, Ingersoll-Rand and 3M.

In the health care sector, we eliminated the Fund's position in Life Technologies and established new positions in UnitedHealth Group and Johnson & Johnson. In the energy sector, we sold the Fund's holding in Schlumberger and initiated a new Fund position in Occidental Petroleum.

Laton Spahr, CFA®
Portfolio Manager

Steve Schroll
Portfolio Manager

Paul Stocking
Portfolio Manager

Any specific securities mentioned are for illustrative purposes only and are not a complete list of securities that have increased or decreased in value. The views expressed in this statement reflect those of the portfolio manager(s) only through the end of the period of the report as stated on the cover and do not necessarily represent the views of Columbia management Investment Advisers, LLC (the Investment Manager) or any subadviser to the Fund or any other person in the Investment Manager or subadviser organizations. Any such views are subject to change at any time based upon market or other conditions and the Investment manager disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the Fund.

Past performance is not a guarantee of future results.

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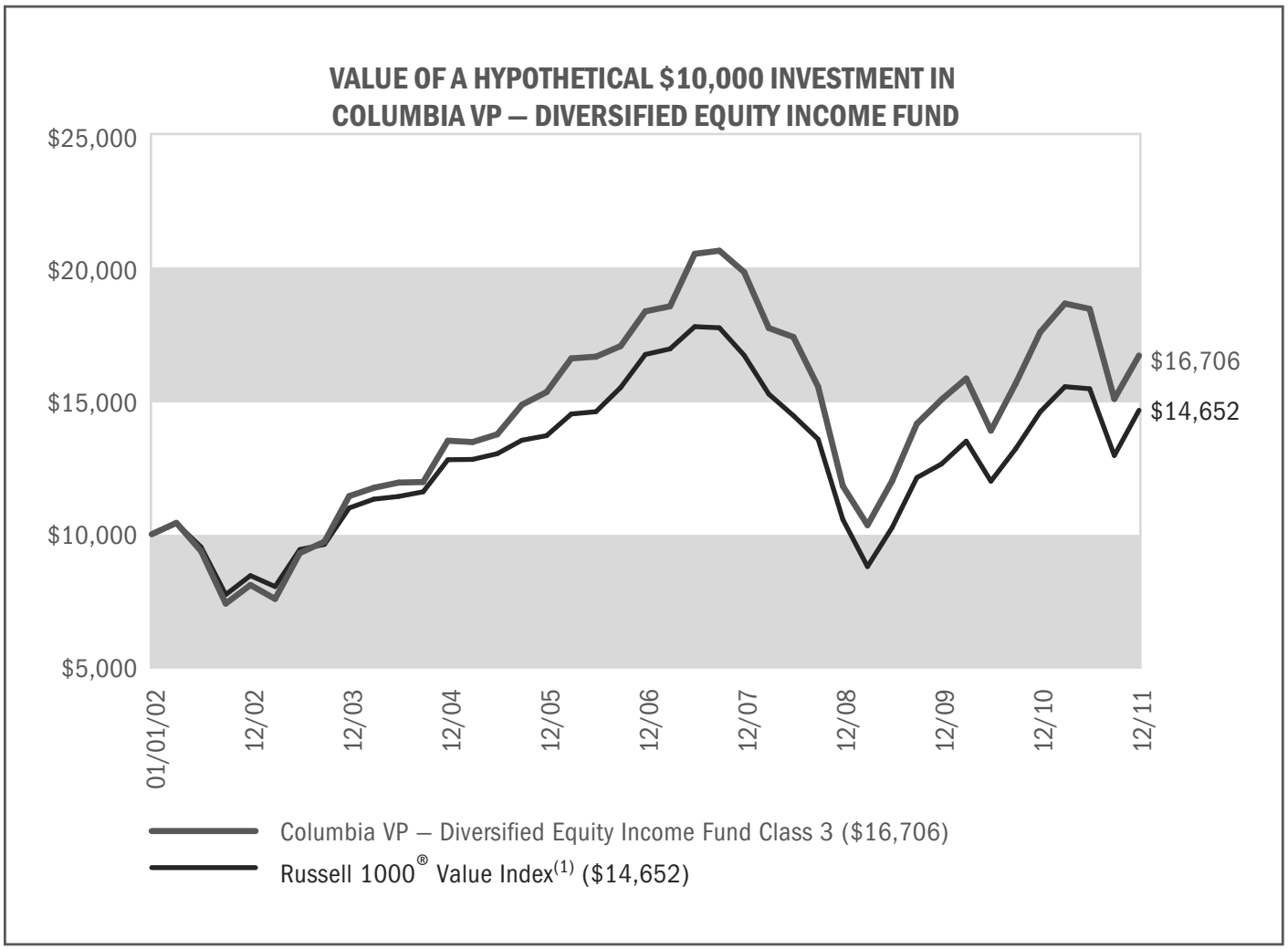
The Fund's Long-term Performance

The chart on the facing page illustrates the total value of an assumed $10,000 investment in Columbia VP – Diversified Equity Income Fund Class 3 share (from 1/1/02 to 12/31/11) as compared to the performance of the Russell 1000® Value Index. Returns for the Fund include the reinvestment of any distributions paid during each period.

The performance information shown represents past performance and is not a guarantee of future results. The total returns shown do not reflect expenses that apply to the variable account, annuity contract or life insurance policy. The investment return and principal value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by contacting your financial intermediary. Also see "Past Performance" in the Fund's current prospectus.

		1 year	5 years	10 years
Columbia VP – Diversified Equity Income Fund Class 3				
Class 3	Cumulative value of $10,000	$9,499	$9,095	$16,706
	Average annual total return	-5.01%	-1.88%	+5.27%
Russell 1000® Value Index[(1)]				
	Cumulative value of $10,000	$10,039	$8,750	$14,652
	Average annual total return	+0.39%	-2.64%	+3.89%

Results for other share classes can be found on page 3.



(1) The Russell 1000® Value Index, an unmanaged index, measures the performance of those stocks in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values. The Index reflects reinvestment of all distributions and changes in market prices.

Fund Expense Example

(Unaudited)

Understanding your expenses

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

July 1, 2011 — December 31, 2011

	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	906.10	1,021.56	3.34	3.55	0.70
Class 2	1,000.00	1,000.00	905.00	1,020.31	4.54	4.81	0.95
Class 3	1,000.00	1,000.00	905.20	1,020.91	3.96	4.20	0.83

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

Columbia Variable Portfolio – Diversified Equity Income Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Shares	Value
Common Stocks 97.1%		
CONSUMER DISCRETIONARY 11.9%		
Auto Components 1.1%		
Johnson Controls, Inc.	1,054,584	$32,966,296
Automobiles 2.1%		
Ford Motor Co.[a][b]	5,822,129	62,646,108
Hotels, Restaurants & Leisure 2.1%		
Carnival Corp.[c]	1,029,658	33,608,037
McDonald's Corp.	284,325	28,526,327
Total		62,134,364
Household Durables 0.3%		
Lennar Corp., Class A[b]	442,600	8,697,090
Media 2.2%		
Comcast Corp., Class A[b]	523,525	12,412,778
Regal Entertainment Group, Class A[b]	1,222,394	14,595,384
Time Warner, Inc.[b]	268,120	9,689,857
Viacom, Inc., Class B	281,730	12,793,359
Walt Disney Co. (The)[b]	439,887	16,495,763
Total		65,987,141
Multiline Retail 2.7%		
Macy's, Inc.[b]	822,088	26,454,792
Target Corp.	1,033,503	52,936,023
Total		79,390,815
Specialty Retail 1.4%		
Home Depot, Inc. (The)[b]	997,994	41,955,668
TOTAL CONSUMER DISCRETIONARY		353,777,482
CONSUMER STAPLES 9.6%		
Food & Staples Retailing 1.5%		
CVS Caremark Corp.	275,197	11,222,533
Wal-Mart Stores, Inc.[b]	572,413	34,207,401
Total		45,429,934
Food Products 1.7%		
Kraft Foods, Inc., Class A	664,534	24,826,990
Sara Lee Corp.	471,112	8,913,439
Unilever NV[c]	494,643	17,000,880
Total		50,741,309
Household Products 0.8%		
Kimberly-Clark Corp.[b]	321,044	23,615,997
Tobacco 5.6%		
Altria Group, Inc.	918,653	27,238,061
Lorillard, Inc.[b]	895,767	102,117,438
Philip Morris International, Inc.	487,624	38,268,732
Total		167,624,231
TOTAL CONSUMER STAPLES		287,411,471
ENERGY 15.0%		
Energy Equipment & Services 3.2%		
Baker Hughes, Inc.	318,360	15,485,030
C&J Energy Services, Inc.[a][b]	284,664	5,958,018

Issuer	Shares	Value
Common Stocks (continued)		
ENERGY (cont.)		
Energy Equipment & Services (cont.)		
Halliburton Co.	1,245,272	$42,974,337
McDermott International, Inc.[a][c]	1,065,579	12,264,814
National Oilwell Varco, Inc.	291,454	19,815,957
Total		96,498,156
Oil, Gas & Consumable Fuels 11.8%		
Anadarko Petroleum Corp.	513,215	39,173,701
Apache Corp.	644,123	58,344,661
Chevron Corp.[b]	792,269	84,297,422
Enbridge, Inc.[c]	491,795	18,398,051
Exxon Mobil Corp.	1,044,984	88,572,844
Newfield Exploration Co.[a]	250,585	9,454,572
Occidental Petroleum Corp.	399,679	37,449,922
Total SA, ADR[b][c]	283,214	14,475,068
Total		350,166,241
TOTAL ENERGY		446,664,397
FINANCIALS 10.7%		
Capital Markets 1.3%		
Goldman Sachs Group, Inc. (The)	423,235	38,273,141
Commercial Banks 0.4%		
Wells Fargo & Co.	439,802	12,120,943
Diversified Financial Services 4.0%		
Bank of America Corp.	7,217,477	40,129,172
Citigroup, Inc.	502,108	13,210,461
JPMorgan Chase & Co.	2,006,458	66,714,729
Total		120,054,362
Insurance 4.8%		
ACE Ltd.[c]	406,046	28,471,946
Endurance Specialty Holdings Ltd.[b][c]	163,064	6,237,198
MetLife, Inc.	497,607	15,515,386
PartnerRe Ltd.[c]	67,607	4,341,045
Travelers Companies, Inc. (The)[b]	311,604	18,437,609
XL Group PLC[c]	3,531,492	69,817,597
Total		142,820,781
Real Estate Investment Trusts (REITs) 0.2%		
ProLogis, Inc.[b]	168,693	4,822,933
TOTAL FINANCIALS		318,092,160
HEALTH CARE 10.5%		
Health Care Providers & Services 1.8%		
UnitedHealth Group, Inc.[b]	932,860	47,277,345
WellPoint, Inc.	87,865	5,821,056
Total		53,098,401
Life Sciences Tools & Services 1.5%		
Agilent Technologies, Inc.[a]	852,818	29,788,933
Thermo Fisher Scientific, Inc.[a]	371,584	16,710,132
Total		46,499,065

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investment *(continued)*

Columbia Variable Portfolio – Diversified Equity Income Fund

Issuer	Shares	Value
Common Stocks (continued)		
HEALTH CARE (cont.)		
Pharmaceuticals 7.2%		
Bristol-Myers Squibb Co.	1,036,792	$36,536,550
Johnson & Johnson[(b)]	496,445	32,556,863
Merck & Co., Inc.	1,307,996	49,311,449
Novartis AG, ADR[(c)]	567,191	32,426,310
Pfizer, Inc.	2,908,744	62,945,220
Total		213,776,392
TOTAL HEALTH CARE		313,373,858
INDUSTRIALS 13.6%		
Aerospace & Defense 2.5%		
Boeing Co. (The)	488,320	35,818,272
Honeywell International, Inc.	275,065	14,949,783
Lockheed Martin Corp.[(b)]	271,944	22,000,269
Total		72,768,324
Air Freight & Logistics 0.5%		
United Parcel Service, Inc., Class B	204,806	14,989,751
Airlines 0.7%		
Delta Air Lines, Inc.[(a)]	877,506	7,099,023
United Continental Holdings, Inc.[(a)(b)]	692,994	13,076,797
Total		20,175,820
Electrical Equipment 2.6%		
ABB Ltd., ADR[(a)(b)(c)]	1,222,282	23,015,570
Cooper Industries PLC[(b)(c)]	725,702	39,296,763
Hubbell, Inc., Class B	212,396	14,200,797
Total		76,513,130
Industrial Conglomerates 2.7%		
General Electric Co.	2,392,043	42,841,490
Siemens AG, ADR[(b)(c)]	123,673	11,824,376
Tyco International Ltd.[(c)]	550,265	25,702,878
Total		80,368,744
Machinery 3.9%		
Caterpillar, Inc.[(b)]	363,050	32,892,330
Deere & Co.[(b)]	134,805	10,427,167
Eaton Corp.	462,014	20,111,469
Illinois Tool Works, Inc.[(b)]	466,588	21,794,325
PACCAR, Inc.[(b)]	264,544	9,912,464
Parker Hannifin Corp.	289,627	22,084,059
Total		117,221,814
Road & Rail 0.7%		
Union Pacific Corp.	204,674	21,683,164
TOTAL INDUSTRIALS		403,720,747
INFORMATION TECHNOLOGY 12.2%		
Communications Equipment 1.3%		
Cisco Systems, Inc.	1,121,515	20,276,991
Nokia OYJ, ADR[(b)(c)]	4,004,352	19,300,977
Total		39,577,968
Computers & Peripherals 1.3%		
Apple, Inc.[(a)]	63,169	25,583,445
Western Digital Corp.[(a)]	457,966	14,174,048
Total		39,757,493
Electronic Equipment, Instruments & Components 0.5%		
TE Connectivity Ltd.[(b)(c)]	437,173	13,469,300

Issuer	Shares	Value
Common Stocks (continued)		
INFORMATION TECHNOLOGY (cont.)		
IT Services 3.7%		
Accenture PLC, Class A[(c)]	319,925	$17,029,608
International Business Machines Corp.[(b)]	159,924	29,406,825
Mastercard, Inc., Class A[(b)]	171,244	63,843,188
Total		110,279,621
Semiconductors & Semiconductor Equipment 2.1%		
Intel Corp.[(b)]	1,595,185	38,683,236
Microchip Technology, Inc.[(b)]	612,746	22,444,886
Total		61,128,122
Software 3.3%		
Microsoft Corp.	3,279,867	85,145,347
Oracle Corp.	565,809	14,513,001
Total		99,658,348
TOTAL INFORMATION TECHNOLOGY		363,870,852
MATERIALS 3.1%		
Chemicals 2.7%		
Air Products & Chemicals, Inc.	182,749	15,568,387
Dow Chemical Co. (The)[(b)]	1,238,900	35,630,764
El du Pont de Nemours & Co.[(b)]	461,220	21,114,652
Huntsman Corp.	986,575	9,865,750
Total		82,179,553
Metals & Mining 0.4%		
Freeport-McMoRan Copper & Gold, Inc.	295,853	10,884,432
TOTAL MATERIALS		93,063,985
TELECOMMUNICATION SERVICES 5.9%		
Diversified Telecommunication Services 5.2%		
AT&T, Inc.[(b)]	2,238,861	67,703,157
CenturyLink, Inc.[(b)]	836,171	31,105,561
Deutsche Telekom AG, ADR[(c)]	1,200,133	13,729,521
Verizon Communications, Inc.[(b)]	667,972	26,799,037
Windstream Corp.[(b)]	1,361,135	15,979,725
Total		155,317,001
Wireless Telecommunication Services 0.7%		
Vodafone Group PLC, ADR[(b)(c)]	687,417	19,268,299
TOTAL TELECOMMUNICATION SERVICES		174,585,300
UTILITIES 4.6%		
Electric Utilities 2.4%		
American Electric Power Co., Inc.	478,681	19,774,312
Entergy Corp.	190,653	13,927,202
FirstEnergy Corp.	330,921	14,659,800
NextEra Energy, Inc.[(b)]	215,850	13,140,948
PPL Corp.[(b)]	325,811	9,585,360
Total		71,087,622
Multi-Utilities 2.2%		
Dominion Resources, Inc.	513,190	27,240,125
PG&E Corp.	493,758	20,352,705
Sempra Energy	314,571	17,301,405
Total		64,894,235
TOTAL UTILITIES		135,981,857
Total Common Stocks (Cost: $2,546,168,433)		$2,890,542,109

The accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Coupon Rate	Principal Amount	Value
Convertible Bonds 0.1%			
Building Materials 0.1%			
Cemex SAB de CV Subordinated Notes[(c)(d)]			
03/15/18	3.750%	$5,139,000	$3,324,933
Total Convertible Bonds (Cost: $5,139,000)			$3,324,933
		Shares	
Money Market Funds 2.7%			
Columbia Short-Term Cash Fund, 0.141%[(e)(f)]		79,103,189	$79,103,189
Total Money Market Funds (Cost: $79,103,189)			$79,103,189

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan 22.3%			
Asset-Backed Commercial Paper 4.7%			
Amsterdam Funding Corp.			
01/04/12	0.320%	$2,999,067	$2,999,067
01/09/12	0.320%	4,998,444	4,998,444
01/09/12	0.330%	9,996,975	9,996,975
Argento Variable Funding Company LLC			
01/13/12	0.310%	14,995,867	14,995,867
Atlantis One			
01/05/12	0.300%	4,998,708	4,998,708
01/11/12	0.310%	6,997,890	6,997,890
02/01/12	0.370%	14,993,525	14,993,525
Cancara Asset Securitisation LLC			
01/03/12	0.320%	4,998,444	4,998,444
01/11/12	0.310%	9,997,072	9,997,072
01/23/12	0.320%	1,999,378	1,999,378
Gemini Securitization Corporation (FKA Twin Towers)			
01/13/12	0.400%	4,998,333	4,998,333
Grampian Funding LLC			
01/03/12	0.320%	4,998,444	4,998,444
01/18/12	0.310%	2,999,199	2,999,199
KELLS FUNDING, LLC			
01/03/12	0.360%	4,998,200	4,998,200
Regency Markets No. 1 LLC			
01/17/12	0.250%	4,998,820	4,998,820
Rheingold Securitization			
01/10/12	0.730%	9,994,120	9,994,120
Royal Park Investments Funding Corp.			
01/04/12	1.000%	19,996,111	19,996,111
01/05/12	1.000%	4,999,028	4,999,028
Windmill Funding Corp.			
01/04/12	0.320%	2,999,067	2,999,067
Total			137,956,692
Certificates of Deposit 10.3%			
Bank of Nova Scotia			
05/03/12	0.401%	12,000,000	12,000,000
Banque et Caisse d'Epargne de l'Etat			
01/17/12	0.900%	2,997,602	2,997,602

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan (continued)			
Certificates of Deposit (cont.)			
Branch Banking & Trust Corporation			
03/15/12	0.240%	$15,000,000	$15,000,000
Canadian Imperial Bank			
03/21/12	0.333%	6,001,881	6,001,881
Credit Suisse			
02/24/12	0.500%	15,000,000	15,000,000
03/08/12	0.540%	12,000,000	12,000,000
Deutsche Bank AG			
01/20/12	0.420%	10,000,000	10,000,000
Development Bank of Singapore Ltd.			
01/03/12	0.295%	15,000,000	15,000,000
01/13/12	0.310%	15,000,000	15,000,000
DnB NOR ASA			
03/01/12	0.450%	5,000,000	5,000,000
03/15/12	0.520%	5,000,000	5,000,000
National Australia Bank			
04/30/12	0.446%	8,000,000	8,000,000
National Bank of Canada			
05/08/12	0.425%	10,000,000	10,000,000
Natixis			
01/04/12	1.000%	25,000,000	$25,000,000
Nordea Bank AB			
01/13/12	0.350%	5,000,000	5,000,000
03/13/12	0.520%	15,000,000	15,000,000
Rabobank			
01/20/12	0.331%	14,000,000	14,000,000
03/16/12	0.530%	9,986,621	9,986,621
Skandinaviska Enskilda Banken AB			
01/03/12	0.020%	13,000,000	13,000,000
Standard Chartered Bank PLC			
01/03/12	0.460%	10,000,157	10,000,157
03/30/12	0.625%	14,976,339	14,976,339
Svenska Handelsbanken			
02/28/12	0.490%	10,000,000	10,000,000
03/01/12	0.460%	4,000,000	4,000,000
The Commonwealth Bank of Australia			
02/08/12	0.340%	10,000,128	10,000,128
Union Bank of Switzerland			
02/21/12	0.510%	5,000,000	5,000,000
03/02/12	0.530%	10,000,000	10,000,000
03/15/12	0.560%	10,000,000	10,000,000
United Overseas Bank Ltd.			
01/09/12	0.320%	5,000,000	5,000,000
01/12/12	0.320%	15,000,000	15,000,000
Total			306,962,728
Commercial Paper 3.8%			
Australia and New Zealand Bank Group, Ltd.			
04/25/12	0.461%	9,976,617	9,976,617
ERSTE ABWICKLUNGSANSTALT			
01/23/12	0.600%	9,993,167	9,993,167
HSBC Bank PLC			
04/13/12	0.481%	14,963,400	14,963,400
Macquarie Bank Ltd.			
04/20/12	0.803%	7,967,644	7,967,644
02/24/12	0.703%	9,964,417	9,964,417

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

Columbia Variable Portfolio – Diversified Equity Income Fund

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan (continued)			
Commercial Paper (cont.)			
Regency Markets No. 1 LLC			
01/18/12	0.250%	$4,998,854	$4,998,854
Suncorp Metway Ltd.			
02/02/12	0.500%	9,990,972	9,990,972
02/09/12	0.500%	4,995,556	4,995,556
02/08/12	0.500%	9,991,389	9,991,389
Svenska Handelsbank			
03/29/12	0.506%	9,987,235	9,987,235
Toyota Motor Credit Corp.			
04/26/12	0.562%	4,985,689	4,985,689
Westpac Securities NZ Ltd.			
04/20/12	0.531%	4,986,529	4,986,529
03/02/12	0.441%	9,977,755	9,977,755
Total			112,779,224
Other Short-Term Obligations 0.3%			
The Goldman Sachs Group, Inc.			
02/16/12	0.650%	10,000,000	10,000,000
Repurchase Agreements 3.2%			
Goldman Sachs & Co. dated 12/30/11, matures 01/06/12, repurchase price $10,000,311[g]	0.160%	10,000,000	10,000,000
Mizuho Securities USA, Inc. dated 12/30/11, matures 1/03/12, repurchase price $5,000,056[g]	0.100%	5,000,000	5,000,000
Nomura Securities dated 12/30/11, matures 01/03/12, repurchase price $35,000,389[g]	0.100%	$35,000,000	$35,000,000
Pershing LLC dated 12/30/11, matures 01/03/12, repurchase price $35,000,544[g]	0.140%	35,000,000	35,000,000
Societe Generale dated 12/30/11, matures 01/03/12, repurchase price $11,036,596[g]	0.080%	11,036,498	11,036,498
Total			96,036,498
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $663,735,142)			$663,735,142
Total Investments (Cost: $3,294,145,764)			$3,636,705,373
Other Assets & Liabilities, Net			(661,445,438)
Net Assets			$2,975,259,935

Notes to Portfolio of Investments

[a] Non-income producing.

[b] At December 31, 2011, security was partially or fully on loan.

[c] Represents a foreign security. At December 31, 2011, the value of foreign securities, excluding short-term securities, amounted to $423,003,171 or 14.22% of net assets.

[d] Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2011, the value of these securities amounted to $3,324,933 or 0.11% of net assets.

[e] The rate shown is the seven-day current annualized yield at December 31, 2011.

[f] Investments in affiliates during the year ended December 31, 2011:

Issuer	Beginning Cost	Purchase Cost	Sales Cost/ Proceeds from Sales	Realized Gain/Loss	Ending Cost	Dividends or Interest Income	Value
Columbia Short-Term Cash Fund	$72,031,834	$649,657,266	$(642,585,911)	$–	$79,103,189	$148,744	$79,103,189

The accompanying Notes to Financial Statements are an Integral part of this statement.

Notes to Portfolio of Investments (continued)

[g] The table below represents securities received as collateral for repurchase agreements. This collateral, which is generally high quality short-term obligations, is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the existence of the proper level of collateral.

Goldman Sachs & Co. (0.160%)

Security Description	Value
Ginnie Mae I Pool	$10,200,000
Total Market Value of Collateral Securities	$10,200,000

Mizuho Securities USA, Inc. (0.100%)

Security Description	Value
Fannie Mae Pool	$3,312,540
Federal National Mortgage Association	45,587
Freddie Mac Gold Pool	1,160,553
Freddie Mac Non Gold Pool	379,220
Ginnie Mae I Pool	201,864
Ginnie Mae II Pool	236
Total Market Value of Collateral Securities	$5,100,000

Nomura Securities (0.100%)

Security Description	Value
Fannie Mae Pool	$17,680,485
Ginnie Mae I Pool	8,760,748
Ginnie Mae II Pool	9,258,767
Total Market Value of Collateral Securities	$35,700,000

Pershing LLC (0.140%)

Security Description	Value
Fannie Mae Pool	$9,076,947
Fannie Mae REMICS	3,309,602
Fannie Mae Whole Loan	10,939
Fannie Mae-Aces	40,164
Federal Farm Credit Bank	308,262
Federal Home Loan Banks	347,672
Federal Home Loan Mortgage Corp	276,822
Federal National Mortgage Association	574,329
Freddie Mac Gold Pool	3,899,577
Freddie Mac Non Gold Pool	1,169,564
Freddie Mac Reference REMIC	94
Freddie Mac REMICS	2,640,040
Ginnie Mae I Pool	4,541,609
Ginnie Mae II Pool	6,084,423
Government National Mortgage Association	1,493,210
United States Treasury Bill	56,214
United States Treasury Note/Bond	1,824,910
United States Treasury Strip Coupon	45,624
Total Market Value of Collateral Securities	$35,700,002

Societe Generale (0.080%)

Security Description	Value
Fannie Mae REMICS	$3,401,241
Freddie Mac REMICS	1,196,204
Government National Mortgage Association	6,659,783
Total Market Value of Collateral Securities	$11,257,228

Abbreviation Legend

ADR American Depositary Receipt

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

Columbia Variable Portfolio – Diversified Equity Income Fund

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1– Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 – Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 – Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

The accompanying Notes to Financial Statements are an integral part of this statement.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description[a]	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs[b]**	**Level 3 significant unobservable inputs**	**Total**
Equity Securities				
Common Stocks				
Consumer Discretionary	$353,777,482	$–	$–	$353,777,482
Consumer Staples	287,411,471	–	–	287,411,471
Energy	446,664,397	–	–	446,664,397
Financials	318,092,160	–	–	318,092,160
Health Care	313,373,858	–	–	313,373,858
Industrials	403,720,747	–	–	403,720,747
Information Technology	363,870,852	–	–	363,870,852
Materials	93,063,985	–	–	93,063,985
Telecommunication Services	174,585,300	–	–	174,585,300
Utilities	135,981,857	–	–	135,981,857
Total Equity Securities	2,890,542,109	–	–	2,890,542,109
Bonds				
Convertible Bonds	–	3,324,933	–	3,324,933
Total Bonds	–	3,324,933	–	3,324,933
Other				
Money Market Funds	79,103,189	–	–	79,103,189
Investments of Cash Collateral Received for Securities on Loan	–	663,735,142	–	663,735,142
Total Other	79,103,189	663,735,142	–	742,838,331
Total	$2,969,645,298	$667,060,075	$–	$3,636,705,373

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

[a] See the Portfolio of Investments for all investment classifications not indicated in the table.

[b] There were no significant transfers between Levels 1 and 2 during the period.

How to find information about the Fund's quarterly portfolio holdings

(i) The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q;

(ii) The Fund's Forms N-Q are available on the SEC's website at www.sec.gov;

(iii) The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (information on the operations of the Public Reference Room may be obtained by calling 800.SEC.0330); and

(iv) The Fund's complete schedule of portfolio holdings, as filed on Form N-Q, can be obtained without charge, upon request, by calling 800.345.6611.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

December 31, 2011

Assets

Investments, at value*	
Unaffiliated issuers (identified cost $2,551,307,433)	$2,893,867,042
Affiliated issuers (identified cost $79,103,189)	79,103,189
Investment of cash collateral received for securities on loan	
Short-term securities (identified cost $567,698,644)	567,698,644
Repurchase agreements (identified cost $96,036,498)	96,036,498
Total investments (identified cost $3,294,145,764)	3,636,705,373
Receivable for:	
Investments sold	5,524,480
Dividends	6,202,350
Interest	260,704
Reclaims	59,641
Prepaid expense	30,614
Trustees' deferred compensation plan	39,536
Total assets	3,648,822,698

Liabilities

Due upon return of securities on loan	663,735,142
Payable for:	
Investments purchased	4,041,540
Capital shares purchased	3,450,463
Investment management fees	1,379,838
Distribution fees	128,808
Transfer agent fees	145,695
Administration fees	127,579
Chief compliance officer expenses	43
Other expenses	514,119
Trustees' deferred compensation plan	39,536
Total liabilities	673,562,763
Net assets applicable to outstanding capital stock	$2,975,259,935

Represented by

Partners' capital	$2,975,259,935
Total — representing net assets applicable to outstanding capital stock	$2,975,259,935
*Value of securities on loan	$ 639,547,606
Net assets applicable to outstanding shares	
Class 1	$1,737,502,897
Class 2	$ 15,652,835
Class 3	$1,222,104,203
Shares outstanding	
Class 1	138,483,922
Class 2	1,253,785
Class 3	97,664,432
Net asset value per share	
Class 1	$ 12.55
Class 2	$ 12.48
Class 3	$ 12.51

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Year ended December 31, 2011

Net investment income	
Income:	
Dividends	$ 74,812,768
Interest	151,636
Dividends from affiliates	148,744
Income from securities lending — net	1,650,749
Foreign taxes withheld	(977,738)
Total income	75,786,159
Expenses:	
Investment management fees	18,520,954
Distribution fees	
Class 2	27,880
Class 3	1,771,758
Transfer agent fees	
Class 1	995,235
Class 2	6,669
Class 3	850,415
Administration fees	1,604,081
Compensation of board members	80,661
Custodian fees	34,607
Printing and postage fees	467,600
Professional fees	88,766
Other	124,531
Total expenses	24,573,157
Net investment income	51,213,002
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	204,484,946
Foreign currency translations	(1,186)
Forward foreign currency exchange contracts	(44,615)
Net realized gain	204,439,145
Net change in unrealized appreciation (depreciation) on:	
Investments	(412,526,615)
Net change in unrealized depreciation	(412,526,615)
Net realized and unrealized loss	(208,087,470)
Net decrease in net assets from operations	$(156,874,468)

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

Year ended December 31,	2011	2010
Operations		
Net investment income	$ 51,213,002	$ 49,044,939
Net realized gain	204,439,145	123,857,649
Net change in unrealized appreciation (depreciation)	(412,526,615)	263,983,214
Net increase (decrease) in net assets resulting from operations	(156,874,468)	436,885,802
Increase (decrease) in net assets from share transactions	3,168,911	(1,165,236,829)
Total decrease in net assets	(153,705,557)	(728,351,027)
Net assets at beginning of year	3,128,965,492	3,857,316,519
Net assets at end of year	$2,975,259,935	$ 3,128,965,492

	2011		2010	
Year ended December 31,	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	17,256,979	220,285,452	209,837,128	2,327,191,273
Fund merger	6,125,550	88,211,428	–	–
Redemptions	(2,823,265)	(37,086,803)	(91,912,470)	(1,011,209,099)
Net increase	20,559,264	271,410,077	117,924,658	1,315,982,174
Class 2 shares				
Subscriptions	308,167	4,015,852	93,518	1,145,211
Fund merger	1,032,751	14,804,552	–	–
Redemptions	(177,675)	(2,294,173)	(2,976)	(35,531)
Net increase	1,163,243	16,526,231	90,542	1,109,680
Class 3 Shares				
Subscriptions	181,510	2,239,870	7,228,957	83,062,143
Redemptions	(21,961,167)	(287,007,267)	(229,981,959)	(2,565,390,826)
Net decrease	(21,779,657)	(284,767,397)	(222,753,002)	(2,482,328,683)
Total net increase (decrease)	(57,150)	3,168,911	(104,737,802)	(1,165,236,829)

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of sales charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec. 31,	
	2011	**2010[a]**
Class 1		
Per share data		
Net asset value, beginning of period	$13.19	$12.05
Income from investment operations:		
Net investment income	0.23	0.13
Net realized and unrealized gain (loss)	(0.87)	1.01
Total from investment operations	(0.64)	1.14
Net asset value, end of period	$12.55	$13.19
Total return	(4.85%)	9.46%
Ratios to average net assets[b]		
Total expenses	0.74%	0.78%[c]
Net investment income	1.74%	1.68%[c]
Supplemental data		
Net assets, end of period (in thousands)	$1,737,503	$1,554,975
Portfolio turnover	41%	26%

Notes to Financial Highlights

[a] For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

[b] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] Annualized.

	Year ended Dec. 31,	
	2011	**2010[a]**
Class 2		
Per share data		
Net asset value, beginning of period	$13.15	$12.05
Income from investment operations:		
Net investment income	0.22	0.11
Net realized and unrealized gain (loss)	(0.89)	0.99
Total from investment operations	(0.67)	1.10
Net asset value, end of period	$12.48	$13.15
Total return	(5.09%)	9.13%
Ratios to average net assets[b]		
Total expenses	0.97%	1.03%[c]
Net investment income	1.71%	1.37%[c]
Supplemental data		
Net assets, end of period (in thousands)	$15,653	$1,191
Portfolio turnover	41%	26%

Notes to Financial Highlights

[a] For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

[b] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] Annualized.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights *(continued)*

Class 3	Year ended Dec. 31,				
Per share data	**2011**	**2010**	**2009**	**2008**	**2007**
Net asset value, beginning of period	$13.17	$11.27	$8.84	$16.24	$15.48
Income from investment operations:					
Net investment income (loss)	0.20	0.17	0.20	0.23	0.24
Net realized and unrealized gain (loss)	(0.86)	1.73	2.23	(6.35)	0.98
Total from investment operations	(0.66)	1.90	2.43	(6.12)	1.22
Less distributions to shareholders from:					
Net investment income	–	–	–	(0.01)	(0.25)
Net realized gains	–	–	–	(1.27)	(0.21)
Total distributions to shareholders	–	–	–	(1.28)	(0.46)
Net asset value, end of period	$12.51	$13.17	$11.27	$8.84	$16.24
Total return	(5.01%)	16.83%	27.46%	(40.47%)	8.02%
Ratios to average net assets[(a)]					
Total expenses	0.86%	0.90%	0.76%	0.86%	0.86%
Net investment income	1.57%	1.42%	2.14%	2.03%	1.47%
Supplemental data					
Net assets, end of period (in thousands)	$1,222,104	$1,572,800	$3,857,317	$2,765,112	$4,078,779
Portfolio turnover	41%	26%	49%	41%	29%

Notes to Financial Highlights

[(a)] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

December 31, 2011

Note 1. Organization

Columbia Variable Portfolio – Diversified Equity Income Fund (the Fund), formerly known as RiverSource Variable Portfolio – Diversified Equity Income Fund, a series of Columbia Funds Variable Series Trust II (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. Prior to April 25, 2011, the Trust was named RiverSource Variable Series Trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1, Class 2 and Class 3 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Forward foreign currency exchange contracts are marked-to-market based upon foreign currency exchange rates provided by a pricing service.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Derivative Instruments

The Fund invests in certain derivative instruments as detailed below to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

Forward Foreign Currency Exchange Contracts

Forward foreign currency exchange contracts are agreements between two parties to buy and sell a currency at a set price on a future date. These contracts are intended to be used to minimize the exposure to foreign exchange rate fluctuations during the period between the trade and settlement dates of the contract. The Fund's custodian entered into forward foreign currency exchange contracts on the Fund's behalf in order to facilitate the settlement of purchases and sales of securities.

The values of forward foreign currency exchange contracts fluctuate with changes in foreign currency exchange rates. The Fund will record a realized gain or loss when the forward foreign currency exchange contract is closed.

The use of forward foreign currency exchange contracts does not eliminate fluctuations in the prices of the Fund's portfolio securities. The risks of forward foreign currency exchange contracts include movement in the values of the foreign currencies relative to the U.S. dollar (or other foreign currencies) and the possibility that counterparties will not complete their contractual obligations, which may be in excess of the amount reflected, if any, in the Statement of Assets and Liabilities.

Effects of Derivative Transactions in the Financial Statements

The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

Fair Values of Derivative Instruments at December 31, 2011

At December 31, 2011, the fund had no outstanding derivatives.

Effect of Derivative Instruments in the Statement of Operations for the Year Ended December 31, 2011

Amount of Realized Gain (Loss) on Derivatives Recognized in Income

Risk Exposure Category	Forward Foreign Currency Exchange Contracts
Forward Foreign Currency Exchange Contracts	$(44,615)

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income

Risk Exposure Category	Forward Foreign Currency Exchange Contracts
Forward Foreign Currency Exchange Contracts	$—

Volume of Derivative Instruments for the Year Ended December 31, 2011

	Contracts Opened
Forward Foreign Currency Exchange Contracts	7

Repurchase Agreements

The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Interest income is recorded on the accrual basis.

Expenses

General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund is treated as a partnership for federal income tax purposes, and the Fund does not expect to make regular distributions. The Fund will not be subject to federal income tax, and therefore, there is no provision for federal income taxes. The partners of the Fund are subject to tax on their distributive share of the Fund's income and loss. The components of the Fund's net assets are reported at the partner-level for federal income tax purposes, and therefore, are not presented in the Statement of Assets and Liabilities.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Foreign Taxes

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board (FASB) issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement (IMSA), Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. Effective April 30, 2011, the management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.66% to 0.49% as the Fund's net assets increase. Prior to April 30, 2011, the rate was an annual fee that declined from 0.600% to 0.375% as the Fund's net assets increased. Also prior to April 30, 2011, the fee was adjusted upward or downward by a performance incentive adjustment (PIA) determined monthly by measuring the percentage difference over a rolling 12-month period between the annualized performance of one Class 3 share of the Fund and the annualized performance of the Lipper Equity Income Funds Index. The maximum adjustment was 0.12% per year. If the performance difference is less than 0.50%, the adjustment will be zero. The adjustment increased the management fee by $976,978 for the year ended December 31, 2011. The effective management

fee rate for the year ended December 31, 2011 was 0.60% of the Fund's average daily net assets, including the adjustment under the terms of the PIA. Effective April 30, 2011, the PIA was terminated.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average daily net assets that declines from 0.06% to 0.03% as the Fund's net assets increase. The effective administration fee rate for the year ended December 31, 2011 was 0.05% of the Fund's average daily net assets.

Other Fees

Other expenses are for, among other things, certain expenses of the Fund or the Board, including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the year ended December 31, 2011, other expenses paid to this company were $15,514.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund as defined under the 1940 Act may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Transfer Agency Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket expenses.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Under a Plan and Agreement of Distribution pursuant to Rule 12b-1, the Fund pays a fee at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Class 2 shares and an annual rate of up to 0.125% of the Fund's average daily net assets attributable to Class 3 shares. The Fund pays no distribution and service fees for Class 1 shares.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $1,249,283,359 and $1,278,251,936, respectively, for the year ended December 31, 2011.

Transactions to realign the Fund's portfolio following the merger as described in Note 9 are excluded for purposes of calculating the Fund's portfolio turnover rate. These realignment transactions amounted to cost of purchases and proceeds from sales of $77,413,721 and $108,331,825, respectively.

Note 5. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned. At December 31, 2011, securities valued at $639,547,606 were on loan, secured by cash collateral of $663,735,142 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the year ended December 31, 2011 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Note 6. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 7. Shareholder Concentration

At December 31, 2011 affiliated shareholder accounts indirectly owned 97.3% of the outstanding shares of the Fund. Subscription and redemption activity of these accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

Prior to December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.The Fund had no borrowings during the year ended December 31, 2011.

Note 9. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of Columbia Large Cap Value Fund, Variable Series (the acquired fund), a series of Columbia Funds Variable Insurance Trust. The reorganization was completed after shareholders of the acquired fund approved a plan of reorganization on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $3,334,199,867 and the combined net assets immediately after the acquisition were $3,437,215,847.

The merger was accomplished by a tax-free exchange of 7,555,251 shares of the acquired fund valued at $103,015,980 (including $24,411,317 of unrealized appreciation).

In exchange for the acquired fund's shares, the Fund issued the following number of shares:

	Shares
Class 1	6,125,550
Class 2	1,032,751

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund's cost of investments was carried forward. The financial statements reflect the operations of the Fund for the period prior to the merger and the combined Fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net decrease in net assets from operations for the year ended December 31, 2011, would have been approximately $52.9 million, $209.8 million, $(411.6) million and $(148.9) million, respectively.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 11. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an

independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
Columbia Variable Portfolio – Diversified Equity Income Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Columbia Variable Portfolio – Diversified Equity Income Fund (formerly known as RiverSource VP – Diversified Equity Income Fund) (the Fund) (one of the portfolios constituting the Columbia Funds Variable Series Trust II) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Columbia Variable Portfolio – Diversified Equity Income Fund of the Columbia Funds Variable Series Trust II at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Minneapolis, Minnesota
February 17, 2012

Board Members and Officers

Shareholders elect the Board that oversees the funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the Funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve until the next Board meeting after he or she reaches the mandatory retirement age established by the Board, or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

On Sept. 29, 2009, Ameriprise Financial, the parent company of Columbia Management, entered into an agreement with Bank of America, N.A. ("Bank of America") to acquire a portion of the asset management business of Columbia Management Group, LLC and certain of its affiliated companies (the "Transaction"). Following the Transaction, which became effective on May 1, 2010, various alignment activities have occurred with respect to the Fund Family. In connection with the Transaction, Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Mr. John J. Nagorniak, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, who were members prior to the Transaction of the Legacy Columbia Nations funds' Board ("Nations Funds"), which includes Columbia Funds Series Trust, Columbia Funds Variable Insurance Trust I and Columbia Funds Master Investment Trust, LLC, began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011, which resulted in an overall increase from twelve Trustees to sixteen for all mutual funds overseen by the Board.

Independent Board Members

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	153	None
Edward J. Boudreau, Jr. 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	146	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard-Partners in Cross Cultural Leadership (consulting company)	153	None
William P. Carmichael 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	146	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel); McMoRan Exploration Company (oil and gas exploration and development); Former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 Age 61	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University; former Dean, McCallum Graduate School of Business, Bentley University	153	None
William A. Hawkins 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	146	Trustee, BofA Funds Series Trust (11 funds)
R. Glenn Hilliard 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 69	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (formerly Conseco, Inc.) (insurance), September 2003 –May 2011	146	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 Age 73	Chair of the Board for RiverSource Funds since 1/07, Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds	President Emeritus and Professor of Economics Emeritus, Carleton College	153	Valmont Industries, Inc. (manufactures irrigation systems)
John F. Maher 901 S. Marquette Ave. Minneapolis, MN 55402 Age 68	Board member since 12/06 for Legacy Seligman funds, since 12/08 for RiverSource Funds and since 6/11 for Nations Funds	Retired President and Chief Executive Officer and former Director, Great Western Financial Corporation (financial services), 1986-1997	153	None
John J. Nagorniak 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Retired; President and Director, Foxstone Financial, Inc. (consulting), 2000-2007; Director, Mellon Financial Corporation affiliates (investing), 2000-2007; Chairman, Franklin Portfolio Associates (investing – Mellon affiliate) 1982-2007	146	Trustee, Research Foundation of CFA Institute; Director, MIT Investment Company; Trustee, MIT 401k Plan; former Trustee, BofA Funds Series Trust (11 funds)
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 Age 59	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	153	None

Board Members and Officers *(continued)*

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 Age 70	Board member since 2000 for Legacy Seligman funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. since 2004; former Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation	153	Digital Ally, Inc. (digital imaging); Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services)
Minor M. Shaw 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 64	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President — Micco LLC (private investments)	146	Former Trustee, BofA Funds Series Trust (11 funds); Piedmont Natural Gas; Director, Blue Cross Blue Shield of South Carolina
Alison Taunton-Rigby 901 S. Marquette Ave Minneapolis, MN 55402 Age 67	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc. 2003-2010 (biotechnology); former President, Aquila Biopharmaceuticals	153	Director Healthways, Inc. (health management programs); Director, ICI Mutual Insurance Company RRG; Director, Abt Associates (government contractor)

Interested Board Member Not Affiliated with Investment Manager*

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Anthony M. Santomero* 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 65	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008; President and Chief Executive Officer, Federal Reserve Bank of Philadelphia, 2000-2006	146	Director, Renaissance Reinsurance Ltd.; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup; Director, Citibank, N.A.; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the investment manager or Ameriprise Financial. However, he is currently deemed by the funds to be an "interested person" (as defined in the 1940 Act) of the funds because he serves as a Director of Citigroup, Inc. and Citibank N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the funds or accounts advised/managed by the investment manager.

Interested Board Member Affiliated with Investment Manager*

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 Age 51	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	Chairman of the Board, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. (formerly RiverSource Fund Distributors, Inc.) since May 2010 (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010.	153	None

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the investment manager or Ameriprise Financial.

The SAI has additional information about the Fund's Board members and is available, without charge, upon request by calling 800.345.6611; or contacting your financial intermediary.

Board Members and Officers *(continued)*

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the funds' other officers are:

Name, address, age	Position held with funds and length of service	Principal occupation during past five years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Age 47	President and Principal Executive Officer since 5/10 for RiverSource Funds and 2009 for Nations Funds	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Columbia Management Advisors, LLC, December 2004-April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, June 2008-January 2009; Treasurer, Columbia Funds, October 2003-May 2008
Amy K. Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 46	Vice President since 12/06 for RiverSource Funds and 5/10 for Nations Funds	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since May 2010 (previously Chief Administrative Officer, 2009-April 2010 and Vice President – Asset Management and Trust Company Services, 2006-2009)
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Age 42	Treasurer since 1/11 and Chief Financial Officer since 4/11 for RiverSource Funds and Treasurer since 3/11 and Chief Financial Officer since 2009 for Nations Funds	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004 – April 2010; senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 52	Senior Vice President and Chief Legal Officer since 12/06 and Assistant Secretary since 6/11 for RiverSource Funds and Senior Vice President and Chief Legal Officer since 5/10 and Assistant Secretary since 6/11 for Nations Funds	Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, 2005-April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. (formerly RiverSource Fund Distributors, Inc.) since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006
Colin Moore 225 Franklin Street Boston, MA 02110 Age 53	Senior Vice President since 5/10 for RiverSource Funds and Nations Funds	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007-April 2010; Head of Equities, Columbia Management Advisors, LLC, 2002-September 2007
Linda J. Wondrack 225 Franklin Street Boston, MA 02110 Age 47	Senior Vice President since 4/11 and Chief Compliance Officer since 5/10 for RiverSource Funds and 2007 for Nations Funds	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, June 2005-April 2010
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Age 54	Vice President since 4/11 for RiverSource Funds and 2006 for Nations Funds	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc., July 2004 – April 2010; Managing Director, Columbia Management Distributors, Inc., August 2007 – April 2010

Name, address, age	Position held with funds and length of service	Principal occupation during past five years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 42	Vice President and Secretary since 4/11 for RiverSource Funds and 3/11 for Nations Funds	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel, April 2004 – January 2010); Assistant Secretary of Legacy RiverSource Funds, January 2007-April 2011 and of the Nations Funds, May 2010-March 2011
Paul D. Pearson 10468 Ameriprise Financial Center Minneapolis, MN 55474 Age 55	Vice President since 4/11 and Assistant Treasurer since 1/99 for RiverSource Funds and Vice President and Assistant Treasurer since 6/11 for Nations Funds	Vice President – Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President – Managed Assets, Investment Accounting, Ameriprise Financial Corporation, February 1998 – May 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Age 43	Vice President and Chief Accounting Officer since 4/11 and Vice President since 3/11 and Chief Accounting Officer since 2008 for Nations Funds	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, January 2006 – April 2010;
Paul B. Goucher 100 Park Avenue New York, NY 10017 Age 43	Vice President since 4/11 and Assistant Secretary since 11/08 for RiverSource Funds and 5/1/10 for Nations Funds	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel, November 2008 – January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman), July 2008 – November 2008 and Managing Director and Associate General Counsel of Seligman, January 2005 – July 2008
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Age 44	Vice President since 4/11 and Assistant Secretary since 5/10 for RiverSource Funds and 2011 for Nations Funds	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel, Bank of America, June 2005 – April 2010

Proxy Voting

The policy of the Board is to vote the proxies of the companies in which the Fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at www.sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at www.sec.gov.

Notes

ColumbiaManagement®

Columbia VP – Diversified Equity Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This report must be accompanied or preceded by the Fund's current prospectus. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Adviser, LLC.
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S-6468 A (2/12)

ColumbiaManagement

Columbia Variable Portfolio - Asset Allocation Fund

Annual Report for the Period Ended December 31, 2011

Not FDIC insured • No bank guarantee • May lose value

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Portfolio Manager's Discussion

Columbia Variable Portfolio – Asset Allocation Fund / December 31, 2011

Columbia Variable Portfolio—Asset Allocation Fund seeks total return, consisting of current income and long-term capital appreciation.

Colin Moore has co-managed the fund since May 2008. Anwiti Bahuguna, PhD, Kent M. Peterson, PhD and Marie M. Schofield have co-managed the fund since February 2009. Kent M. Bergene has co-managed the fund since May 2010. They are responsible for allocating the fund's assets among various Columbia mutual funds. The investment decisions for each fund are made by the fund's professional manager(s).

For the 12-month period that ended December 31, 2011, the fund's Class 1 shares underperformed its benchmarks, the S&P 500 Index* and the Barclays Capital Aggregate Bond Index.* In a volatile market environment, exposure to international and emerging markets on the equity side of the portfolio and an underweight in U.S. treasuries within fixed income detracted from the fund's return relative to its benchmarks. A decision to emphasize large-cap equity funds and bolster exposure to alternative asset classes aided results.

After a weak start, economy – and confidence – pick up

A series of natural disasters in Japan, Europe's worsening debt problems and wrangling in Washington over the budget deficit and the national debt ceiling dominated world headlines in the first half of the year and weighed on the global economy. However, prospects improved in the second half as the pace of growth picked up, consumer confidence improved and headline inflation – which tracks a broad range of consumer expenditures, including food and energy – declined. The labor markets added more than 1.6 million new jobs in 2011, and the jobless rate fell to 8.5%. Even manufacturing held its ground after a third-quarter slowdown. Housing continues to be the one nagging weak spot in the economy. Even though home sales edged modestly higher over the year, home ownership declined and home prices continued to fall. In this environment, the U.S. stock market managed a modest positive return. U.S. bonds outperformed stocks.

Fund restructuring completed

A shift in the fund's underlying investment structure, which began in the fall of 2010, continued into the first quarter of 2011. Fund assets, which had previously been divided among a variety of investment disciplines, were deployed into individual Columbia Funds and U.S. treasuries. The new structure broadened diversification across asset classes and added exposure to alternative asset classes with relatively low correlation to equities and fixed income.

Allocation decisions generated mixed results

As the global economic picture darkened in the first half of the year, we reduced the fund's allocation to traditional equities and trimmed some fixed-income holdings to add exposure to alternative asset classes. This move generated mixed results. The fund's absolute return funds made a positive contribution to performance, as did a small position in real estate investment trusts (REITs). However, disappointing performance from convertibles and commodities offset these gains.

Within equities, we favored funds that invested in large-cap, dividend paying companies. This was the best-performing segment of the equity markets, and several of the funds in the portfolio did significantly better than their respective benchmarks: Columbia Dividend Income Fund, Columbia Large Core Quantitative Fund, Columbia Large Value Quantitative Fund and Columbia Dividend Opportunity Fund. We maintained an underweight in mid- and small-cap funds, which underperformed large caps for the year.

International developed and emerging markets experienced double-digit losses in 2011. As a result, the fund's international positions were a significant drag on performance relative to the fund's equity benchmark – the S&P 500 Index, which does not include international equities.

Within fixed income, we favored funds that we believed would generate the highest yields in a changing rate environment – non-government sectors, including mortgage, high-yield and investment-grade corporate bonds. Although these segments generally delivered solid, positive returns, they fell short of the robust returns generated by U.S. treasuries, which make up 30% of the fund's fixed-income benchmark, and TIPS, in which the fund had only a small position.

Looking ahead

At year end, the fund's equity underweight reflects our ongoing caution on U.S. and euro zone stock markets. However, we have added to the fund's emerging market position. Emerging markets have the best expected economic growth rates for 2012 and relatively attractive valuations.

We continue to overweight fixed income relative to its target allocation, with an emphasis on sectors that offer better yields than government securities and have the potential for capital appreciation. We added to high-yield bonds in the final months of the year. With interest rates at historical lows across the maturity spectrum, we kept U.S. treasury, TIPS and cash exposure well below neutral. In international bond markets, our portfolios are underweight in developed market bonds. However, we have increased exposure to emerging market debt. Yields on emerging market debt are attractive and monetary policy has turned more accommodative. Because we believe that market volatility and economic uncertainty are likely to continue into the new year, we continue to maintain positions in alternative asset classes as their relatively low correlation to traditional assets help broaden asset classes within the portfolio.

Past performance is no guarantee of future results.

The portfolio is a "fund of funds." A fund of funds bears its allocable share of the costs and expenses of the underlying funds in which it invests. Such funds are thus subject to two levels of fees and a potentially higher expense ratio than would be associated with an investment in a fund that invests and trades directly in financial instruments under the direction of a single manager. Risks include stock market fluctuations due to business and economic developments.

Equity securities are subject to stock market fluctuations that occur in response to economic and business developments.

Investments in high yield or "junk" bonds offer the potential for higher income than investments in investment-grade bonds but they also have a higher degree of risk. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

International investing may involve certain risks, including foreign taxation, currency fluctuations, risks associated with possible differences in financial standards and other monetary and political risks.

The fund may be subject to the same types of risks associated with direct ownership of real estate including the decline of property value due to general, local and regional economic conditions.

Holdings are disclosed as of December 31, 2011, and are subject to change.

The outlook for the fund may differ from that presented for other Columbia Funds.

* See "Performance Information" on the following page for a description of the indices.

Performance Information

Columbia Variable Portfolio – Asset Allocation Fund / December 31, 2011

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC ("the Investment Manager") and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

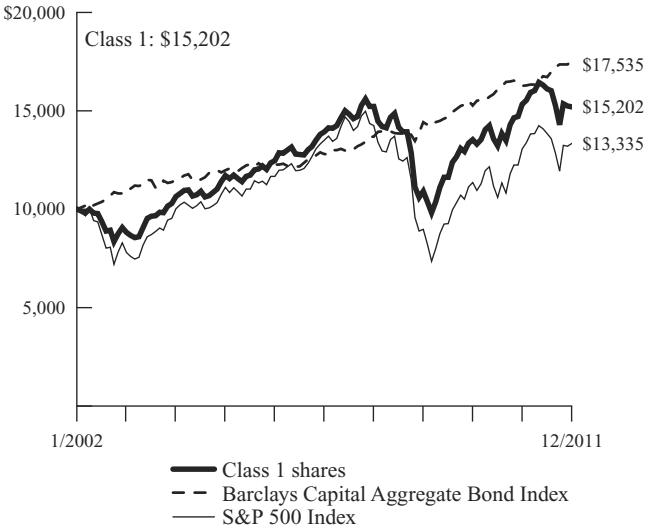
Average annual total return as of December 31, 2011 (%)

	1-year	5-year	10-year
Class 1 (01/01/89)	-0.85	1.77	4.28
Class 2 (06/01/00)	-1.09	1.59	4.10
S&P 500® Index[1]	2.11	-0.25	2.92
Barclays Capital Aggregate Bond Index[2]	7.84	6.50	5.78

Inception date of share class is in parentheses.

Net asset value per share ($)	12/31/10	12/31/11
Class 1	12.22	11.81
Class 2	12.15	11.73

Performance of a $10,000 investment, 01/01/02 – 12/31/11



Portfolio Breakdown[1] (at December 31, 2011) (%)

Equity Funds	
Dividend Income	2.6
International	15.9
U.S. Large Cap	25.9
U.S. Mid Cap	6.9
U.S. Small Cap	4.3
Fixed Income Funds	
Emerging Markets	1.8
High Yield	4.6
International	1.7
Investment Grade	23.0
U.S. Treasury Inflation-Indexed Bond	2.5
Alternative Investments	10.3
Money Market Funds	0.5

[1] Percentages indicated are based upon total investments.

The graph compares the results of a hypothetical $10,000 investment in Class 1 shares of the fund with the indices. The returns for the indices and Class 1 shares assume reinvestment of dividends and capital gains, if any. Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due.

[1] The Standard & Poor's (S&P) 500® Index tracks the performance of 500 widely held, large-capitalization U.S. stocks.

[2] The Barclays Capital Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment-grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity.

Indices are not available for investment, are not professionally managed and do not reflect sales charges, fees, brokerage commissions, taxes or other expenses of investing. Securities in the fund may not match those in an index.

Understanding Your Expenses

Columbia Variable Portfolio – Asset Allocation Fund / December 31, 2011

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension or retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

07/01/11 – 12/31/11	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)	Effective expenses paid during the period ($)		Fund's effective annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	944.40	1,024.42	0.63	0.66	0.13	4.78	4.98	0.98
Class 2	1,000.00	1,000.00	943.30	1,023.16	1.85	1.93	0.38	5.99	6.24	1.23

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Had the Investment Manager and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments – Columbia Variable Portfolio – Asset Allocation Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

	Shares	Value
Equity Funds 55.8%		
Dividend Income 2.6%		
Columbia Dividend Income Fund	189,947	$2,588,982
International 15.9%		
Columbia Asia Pacific ex-Japan Fund	197,957	1,462,905
Columbia Emerging Markets Fund	323,204	2,857,125
Columbia European Equity Fund	679,882	3,548,984
Columbia Greater China Fund	32,046	1,383,724
Columbia Multi-Advisor International Equity Fund (a)	435,469	4,607,263
Columbia Overseas Value Fund	344,615	2,236,550
Total		16,096,551
U.S. Large Cap 26.0%		
Columbia Contrarian Core Fund	353,274	4,861,048
Columbia Dividend Opportunity Fund	161,174	1,292,614
Columbia Energy and Natural Resources Fund	143,724	2,903,219
Columbia Large Cap Core Fund	322,456	4,104,860
Columbia Large Cap Growth Fund	208,275	4,782,003
Columbia Large Core Quantitative Fund	451,330	2,568,071
Columbia Large Value Quantitative Fund	239,219	1,547,746
Columbia Select Large Cap Growth Fund	284,595	3,432,220
Columbia Select Large-Cap Value Fund	53,176	769,983
Total		26,261,764
U.S. Mid Cap 6.9%		
Columbia Mid Cap Growth Fund	159,343	3,937,364
Columbia Mid Cap Value Fund	239,155	3,058,798
Total		6,996,162
U.S. Small Cap 4.4%		
Columbia Small Cap Growth Fund I	27,254	741,572
Columbia Small Cap Growth Fund II	75,351	864,281
Columbia Small Cap Value Fund I	43,374	1,785,694
Columbia Small Cap Value Fund II	76,254	1,020,281
Total		4,411,828
Total Equity Funds (Cost: $60,376,336)		$56,355,287
Fixed-Income Funds 31.1%		
Emerging Markets 1.8%		
Columbia Emerging Markets Bond Fund	159,506	$1,776,899
High Yield 4.6%		
Columbia High Yield Bond Fund	1,701,920	4,646,242
International 1.7%		
Columbia International Bond Fund	160,759	1,771,562
Investment Grade 23.0%		
Columbia Bond Fund	430,984	4,090,041
Columbia Corporate Income Fund	713,998	7,189,957
Columbia Limited Duration Credit Fund	359,668	3,564,311
Columbia U.S. Government Mortgage Fund	877,750	4,836,404
Mortgage and Asset Backed Portfolio	372,159	3,569,000
Total		23,249,713
Total Fixed-Income Funds (Cost: $31,084,836)		$31,444,416

	Shares	Value
Alternative Investments 10.3%		
Columbia Absolute Return Currency and Income Fund	322,601	$3,309,882
Columbia Absolute Return Multi-Strategy Fund	509,714	5,061,464
Columbia Convertible Securities Fund	148,785	2,036,869
Total Alternative Investments (Cost: $10,578,961)		$10,408,215
Money Market Funds 0.5%		
BofA Cash Reserves, Capital Class, 0.070%(b)	506,771	$506,771
Columbia Short-Term Cash Fund, 0.141%(b)	23,041	23,041
Total Money Market Funds (Cost: $529,812)		$529,812

	Effective Yield	Par/ Principal/ Shares	Value
Inflation-Indexed Bonds 2.5%			
U.S. Treasury Inflation-Indexed Bond			
04/15/29	3.875%	$268,593	$418,522
01/15/25	2.375%	366,387	465,827
02/15/40	2.125%	104,764	140,588
07/15/12	3.000%	31,485	32,161
07/15/13	1.875%	184,932	193,384
01/15/14	2.000%	196,075	207,641
01/15/15	1.625%	249,033	268,586
01/15/16	2.000%	199,652	223,158
07/15/17	2.625%	163,881	195,082
01/15/19	2.125%	210,932	250,713
01/15/21	1.125%	82,810	92,333
Total Inflation-Indexed Bonds (Cost: $2,269,880)			$2,487,995
Total Investments (Cost: $104,839,825)			$101,225,725
Other Assets and Liabilities			(187,592)
Net Assets			$101,038,133

The Accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Investments in Affiliated Funds

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at December 31, 2011.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (to include NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Fund Administrator, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Fund Administrator. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description(a)	**Level 1 quoted prices in active markets for identical assets(b)**	**Level 2 other significant observable inputs**	**Level 3 significant unobservable inputs**	**Total**
Mutual Funds				
Investments in Affiliated Funds	$98,207,918	$—	$—	$98,207,918
Affiliated Money Market Fund(c)	23,041	—	—	23,041
Unaffiliated Money Market Fund	506,771	—	—	506,771
Total Mutual Funds	98,737,730	—	—	$98,737,730
Bonds				
Inflation-Indexed Bonds	—	2,487,995	—	2,487,995
Total Bonds	—	2,487,995	—	2,487,995
Total	$98,737,730	$2,487,995	$—	$101,225,725

(a) See the Portfolio of Investments for all investment classifications not indicated in the table.

(b) Financial assets were transferred from Level 1 to Level 2 as the market for these assets was deemed not to be active and fair values were consequently obtained using the observable market inputs rather than quoted prices for identical assets as of period end.

The following tables shows transfers between Level 1 and Level 2 of the fair value hierarchy:

Transfers In	
Level 1	**Level 2**
—	$1,703,481

Transfers Out	
Level 1	**Level 2**
$1,703,481	—

(c) Money market fund that is a sweep investment for cash balances in the Fund at December 31, 2011.

Statement of Assets and Liabilities – Columbia Variable Portfolio – Asset Allocation Fund

December 31, 2011

Assets	
Investments at value	
Unaffiliated issuers (identified cost $2,776,651)	$ 2,994,766
Affiliated issuers (identified cost $102,063,174)	98,230,959
Total investments (identified cost $104,839,825)	101,225,725
Receivable for:	
Affiliated investments sold	70,665
Capital shares sold	5,229
Dividends from affiliated funds	90,366
Interest	19,002
Receivable for affiliated investments sold	1,113
Expense reimbursement due from Investment Manager	1,221
Prepaid expense	994
Trustees' deferred compensation plan	34,886
Total assets	101,449,201
Liabilities	
Disbursements in excess of cash	70,667
Payable for:	
Affiliated investments purchased	90,302
Capital shares purchased	160,219
Investment management fees	93
Distribution fees	138
Transfer agent fees	167
Administration fees	56
Chief compliance officer expenses	145
Other expenses	54,395
Trustees' deferred compensation plan	34,886
Total liabilities	411,068
Net assets applicable to outstanding capital stock	$101,038,133

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities (continued) — Columbia Variable Portfolio – Asset Allocation Fund

December 31, 2011

Represented by	
Paid-in capital	$109,077,693
Undistributed net investment income	2,085,406
Accumulated net realized loss	(6,510,865)
Unrealized appreciation (depreciation) on:	
Investments	(3,614,100)
Foreign currency translations	(1)
Total — representing net assets applicable to outstanding capital stock	$101,038,133
Net assets applicable to outstanding shares	
Class 1	$ 81,002,295
Class 2	$ 20,035,838
Shares outstanding	
Class 1	6,856,760
Class 2	1,707,602
Net asset value per share	
Class 1	$ 11.81
Class 2	$ 11.73

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations – Columbia Variable Portfolio – Asset Allocation Fund

Year Ended December 31, 2011

Net investment income	
Income:	
Dividends	$ 772
Interest	121,444
Dividends from underlying affiliated funds	2,175,158
Total income	2,297,374
Expenses:	
Investment management fees	204,354
Distribution fees	
Class 2	57,795
Transfer agent fees	
Class 1	52,577
Class 2	13,740
Administration fees	22,376
Compensation of board members	19,698
Pricing and bookkeeping fees	11,862
Custodian fees	16,407
Printing and postage fees	38,331
Professional fees	69,331
Chief compliance officer expenses	660
Other	7,831
Total expenses	514,962
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(311,902)
Total net expenses	203,060
Net investment income	2,094,314
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Sales of underlying affiliated funds	4,247,680
Capital gain distributions from underlying affiliated funds	1,050,729
Foreign currency translations	1,094
Futures contracts	92,579
Net realized gain	5,392,082
Net change in unrealized appreciation (depreciation) on:	
Investments	(7,935,838)
Foreign currency translations	(933)
Futures contracts	(60,962)
Net change in unrealized depreciation	(7,997,733)
Net realized and unrealized loss	(2,605,651)
Net decrease in net assets from operations	$ (511,337)

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets – Columbia Variable Portfolio – Asset Allocation Fund

	2011	2010
Operations		
Net investment income	$ 2,094,314	$ 2,689,982
Net realized gain	5,392,082	20,247,800
Net change in unrealized depreciation	(7,997,733)	(7,916,884)
Net increase (decrease) in net assets resulting from operations	(511,337)	15,020,898
Distributions to shareholders from:		
Net investment income		
Class 1	(2,270,728)	(2,492,469)
Class 2	(557,108)	(654,610)
Total distributions to shareholders	(2,827,836)	(3,147,079)
Increase (decrease) in net assets from share transactions	(16,278,298)	(16,330,650)
Total decrease in net assets	(19,617,471)	(4,456,831)
Net assets at beginning of year	120,655,604	125,112,435
Net assets at end of year	$101,038,133	$120,655,604
Undistributed net investment income	$ 2,085,406	$ 2,752,080

	Year ended December 31, 2011		Year ended December 31, 2010	
	Shares	Dollars($)	Shares	Dollars($)
Capital stock activity				
Class 1 shares				
Subscriptions	191,136	2,302,234	203,917	2,345,487
Distributions reinvested	182,241	2,270,728	231,642	2,492,469
Redemptions	(1,294,033)	(15,938,289)	(1,455,004)	(16,581,579)
Net decrease	(920,656)	(11,365,327)	(1,019,445)	(11,743,623)
Class 2 shares				
Subscriptions	69,299	842,247	174,591	1,971,137
Distributions reinvested	44,964	557,108	61,178	654,610
Redemptions	(515,726)	(6,312,326)	(638,516)	(7,212,774)
Net decrease	(401,463)	(4,912,971)	(402,747)	(4,587,027)
Total net decrease	**(1,322,119)**	**(16,278,298)**	**(1,422,192)**	**(16,330,650)**

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights – Columbia Variable Portfolio – Asset Allocation Fund – Class 1 Shares

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. For periods ended 2009 and after, per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Class 1					
Per share data					
Net asset value, beginning of period	$12.22	$11.08	$9.32	$15.25	$15.82
Income from investment operations:					
Net investment income	0.24	0.26	0.25	0.35	0.38
Net realized and unrealized gain (loss)	(0.33)	1.19	1.93	(4.24)	1.06
Total from investment operations	(0.09)	1.45	2.18	(3.89)	1.44
Less distributions to shareholders from:					
Net investment income	(0.32)	(0.31)	(0.42)	(0.44)	(0.46)
Net realized gains	—	—	—	(1.60)	(1.55)
Total distributions to shareholders	(0.32)	(0.31)	(0.42)	(2.04)	(2.01)
Net asset value, end of period	$11.81	$12.22	$11.08	$9.32	$15.25
Total return	(0.85%)	13.43%	24.00%[a]	(28.32%)	9.19%
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	0.40%	0.97%	1.00%	0.87%	0.84%
Net expenses after fees waived or expenses reimbursed[c]	0.13%	0.68%[d]	0.80%[d]	0.75%[d]	0.75%[d]
Net investment income	1.93%	2.27%[d]	2.48%[d]	2.75%[d]	2.39%[d]
Supplemental data					
Net assets, end of period (in thousands)	$81,002	$95,031	$97,435	$93,500	$162,538
Portfolio turnover	89%	234%[e]	103%	94%	100%

Notes to Financial Highlights

[a] Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. This reimbursement had an impact of less than 0.01% on total return.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights (continued) — Columbia Variable Portfolio – Asset Allocation Fund – Class 2 Shares

	Year ended Dec 31,				
	2011	2010	2009	2008	2007
Class 2					
Per share data					
Net asset value, beginning of period	$12.15	$11.02	$9.27	$15.18	$15.75
Income from investment operations:					
Net investment income	0.20	0.24	0.23	0.32	0.35
Net realized and unrealized gain (loss)	(0.32)	1.18	1.92	(4.21)	1.07
Total from investment operations	(0.12)	1.42	2.15	(3.89)	1.42
Less distributions to shareholders from:					
Net investment income	(0.30)	(0.29)	(0.40)	(0.42)	(0.44)
Net realized gains	—	—	—	(1.60)	(1.55)
Total distributions to shareholders	(0.30)	(0.29)	(0.40)	(2.02)	(1.99)
Net asset value, end of period	$11.73	$12.15	$11.02	$9.27	$15.18
Total return	(1.09%)	13.26%	23.79%[a]	(28.45%)	9.07%
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	0.68%	1.22%	1.25%	1.12%	1.09%
Net expenses after fees waived or expenses reimbursed[c]	0.38%	0.85%[d]	0.95%[d]	0.90%[d]	0.90%[d]
Net investment income	1.66%	2.10%[d]	2.34%[d]	2.60%[d]	2.24%[d]
Supplemental data					
Net assets, end of period (in thousands)	$20,036	$25,624	$27,677	$29,985	$52,995
Portfolio turnover	89%	234%[e]	103%	94%	100%

Notes to Financial Highlights

[a] Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. This reimbursement had an impact of less than 0.01% on total return.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Effective October 22, 2010, the Fund transitioned to a fund-of-funds structure. If the Fund had not transitioned, portfolio turnover would have been lower.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Note 1. Organization

Columbia Variable Portfolio – Asset Allocation Fund (the Fund), formerly known as Columbia Asset Allocation Fund, Variable Series, a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. On May 2, 2011, Columbia Asset Allocation Fund, Variable Series was renamed Columbia Variable Portfolio – Asset Allocation Fund.

Under normal circumstances, the Fund invests most of its assets in shares of mutual funds managed by Columbia Management Investment Advisers, LLC (the Investment Manager) or its affiliates (Columbia Funds), exchange-traded funds (ETFs) and third party-advised funds (collectively, Underlying Funds), equity and fixed income securities, including Treasury Inflation Protected Securities (TIPS), and other instruments such as derivatives. The financial statements of the Underlying Funds in which the Fund invests should be read in conjunction with the Fund's financial statements.

Fund Shares—The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and/or variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension or retirement plans and other qualified institutional investors (collectively, Qualified Investors) authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure. On May 2, 2011, Class A and Class B shares of the Fund were renamed Class 1 and Class 2 shares, respectively.

Note 2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation—Investments in the underlying funds are valued at the net asset value of each class of the respective underlying fund determined as of the close of the New York Stock Exchange on the valuation date.

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Futures and options on futures contracts are valued based upon the settlement price established each day by the board of trade or exchange on which they are traded.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation—The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual

and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Derivative Instruments—The Fund invests in certain derivative instruments as detailed below to meet its investment objectives. Derivatives are instruments whose values depend on, or are derived from, in whole or in part, the value of one or more other assets, such as securities, currencies, commodities or indices. Derivative instruments may be used to maintain cash reserves while maintaining exposure to certain other assets, to offset anticipated declines in values of investments, to facilitate trading, to reduce transaction costs and to pursue higher investment returns. The Fund may also use derivative instruments to mitigate certain investment risks, such as foreign currency exchange rate risk, interest rate risk and credit risk. Derivatives may involve various risks, including the potential inability of the counterparty to fulfill its obligation under the terms of the contract, the potential for an illiquid secondary market and the potential for market movements which may expose the Fund to gains or losses in excess of the amount shown in the Statement of Assets and Liabilities.

The Fund and any counterparty are required to maintain an agreement that requires the Fund and that counterparty to monitor (on a daily basis) the net fair value of all derivatives entered into pursuant to the agreement between the Fund and such counterparty. If the net fair value of such derivatives between the Fund and that counterparty exceeds a certain threshold (as defined in the agreement), the Fund or the counterparty (as the case may be) is required to post cash and/or securities as collateral. Fair values of derivatives presented in the financial statements are not netted with the fair value of other derivatives or with any collateral amounts posted by the Fund or any counterparty.

Futures Contracts—Futures contracts represent commitments for the future purchase or sale of an asset at a specified price on a specified date. The Fund bought futures contracts to manage exposure to the securities market. Upon entering into futures contracts, the Fund bears risks which may include interest rates, exchange rates or securities prices moving unexpectedly, in which case, the Fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. Additional risks include counterparty credit risk, the possibility of an illiquid market, and that a change in the value of the contract or option may not correlate with changes in the value of the underlying asset.

Upon entering into a futures contract, the Fund pledges cash or securities with the broker in an amount sufficient to meet the initial margin requirement. Subsequent payments (variation margin) are made or received by the Fund each day. The variation margin payments are equal to the daily change in the contract value and are recorded as variation margin receivable or payable and are offset in unrealized gains or losses. The Fund recognizes a realized gain or loss when the contract is closed or expires. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Assets and Liabilities.

Effects of Derivative Transactions in the Financial Statements—The following tables are intended to provide additional information about the effect of derivatives on the financial statements of the Fund, including: the fair value of derivatives by risk category and the location of those fair values in the Statement of Assets and Liabilities; the impact of derivative transactions on the Fund's operations over the period including realized gains or losses and unrealized gains or losses. The derivative schedules following the Portfolio of Investments present additional information regarding derivative instruments outstanding at the end of the period, if any.

At December 31, 2011, the fund had no outstanding derivatives.

Effect of Derivative Instruments in the Statement of Operations for the Year Ended December 31, 2011

Amount of Realized Gain (Loss) on Derivatives Recognized in Income

Risk Exposure Category	Futures Contracts
Equity contracts	$92,579

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized in Income

Risk Exposure Category	Futures Contracts
Equity contracts	$(60,962)

Volume of Derivative Instruments for the Year Ended December 31, 2011

	Contracts Opened
Futures Contracts	16

Treasury Inflation Protected Securities—The Funds may invest in treasury inflation protected securities (TIPS). The principal amount of TIPS is adjusted periodically and is increased for inflation or decreased for deflation based on a monthly published index. Interest payments are based on the adjusted principal at the time the interest is paid. These adjustments are recorded as interest income in the Statement of Operations.

Security Transactions—Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition—Corporate actions and dividend income are recorded net of any non-reclaimable tax

withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Income and capital gain distributions from the Underlying funds, if any, are recorded on the ex-dividend date.

Interest income is recorded on the accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any. For convertible securities, premiums attributable to the conversion feature are not amortized.

Expenses—General expenses of the Trust are allocated to the Funds and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value—All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status—The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Foreign Taxes—The Funds may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Funds will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Distributions to Shareholders—Distributions from net investment income are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications—Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board (FASB) issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees—Under an Investment Management Services Agreement (IMSA), Columbia, a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. Effective May 1, 2011, the management fee is an annual fee that is a blend of (i) 0.00% on assets invested in Columbia proprietary funds (excluding any proprietary fund that does not pay an investment management fee to the Investment Manager), (ii) 0.10% on assets invested in non-exchange traded, third party advised mutual

funds and (iii) 0.55% on assets invested in all other securities, including ETFs, derivatives and individual securities.

Prior to May 1, 2011, the management fee was equal to a percentage of the Fund's average daily net assets that declined from 0.45% to 0.35% as the Fund's net assets increased. Also prior to May 1, 2011, the Investment Manager contractually agreed to waive a portion of its advisory fee so that the effective advisory fee rate would be a blend of (i) 0.00% on assets invested in other Columbia Funds, (ii) 0.10% on assets invested in non-exchange traded mutual funds not managed by the Investment Manager or its affiliate and (iii) 0.45% on other assets.

The effective management fee rate for the year ended December 31, 2011 was 0.18% of the Fund's average daily net assets.

Administration Fees—Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.02% of the Fund's average daily net assets.

Pricing and Bookkeeping Fees—Prior to July 11, 2011, the Fund had entered into a Financial Reporting Services Agreement (the Financial Reporting Services Agreement) with State Street Bank and Trust Company (State Street) and the Investment Manager pursuant to which State Street provided financial reporting services to the Fund. The Fund also entered into an Accounting Services Agreement (collectively with the Financial Reporting Services Agreement, the State Street Agreements) with State Street and the Investment Manager pursuant to which State Street provided accounting services to the Fund. Under the State Street Agreements, the Fund paid State Street an annual fee of $38,000 paid monthly plus an additional monthly fee based on an annualized percentage rate of average daily net assets of the Fund for the month. The aggregate fee did not exceed $140,000 per year (exclusive of out-of-pocket expenses and charges). The Fund also reimbursed State Street for certain out-of-pocket expenses and charges. Effective July 11, 2011, these services are now provided under the Administrative Services Agreement discussed above.

Compensation of Board Members—Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligations of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer—The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fee—Under a Transfer and Dividend Disbursing Agent Agreement, Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, is responsible for providing transfer agency services to the Fund. The Transfer Agent has contracted with Boston Financial Data Services (BFDS) to serve as subtransfer agent. The Transfer Agent receives a monthly fee for its services at the annual rate of 0.06% of the average daily net assets attributable to Class 1 and Class 2 shares of the Fund.

The Transfer Agent may also retain, as additional compensation for its services, fees for wire, telephone and redemption orders, account transcript fees due to the Transfer Agent from shareholders of the Fund and interest (net of bank charges) earned with respect to balances in accounts the Transfer Agent maintains in connection with its services to the Fund.

Distribution Fees—The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates—The Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2012, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the following annual rates as a percentage of the class' average daily net assets:

Class 1	0.13%
Class 2	0.38

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions,

costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

For the year ended December 31, 2011, these differences are primarily due to differing treatments for futures and options contracts, foreign currency transactions, recognition of unrealized appreciation (depreciation) for certain derivative investments, short-term capital gain distribution from investments in mutual funds and deferral/reversal of wash sale losses. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$66,848
Accumulated net realized loss	(66,848)
Paid-in capital	—

Net investment income and net realized (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year Ended December 31,	2011	2010
Ordinary income*	$2,827,836	$3,147,079

* Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$2,132,932
Unrealized depreciation	(3,757,328)

At December 31, 2011, the cost of investments for federal income tax purposes was $104,983,053 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$ 1,294,274
Unrealized depreciation	$(5,051,602)
Net unrealized depreciation	$(3,757,328)

The following capital loss carryforward, determined at December 31, 2011, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount
2017	$6,367,638
Total	$6,367,638

For the year ended December 31, 2011, Capital loss carryforwards of $5,400,954 was utilized.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment 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, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $100,052,955 and $116,519,094, respectively, for the year ended December 31, 2011, of which $631,915 and $77,224, respectively, were U.S. government securities.

Note 6. Custody Credits

Prior to July 11, 2011, the Fund had an agreement with its custodian bank under which custody fees may have been reduced by balance credits. These credits are recorded as part of expense reductions on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if they had not entered into such an agreement. Subsequent to this date, the Fund may invest its daily balance in an affiliated money market fund as detailed below. For the period January 1, 2011 through July 10, 2011, there were no custody credits.

Note 7. Affiliated Money Market Fund

Effective July 11, 2011, the Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 8. Shareholder Concentration

At December 31, 2011, two unaffiliated shareholder accounts owned 76.4% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially. Purchase and redemption activity of these accounts may have a significant effect on the operations of the Fund.

Note 9. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on July 11, 2011, replacing a prior credit facility. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011 amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum. For the period July 11, 2011 through December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

Prior to July 11, 2011, the Fund and certain other funds managed by the Investment Manager participated in a committed, unsecured revolving credit facility provided by State Street. For the period June 27, 2011 through July 8, 2011, the collective borrowing amount of the credit facility was $100 million. For the period May 16, 2011 through June 26, 2011, the collective borrowing amount of the credit facility was $150 million. For the period March 28, 2011 through May 15, 2011, the collective borrowing amount of the credit facility was $225 million. Prior to March 28, 2011, the collective borrowing amount of the credit facility was $280 million. Interest was charged to each fund based on its borrowings at a rate equal to the greater of the (i) federal funds rate plus 1.25% per annum or (ii) the overnight LIBOR rate plus 1.25% per annum. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.125% per annum.

Note 10. Significant Risks

Allocation Risk—The Fund uses an asset allocation strategy in pursuing its investment objective. There is a risk that the Fund's allocation among asset classes or investments will cause the Fund to under-perform other funds with similar investment objectives, or that the investments themselves will not produce the returns expected.

Asset-Backed Securities Risk—The value of asset-backed securities may be affected by, among other factors, changes in interest rates, the market's assessment of the quality of underlying assets, the creditworthiness of the servicer for the underlying assets, factors concerning the interests in and structure of the issuer or the originator of the underlying assets, or the creditworthiness or rating of the entities that provide any supporting letters of credit, surety bonds, derivative instruments, or other credit enhancement. The value of asset-backed securities also will be affected by the exhaustion, termination or expiration of any credit enhancement. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the Fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility.

Foreign Securities Risk—Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities. Investing in emerging markets may accentuate these risks.

High Yield Securities Risk—Investing in high-yield fixed income securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of

issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

Investing in Other Funds Risk—The performance of the Underlying Funds in which the Fund invests could be adversely affected if other entities investing in the same Underlying Funds make relatively large investments or redemptions in the Underlying Funds. Because the expenses and costs of the Underlying Funds are shared by the Fund, redemptions by other investors in the Underlying Funds could result in decreased economies of scale and increased operating expenses for the Fund. In addition, the Investment Manager has the authority to change the Underlying Funds in which the Fund invests or to change the percentage of the Fund's investments allocated to each Underlying Fund. If an Underlying Fund pays fees to the Investment Manager, such fees could result in the Investment Manager having a potential conflict of interest in selecting the Underlying Funds in which the Fund invests or in determining the percentage of the Fund's investments allocated to each Underlying Fund.

Note 11. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 12. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (currently branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial) entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have

a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and
the Shareholders of Columbia Variable Portfolio – Asset Allocation Fund

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio – Asset Allocation Fund (formerly Columbia Asset Allocation Fund, Variable Series) (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended 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 at December 31, 2011 by correspondence with the custodian, brokers and transfer agent provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 21, 2012

Federal Income Tax Information (Unaudited)

Columbia Variable Portfolio – Asset Allocation Fund

31.22% of the ordinary income distributed by the Fund for the fiscal year ended December 31, 2011, qualifies for the corporate dividends received deduction.

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; CEO of Crystal River Capital, Inc. (real estate investment trust) from 2003 to 2010; Oversees 43; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2008 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parson Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President – Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 43; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel – Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University, from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Oversees 43; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director, Marketing of Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 43; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 43; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider); BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 43; CIT Group Inc. (commercial and consumer finance), eBay Inc. (online trading community), MBIA Corp (financial service provider), E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services), and University of Oklahoma Foundation.
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington, from January 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington, from 1993 to 2011; Adjunct Professor of Statistics, University of Washington, from 1980 to 2011; Associate Editor, Journal of Money Credit and Banking from 1993 to 2008; consultant on econometric and statistical matters. Oversees 43; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 43; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 43; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired since 1997 (formerly General Manager – Global Education Industry from 1994 to 1997, President – Application Systems Division from 1991 to 1994, Chief Financial Officer – US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology)). Oversees 43; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 1-800-345-6611.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
J. Kevin Connaughton (Born 1964) 225 Franklin Street Boston, MA 02110 President (since 2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; President, Columbia Funds, since 2009, and RiverSource Funds, since May 2010 (previously Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009, Treasurer, Columbia Funds, from October 2003 to May 2008, and senior officer of various other affiliated funds since 2000); Managing Director, Columbia Management Advisors, LLC from December 2004 to April 2010.
Michael G. Clarke (Born 1969) 225 Franklin Street Boston, MA 02110 Treasurer (since 2011) and Chief Financial Officer (since 2009)	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Scott R. Plummer (Born 1959) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President, Assistant Secretary and Chief Legal Officer (since 2010)	Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, from 2005 to April 2010; Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006; Senior officer of Columbia Funds and affiliated funds, since 2006.
Linda J. Wondrack (Born 1964) 225 Franklin Street Boston, MA 02110 Senior Vice President and Chief Compliance Officer (since 2007)	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Chief Compliance Officer, Columbia Funds, since 2007, and RiverSource Funds, since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, from June 2005 to April 2010; Director of Corporate Compliance and Conflicts Officer of MFS Investment Management (investment management) from August 2004 to May 2005.
William F. Truscott (Born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2010)	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer from 2005 to April 2010, and Senior Vice President – Chief Investment Officer, from 2001 to 2005); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. since May 2010 (previously Chairman of the Board and Chief Executive Officer from 2008 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.
Colin Moore (Born 1958) 225 Franklin Street Boston, MA 02110 Senior Vice President (since 2010)	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer of Columbia Management Advisors, LLC from 2007 to April 2010; Head of Equities, Columbia Management Advisors, LLC from 2002 to 2007.
Amy Johnson (Born 1965) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, from 2009 until April 2010, Vice President – Asset Management and Trust Company Services, from 2006 to 2009, and Vice President – Operations and Compliance from 2004 to 2006).
Joseph F. DiMaria (Born 1968) 225 Franklin Street Boston, MA 02110 Vice President (since 2011) and Chief Accounting Officer (since 2008)	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC from January 2006 to April 2010; Head of Tax/Compliance and Assistant Treasurer, Columbia Management Advisors, LLC, from November 2004 to December 2005.
Stephen T. Welsh (Born 1957) 225 Franklin Street Boston, MA 02110 Vice President (since 2006)	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc. from July 2004 to April 2010; Managing Director, Columbia Management Distributors, Inc. from August 2007 to April 2010.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
Paul D. Pearson (Born 1956) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2011)	Vice President, Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President, Managed Assets, Investment Accounting, Ameriprise Financial Corporation.
Paul B. Goucher (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2010)	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel from November 2008 to January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman) from July 2008 to November 2008 and Managing Director and Associate General Counsel of Seligman from January 2005 to July 2008.
Christopher O. Petersen (Born 1970) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010) and Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel from April 2004 to January 2010); Senior officer of Columbia Funds and affiliated funds, since 2007.
Michael E. DeFao (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel Bank of America from June 2005 to April 2010

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Important Information About This Report

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities and a copy of the fund's voting records are available (i) at www.columbiamanagement.com, (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 1-800-368-0346. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available from the fund's website, www.columbiamanagement.com.

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Fund is available only through variable annuity contracts and/or variable life insurance policies issued by participating insurance companies, qualified pension or retirement plans or other eligible investors. Please contact your financial advisor or insurance representative for more information.

Please carefully consider the investment objectives, risks, charges and expenses of any Variable Fund and its related variable contract before investing. For Variable Fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectuses carefully before you invest.

ColumbiaManagement®

Columbia Variable Portfolio – Asset Allocation Fund
P.O. Box 8081 Boston, MA 02266-8081

C-1471 A (2/12)

This report must be accompanied or preceeded by the Fund's current prospectus. Columbia Management mutual funds are distributed by Columbia Management Investment Distributors, Inc.
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Annual Report

ColumbiaManagement

Columbia Variable Portfolio – Large Cap Growth Fund

Annual Report for the Period Ended December 31, 2011

Columbia Variable Portfolio – Large Cap Growth Fund seeks to provide shareholders with long-term capital growth.

Please remember that you may not buy (nor will you own) shares of the Fund directly. You invest by buying a variable annuity contract or life insurance policy and allocating your purchase payments to the variable subaccount or variable account (the subaccounts) that invests in the Fund.

Not FDIC insured • No bank guarantee • May lose value

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See the Fund's prospectus for risks associated with investing in the Fund.

Your Fund at a Glance

FUND SUMMARY

- Columbia Variable Portfolio (VP) – Large Cap Growth Fund (the Fund) Class 3 shares declined 3.23% for the 12 months ended December 31, 2011.
- The Fund underperformed its benchmark, the Russell 1000® Growth Index, which increased 2.64% for the same 12-month period.

ANNUALIZED TOTAL RETURNS *(for period ended December 31, 2011)*

	1 year	5 years	10 years
Columbia VP — Large Cap Growth Fund			
Class 1	-3.08%	-2.26%	+0.46%
Class 2	-3.38%	-2.45%	+0.28%
Class 3	-3.23%	-2.28%	+0.45%
Russell 1000 Growth Index (unmanaged)	+2.64%	+2.50%	+2.60%

(See "The Fund's Long-term Performance" for a description of the index.)

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your financial intermediary.

Performance results reflect any fee waivers or reimbursements of fund expenses by the Investment Manager and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

The returns shown for Class 1 and Class 2 shares include the return of the Fund's Class 3 shares (the oldest existing share class) for periods prior to May 3, 2010, the date on which Class 1 and Class 2 shares were first offered by the Fund. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information. Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due.

Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity, life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

The index does not reflect the effects of expenses. It is not possible to invest directly in an index.

Manager Commentary

Columbia Variable Portfolio (VP) – Large Cap Growth Fund (the Fund) Class 3 shares declined 3.23% for the 12 months ended December 31, 2011. The Fund underperformed its benchmark, the Russell 1000® Growth Index (Russell Index), which increased 2.64% for the same 12-month period.

Significant performance factors

Much like the overall equity market, the Fund got off to a good start in the early part of the year with good stock performance, but faced a tougher environment in the latter part of the year. Most of the Fund's underperformance of the Russell Index coincided with the outperformance of defensive stocks in the second half. Amid mounting concerns about Europe's situation, economic slowing in China and Brazil and U.S. debt ceiling debates, stocks with lower valuations and higher dividend yields, as well as stocks in more defensive sectors like utilities, health care and consumer staples, generally performed better. These are not areas we typically emphasize, given the Fund's growth-oriented investment strategy.

Sectors that detracted most from the Fund's performance relative to the Russell Index were technology, financials and energy. Select stocks in the health care and consumer discretionary sectors added to relative performance. We generally keep individual sector weightings similar to the corresponding sector of the Russell Index; therefore, in all sectors, stock selection was primarily responsible for performance relative to the Russell Index.

In the technology sector, investors generally preferred established companies with high yields and defensive business characteristics. An example would be IBM, which performed well throughout the year, but where the Fund had a relatively smaller position because IBM isn't really a growth stock. As investors migrated to defensive stocks, they ran away from stocks with stronger growth characteristics, typically the type of company in the Fund's portfolio. These included some software stocks whose valuations declined even though the companies met or exceeded earnings expectations, including Red Hat, TIBCO Software and Salesforce.com, all of which detracted from the Fund's relative return. Oracle is another software holding that detracted; however, that stock declined due to an earnings shortfall late in the year.

Additional technology detractors came from the communications equipment industry, where slower spending by telecommunications providers compounded the already difficult environment. Juniper Networks and Ciena missed their earnings numbers and the stocks declined as a result. We should note that we sold Ciena and Juniper Networks when we believed their investment theses were no longer working in our favor, thus avoiding the stocks' potential subsequent losses.

SECTOR BREAKDOWN[1] *(at December 31, 2011)*

Consumer Discretionary	14.7%
Consumer Staples	8.4
Energy	10.6
Financials	3.8
Health Care	12.8
Industrials	12.1
Information Technology	30.8
Materials	4.1
Telecommunication Services	1.4
Other[2]	1.3

(1) Percentages indicated are based upon total investments (excluding Investments of Cash Collateral Received for Securities on Loan). The Fund's portfolio composition is subject to change.

(2) Includes Cash Equivalents.

TOP TEN HOLDINGS[1] *(at December 31, 2011)*

Apple, Inc.	5.1%
Google, Inc., Class A	4.1
QUALCOMM, Inc.	2.7
EMC Corp.	2.3
Philip Morris International, Inc.	2.3
Accenture PLC, Class A	2.2
Tyco International Ltd.	2.0
Mastercard, Inc., Class A	1.9
Amazon.com, Inc.	1.8
Biogen Idec, Inc.	1.7

[1] Percentages indicated are based upon total investments (excluding investments of Cash Collateral Received for Securities on Loan and Cash Equivalents).

For further detail about these holdings, please refer to the section entitled "Portfolio of Investments."

Fund holdings are as of the date given, are subject to change at any time, and are not recommendations to buy or sell any securities.

In financials, the Fund's underperformance stemmed mainly from our avoidance of real estate investment trusts (REITs), which advanced sharply for the year. These stocks are primarily dividend-driven rather than growth-oriented, making them less suitable for this Fund, but very appealing to investors in the risk-averse environment of 2011. The Fund's holdings of JP Morgan Chase & Co. also detracted. The stock performed poorly as many areas of the financial industry weakened during the year – trading, underwriting and mergers and acquisitions were down significantly.

In the energy sector, the dynamic was quite similar to technology and financials. Despite energy prices staying relatively high, we think investors preferred the safety and security of the big integrated oil and gas companies. The Fund had a larger weighting in Chevron than the Russell Index, which added to relative return. However, this did not make up for having an underweight in Exxon Mobil (where the Russell Index has a very large weighting). Other stocks that we held instead of having a larger allocation to Exxon Mobil didn't perform as well. Peabody Energy is a large international coal company that underperformed in the second half as coal prices fell in tandem with natural gas prices. Oils services stock Halliburton underperformed due to concern about falling equipment utilization and dayrates (the per-day payment a drilling contractor receives from an oil company).

Materials was a sector that performed very well for the Fund. Both stock selection and having a smaller weighting than the Russell Index added to relative return. Materials is a relatively small sector of the Russell Index, but the Fund benefited from the strong performance of Praxair, a high quality manufacturer of industrial gases.

Several consumer discretionary holdings had positive effects on results relative to the Russell Index. A key theme in the consumer discretionary position is an emphasis on companies that sell to upscale consumers who have been less affected by the difficult economy. Coffee retailer Starbucks and women's yoga attire maker Lululemon Athletica, two holdings that exemplify this theme, were notable contributors for the year.

The Fund also had notable individual contributors in the health care sector, including biotechnology stocks Biogen Idec and Alexion Pharmaceuticals. Both benefited from success with existing products and a pipeline of upcoming products. Specialty pharmaceuticals company Allergan added to relative return as well. The company benefited from favorable trends in its core products such as BOTOX®.

Manager Commentary *(continued)*

Changes to the Fund's portfolio

Over the course of the year, we reduced the number of individual holdings in the Fund as market volatility gave us opportunities to consolidate assets into stocks with better reward/risk potential and where we had greater confidence. As of year end, the Fund had an overweight in health care. This is a function of our bottom-up stock selection, particularly enthusiasm about select companies in the biotechnology area. Conversely, the Fund's consumer staples weighting was smaller than that of the Russell Index.

John Wilson
Portfolio Manager

Peter Deininger
Portfolio Manager

Any specific securities mentioned are for illustrative purposes only and are not a complete list of securities that have increased or decreased in value. The views expressed in this statement reflect those of the portfolio manager(s) only through the end of the period of the report as stated on the cover and do not necessarily represent the views of Columbia Management Investment Advisers, LLC (the Investment Manager) or any subadviser to the Fund or any other person in the Investment Manager or subadviser organizations. Any such views are subject to change at any time based upon market or other conditions and the Investment Manager disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for the Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of the Fund.

Past performance is not a guarantee of future results.

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The Fund's Long-term Performance

The chart on the facing page illustrates the total value of an assumed $10,000 investment in Columbia VP – Large Cap Growth Fund Class 3 shares (from 1/1/02 to 12/31/11) as compared to the performance of the Russell 1000® Growth Index. Returns for the Fund include the reinvestment of any distributions paid during each period.

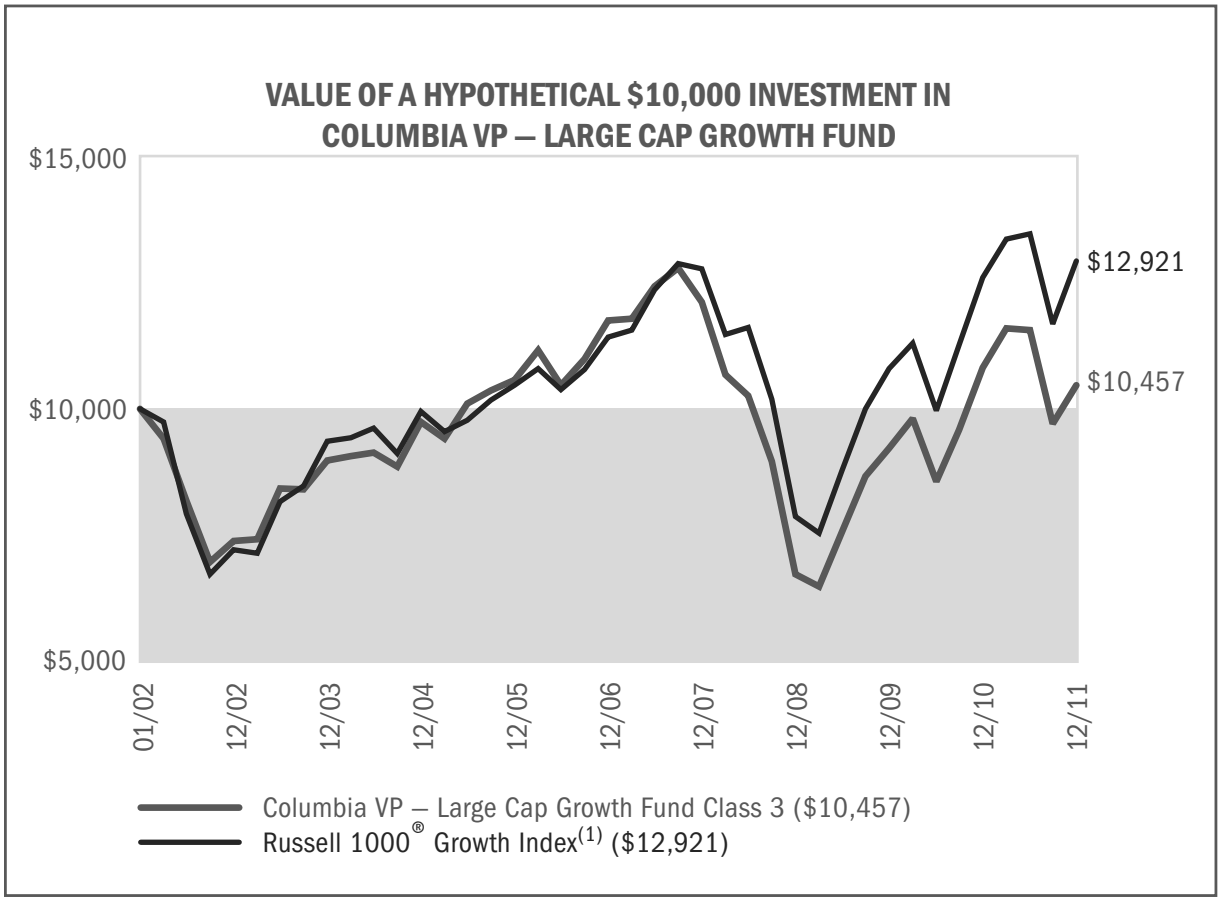
The performance information shown represents past performance and is not a guarantee of future results. The total returns shown do not reflect expenses that apply to the variable account, annuity contract or life insurance policy. The investment return and principal value of your investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information shown. You may obtain performance information current to the most recent month-end by contacting your financial intermediary. Also see "Past Performance" in the Fund's current prospectus.

COMPARATIVE RESULTS

Results at December 31, 2011

		1 year	5 years	10 years
Columbia VP — Large Cap Growth Fund Class 3				
Class 3	Cumulative value of $10,000	$9,677	$8,909	$10,457
	Average annual total return	-3.23%	-2.28%	+0.45%
Russell 1000® Growth Index[1]				
	Cumulative value of $10,000	$10,264	$11,314	$12,921
	Average annual total return	+2.64%	+2.50%	+2.60%

Results for other share classes can be found on page 3



(1) The Russell 1000® Growth Index, an unmanaged index, measures the performance of those stocks in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values. The index reflects reinvestment of all distributions and changes in market prices.

Fund Expense Example

(Unaudited)

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

July 1, 2011 – December 31, 2011

	Account Value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	906.70	1,021.21	3.68	3.90	0.77%
Class 2	1,000.00	1,000.00	905.10	1,019.70	5.11	5.42	1.07%
Class 3	1,000.00	1,000.00	905.30	1,020.61	4.25	4.51	0.89%

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had Columbia Management Investment Advisers, LLC and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments

Columbia Variable Portfolio – Large Cap Growth Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Shares	Value
Common Stocks 98.8%		
CONSUMER DISCRETIONARY 14.8%		
Hotels, Restaurants & Leisure 2.7%		
Las Vegas Sands Corp.[a]	78,046	$3,334,905
Starbucks Corp.[b]	67,384	3,100,338
Total		6,435,243
Internet & Catalog Retail 4.0%		
Amazon.com, Inc.[a]	25,073	4,340,136
Expedia, Inc.	71,324	2,069,823
priceline.com, Inc.[a]	5,009	2,342,760
TripAdvisor, Inc.[a][b]	34,968	881,543
Total		9,634,262
Media 3.3%		
Comcast Corp., Class A	119,006	2,821,632
DISH Network Corp., Class A	79,754	2,271,394
Viacom, Inc., Class B	61,077	2,773,507
Total		7,866,533
Multiline Retail 2.6%		
Macy's, Inc.	100,942	3,248,314
Target Corp.	57,242	2,931,935
Total		6,180,249
Specialty Retail 1.8%		
Abercrombie & Fitch Co., Class A[b]	23,038	1,125,176
TJX Companies, Inc.	51,491	3,323,744
Total		4,448,920
Textiles, Apparel & Luxury Goods 0.4%		
Fossil, Inc.[a][b]	12,381	982,556
TOTAL CONSUMER DISCRETIONARY		35,547,763
CONSUMER STAPLES 8.4%		
Food & Staples Retailing 2.0%		
Costco Wholesale Corp.	39,398	3,282,641
Whole Foods Market, Inc.[b]	22,141	1,540,571
Total		4,823,212
Food Products 1.7%		
Hershey Co. (The)[b]	45,605	2,817,477
Mead Johnson Nutrition Co.	18,778	1,290,612
Total		4,108,089
Personal Products 1.4%		
Estee Lauder Companies, Inc. (The), Class A	31,460	3,533,587
Tobacco 3.3%		
Lorillard, Inc.	20,924	2,385,336
Philip Morris International, Inc.	70,060	5,498,309
Total		7,883,645
TOTAL CONSUMER STAPLES		20,348,533
ENERGY 10.6%		
Energy Equipment & Services 3.3%		
Halliburton Co.	101,973	3,519,088
Nabors Industries Ltd.[a][c]	83,625	1,450,057
National Oilwell Varco, Inc.	44,942	3,055,607
Total		8,024,752

Issuer	Shares	Value
Common Stocks (continued)		
ENERGY (cont.)		
Oil, Gas & Consumable Fuels 7.3%		
Anadarko Petroleum Corp.	30,631	$2,338,064
Apache Corp.	37,156	3,365,591
Chevron Corp.	37,178	3,955,739
Continental Resources, Inc.[a][b]	34,026	2,269,875
Kinder Morgan Management LLC[a][d]	1,381	1
Occidental Petroleum Corp.	31,980	2,996,526
Southwestern Energy Co.[a]	78,215	2,498,187
Total		17,423,983
TOTAL ENERGY		25,448,735
FINANCIALS 3.8%		
Capital Markets 0.6%		
BlackRock, Inc.	8,398	1,496,860
Commercial Banks 0.8%		
Fifth Third Bancorp	149,553	1,902,314
Diversified Financial Services 1.3%		
Citigroup, Inc.	51,983	1,367,673
IntercontinentalExchange, Inc.[a]	15,301	1,844,535
Total		3,212,208
Real Estate Investment Trusts (REITs) 1.1%		
Digital Realty Trust, Inc.[b]	19,580	1,305,399
Simon Property Group, Inc.	9,480	1,222,351
Total		2,527,750
TOTAL FINANCIALS		9,139,132
HEALTH CARE 12.8%		
Biotechnology 3.5%		
Alexion Pharmaceuticals, Inc.[a]	24,788	1,772,342
Alkermes PLC[a][b][c]	69,269	1,202,510
Biogen Idec, Inc.[a]	37,269	4,101,454
Vertex Pharmaceuticals, Inc.[a][b]	38,621	1,282,603
Total		8,358,909
Health Care Equipment & Supplies 1.1%		
Covidien PLC[c]	60,002	2,700,690
Health Care Providers & Services 3.4%		
Cardinal Health, Inc.	61,130	2,482,489
CIGNA Corp.	46,352	1,946,784
Express Scripts, Inc.[a][b]	81,830	3,656,983
Total		8,086,256
Health Care Technology 0.8%		
Cerner Corp.[a][b]	32,788	2,008,265
Life Sciences Tools & Services —%		
Life Technologies Corp.[a]	1,631	63,462
Pharmaceuticals 4.0%		
Allergan, Inc.	35,205	3,088,887
Johnson & Johnson	42,975	2,818,300
Teva Pharmaceutical Industries Ltd., ADR[c]	44,486	1,795,455
Watson Pharmaceuticals, Inc.[a]	32,248	1,945,844
Total		9,648,486
TOTAL HEALTH CARE		30,866,068

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

Columbia Variable Portfolio – Large Cap Growth Fund

Issuer	Shares	Value
Common Stocks (continued)		
INDUSTRIALS 12.1%		
Construction & Engineering 1.0%		
KBR, Inc.	87,587	$2,441,050
Electrical Equipment 1.3%		
Rockwell Automation, Inc.[b]	41,174	3,020,936
Industrial Conglomerates 2.0%		
Tyco International Ltd.[c]	104,088	4,861,950
Machinery 4.5%		
Cummins, Inc.	19,883	1,750,102
Dover Corp.	67,583	3,923,193
Pall Corp.	46,373	2,650,217
Parker Hannifin Corp.	32,110	2,448,387
Total		10,771,899
Road & Rail 3.3%		
JB Hunt Transport Services, Inc.[b]	74,655	3,364,701
Kansas City Southern[a][b]	18,834	1,280,900
Union Pacific Corp.	32,294	3,421,227
Total		8,066,828
TOTAL INDUSTRIALS		29,162,663
INFORMATION TECHNOLOGY 30.8%		
Communications Equipment 2.7%		
QUALCOMM, Inc.	119,025	6,510,668
Computers & Peripherals 7.9%		
Apple, Inc.[a]	29,790	12,064,950
EMC Corp.[a]	256,614	5,527,465
NCR Corp.[a]	80,082	1,318,150
Total		18,910,565
Internet Software & Services 5.3%		
eBay, Inc.[a]	103,744	3,146,555
Google, Inc., Class A[a]	15,013	9,696,897
Total		12,843,452
IT Services 6.1%		
Accenture PLC, Class A[c]	99,715	5,307,829
Alliance Data Systems Corp.[a][b]	20,099	2,087,080
Mastercard, Inc., Class A	11,991	4,470,485
Teradata Corp.[a]	57,394	2,784,183
Total		14,649,577
Semiconductors & Semiconductor Equipment 3.7%		
Analog Devices, Inc.	87,316	3,124,167
Novellus Systems, Inc.[a]	58,432	2,412,657
Texas Instruments, Inc.	119,161	3,468,777
Total		9,005,601
Software 5.1%		
Check Point Software Technologies Ltd.[a][c]	45,532	2,392,251
Microsoft Corp.	138,496	3,595,356
Nuance Communications, Inc.[a]	47,949	1,206,397
Oracle Corp.	111,594	2,862,386
Salesforce.com, Inc.[a][b]	22,011	2,233,236
Total		12,289,626
TOTAL INFORMATION TECHNOLOGY		74,209,489

Issuer	Shares	Value
Common Stocks (continued)		
MATERIALS 4.1%		
Chemicals 3.7%		
Celanese Corp., Class A	53,310	$2,360,033
PPG Industries, Inc.	30,212	2,522,400
Praxair, Inc.	38,299	4,094,163
Total		8,976,596
Metals & Mining 0.4%		
Allegheny Technologies, Inc.	18,051	862,838
TOTAL MATERIALS		9,839,434
TELECOMMUNICATION SERVICES 1.4%		
Wireless Telecommunication Services 1.4%		
American Tower Corp., Class A	58,092	3,486,101
TOTAL TELECOMMUNICATION SERVICES		3,486,101
Total Common Stocks (Cost: $220,680,961)		$238,047,918

	Shares	Value
Money Market Funds 1.3%		
Columbia Short-Term Cash Fund, 0.141%[e][f]	3,085,176	$3,085,176
Total Money Market Funds (Cost: $3,085,176)		$3,085,176

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Investments of Cash Collateral Received for Securities on Loan 9.1%			
Repurchase Agreements 9.1%			
Nomura Securities dated 12/30/11, matures 01/03/12, repurchase price $10,000,111,[g]	0.100%	$10,000,000	$10,000,000
Pershing LLC dated 12/30/11, matures 01/03/12, repurchase price $5,000,078,[g]	0.140%	5,000,000	5,000,000
Societe Generale dated 12/30/11, matures 01/03/12, repurchase price $6,826,304,[g]	0.080%	6,826,244	6,826,244
Total			21,826,244
Total Investments of Cash Collateral Received for Securities on Loan (Cost: $21,826,244)			$21,826,244
Total Investments (Cost: $245,592,381)			$262,959,338
Other Assets & Liabilities, Net			(22,108,497)
Net Assets			$240,850,841

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Portfolio of Investments

(a) Non-income producing.

(b) At December 31, 2011, security was partially or fully on loan.

(c) Represents a foreign security. At December 31, 2011, the value of foreign securities, excluding short-term securities, amounted to $19,710,742 or 8.18% of net assets.

(d) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2011 was $1, representing 0.00% of net assets. Information concerning such security holdings at December 31, 2011 was as follows:

Security Description	Acquisition Dates	Cost
Kinder Morgan Management LLC	12/19/03 - 01/18/05	$–

(e) The rate shown is the seven-day current annualized yield at December 31, 2011.

(f) Investments in affiliates during the year ended December 31, 2011:

Issuer	Beginning cost	Purchase cost	Sales cost/ proceeds from sales	Realized gain/loss	Ending cost	Dividends or interest income	Value
Columbia Short-Term Cash Fund	$1,551,886	$85,443,004	$(83,909,714)	$–	$3,085,176	$4,407	$3,085,176

(g) The table below represents securities received as collateral for repurchase agreements. This collateral, which is generally high quality short-term obligations, is deposited with the Fund's custodian and, pursuant to the terms of the repurchase agreement, must have an aggregate market value greater than or equal to the repurchase price plus accrued interest at all times. The value of securities and/or cash held as collateral for repurchase agreements is monitored on a daily basis to ensure the existence of the proper level of collateral.

Nomura Securities (0.100%)

Security Description	Value
Fannie Mae Pool	$5,051,567
Ginnie Mae I Pool	2,503,071
Ginnie Mae II Pool	2,645,362
Total Market Value of Collateral Securities	$10,200,000

Pershing LLC (0.140%)

Security Description	Value
Fannie Mae Pool	$1,296,707
Fannie Mae REMICS	472,800
Fannie Mae Whole Loan	1,563
Fannie Mae-Aces	5,738
Federal Farm Credit Bank	44,037
Federal Home Loan Banks	49,667
Federal Home Loan Mortgage Corp	39,546
Federal National Mortgage Association	82,047
Freddie Mac Gold Pool	557,082
Freddie Mac Non Gold Pool	167,081
Freddie Mac Reference REMIC	13
Freddie Mac REMICS	377,149
Ginnie Mae I Pool	648,801
Ginnie Mae II Pool	869,203
Government National Mortgage Association	213,316
United States Treasury Bill	8,031
United States Treasury Note/Bond	260,701
United States Treasury Strip Coupon	6,518
Total Market Value of Collateral Securities	$5,100,000

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Portfolio of Investments (continued)

Societe Generale (0.080%)

Security description	Value
Fannie Mae REMICS	$2,103,720
Freddie Mac REMICS	739,871
Government National Mortgage Association	4,119,178
Total Market Value of Collateral Securities	$6,962,769

Abbreviation Legend

ADR	American Depositary Receipt

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 – Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 – Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 – Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

The accompanying Notes to Financial Statements are an integral part of this statement.

Portfolio of Investments *(continued)*

Columbia Variable Portfolio – Large Cap Growth Fund

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description[a]	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs[b]**	**Level 3 significant unobservable inputs**	**Total**
Equity Securities				
Common Stocks				
Consumer Discretionary	$35,547,763	$–	$–	$35,547,763
Consumer Staples	20,348,533	–	–	20,348,533
Energy	25,448,734	1	–	25,448,735
Financials	9,139,132	–	–	9,139,132
Health Care	30,866,068	–	–	30,866,068
Industrials	29,162,663	–	–	29,162,663
Information Technology	74,209,489	–	–	74,209,489
Materials	9,839,434	–	–	9,839,434
Telecommunication Services	3,486,101	–	–	3,486,101
Total Equity Securities	238,047,917	1	–	238,047,918
Other				
Money Market Funds	3,085,176	–	–	3,085,176
Investments of Cash Collateral Received for Securities on Loan	–	21,826,244	–	21,826,244
Total Other	3,085,176	21,826,244	–	24,911,420
Total	$241,133,093	$21,826,245	$–	$262,959,338

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

[a] See the Portfolio of Investments for all investment classifications not indicated in the table.

[b] There were no significant transfers between Levels 1 and 2 during the period.

How to find information about the Fund's quarterly portfolio holdings

(i) The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q;

(ii) The Fund's Forms N-Q are available on the SEC's website at www.sec.gov;

(iii) The Fund's Forms N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (information on the operations of the Public Reference Room may be obtained by calling 800.SEC.0330); and

(iv) The Fund's complete schedule of portfolio holdings, as filed on Form N-Q, can be obtained without charge, upon request, by calling 800.345.6611.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities

December 31, 2011

Assets

Investments, at value*	
Unaffiliated issuers (identified cost $220,680,961)	$238,047,918
Affiliated issuers (identified cost $3,085,176)	3,085,176
Investment of cash collateral received for securities on loan	
Repurchase agreements (identified cost $21,826,244)	21,826,244
Total investments (identified cost $245,592,381)	262,959,338
Receivable for:	
Capital shares sold	3,719
Dividends	177,575
Interest	1,889
Reclaims	34,328
Expense reimbursement due from Investment Manager	31,100
Prepaid expense	9,557
Trustees' deferred compensation plan	27,980
Total assets	263,245,486

Liabilities

Due upon return of securities on loan	21,826,244
Payable for:	
Capital shares purchased	293,328
Investment management fees	142,128
Distribution fees	21,263
Transfer agent fees	12,010
Administration fees	12,010
Other expenses	59,682
Trustees' deferred compensation plan	27,980
Total liabilities	22,394,645
Net assets applicable to outstanding capital stock	$240,850,841

Represented by

Partners' capital	$240,850,841
Total — representing net assets applicable to outstanding capital stock	$240,850,841
*Value of securities on loan	$21,223,269
Net assets applicable to outstanding shares	
Class 1	$44,092,059
Class 2	$7,906,528
Class 3	$188,852,254
Shares outstanding	
Class 1	6,672,653
Class 2	1,201,659
Class 3	28,606,740
Net asset value per share	
Class 1	$6.61
Class 2	$6.58
Class 3	$6.60

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations

Year ended December 31, 2011

Net investment income

Income:	
Dividends	$2,919,519
Dividends from affiliates	4,407
Income from securities lending — net	24,679
Foreign taxes withheld	(12,631)
Total income	2,935,974
Expenses:	
Investment management fees	1,776,859
Distribution fees	
Class 2	14,116
Class 3	271,552
Transfer agent fees	
Class 1	19,038
Class 2	3,379
Class 3	130,340
Administration fees	152,758
Compensation of board members	11,930
Custodian fees	21,146
Printing and postage fees	64,374
Professional fees	30,620
Chief compliance officer expenses	42
Other	9,187
Total expenses	2,505,341
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(211,239)
Total net expenses	2,294,102
Net investment income	641,872

Realized and unrealized gain (loss) – net

Net realized gain (loss) on:	
Investments	22,433,441
Net realized gain	22,433,441
Net change in unrealized appreciation (depreciation) on:	
Investments	(36,648,291)
Foreign currency translations	(257)
Net change in unrealized depreciation	(36,648,548)
Net realized and unrealized loss	(14,215,107)
Net decrease in net assets from operations	$(13,573,235)

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets

Year ended December 31, 2011	2011	2010[a]
Operations		
Net investment income	$641,872	$778,187
Net realized gain	22,433,441	38,467,467
Net change in unrealized depreciation	(36,648,548)	(3,667,235)
Net increase (decrease) in net assets resulting from operations	(13,573,235)	35,578,419
Increase (decrease) in net assets from share transactions	20,933,627	(42,491,598)
Total increase (decrease) in net assets	7,360,392	(6,913,179)
Net assets at beginning of year	233,490,449	240,403,628
Net assets at end of year	$240,850,841	$233,490,449

Year ended Dec. 31,	2011		2010[a]	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	176,322	1,277,429	789	5,000
Fund merger	7,273,180	54,764,794	–	–
Redemptions	(777,638)	(5,364,332)	–	–
Net increase	6,671,864	50,677,891	789	5,000
Class 2 shares				
Subscriptions	175,215	1,209,414	48,386	304,874
Fund merger	1,137,310	8,542,419	–	–
Redemptions	(157,827)	(1,085,793)	(1,425)	(9,064)
Net increase	1,154,698	8,666,040	46,961	295,810
Class 3 Shares				
Subscriptions	194,766	1,366,110	652,560	3,847,465
Redemptions	(5,765,203)	(39,776,414)	(7,775,094)	(46,639,873)
Net increase	(5,570,437)	(38,410,304)	(7,122,534)	(42,792,408)
Total net increase (decrease)	2,256,125	20,933,627	(7,074,784)	(42,491,598)

[a] Class 1 and Class 2 shares are for the period from May 3, 2010 (commencement of operations) to December 31, 2010.

The accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. For periods ended 2009 and after, per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec. 31,	
	2011	2010[a]
Class 1		
Per share data		
Net asset value, beginning of period	$6.82	$6.34
Income from investment operations:		
Net investment income	0.03	0.02
Net realized and unrealized gain (loss)	(0.24)	0.46
Total from investment operations	(0.21)	0.48
Net asset value, end of period	$6.61	$6.82
Total return	(3.08%)	7.57%
Ratios to average net assets[b]		
Expenses prior to fees waived or expenses reimbursed	0.89%	0.83%[c]
Net expenses after fees waived or expenses reimbursed[d]	0.77%	0.83%[c]
Net investment income	0.51%	0.60%[c]
Supplemental data		
Net assets, end of period (in thousands)	$44,092	$5
Portfolio turnover	104%	152%

Notes to Financial Highlights

[a] For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

[b] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] Annualized.

[d] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, before giving effect to any performance incentive adjustment, if applicable.

	Year ended Dec. 31,	
	2011	2010[a]
Class 2		
Per share data		
Net asset value, beginning of period	$6.81	$6.34
Income from investment operations:		
Net investment income	0.02	0.02
Net realized and unrealized gain (loss)	(0.25)	0.45
Total from investment operations	(0.23)	0.47
Net asset value, end of period	$6.58	$6.81
Total return	(3.38%)	7.41%
Ratios to average net assets[b]		
Expenses prior to fees waived or expenses reimbursed	1.15%	1.09%[c]
Net expenses after fees waived or expenses reimbursed[d]	1.02%	1.09%[c]
Net investment income	0.26%	0.50%[c]
Supplemental data		
Net assets, end of period (in thousands)	$7,907	$320
Portfolio turnover	104%	152%

Notes to Financial Highlights

[a] For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

[b] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] Annualized.

[d] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, before giving effect to any performance incentive adjustment, if applicable.

The accompanying Notes to Financial Statements are an integral part of this statement.

	Year ended Dec. 31,				
	2011	2010	2009	2008	2007
Class 3					
Per share data					
Net asset value, beginning of period	$6.82	$5.82	$4.25	$7.65	$7.50
Income from investment operations:					
Net investment income (loss)	0.01	0.02	0.03	0.10	0.08
Net realized and unrealized gain (loss)	(0.23)	0.98	1.54	(3.48)	0.15
Total from investment operations	(0.22)	1.00	1.57	(3.38)	0.23
Less distributions to shareholders from:					
Net investment income	–	–	–	(0.02)	(0.08)
Total distributions to shareholders	–	–	–	(0.02)	(0.08)
Net asset value, end of period	$6.60	$6.82	$5.82	$4.25	$7.65
Total return	(3.23%)	17.16%	37.00%	(44.35%)	3.07%
Ratios to average net assets[a]					
Expenses prior to fees waived or expenses reimbursed	0.99%	0.93%	0.80%	0.75%	0.89%
Net expenses after fees waived or expenses reimbursed[b]	0.92%	0.93%	0.80%	0.75%	0.89%
Net investment income	0.21%	0.34%	0.71%	1.36%	1.01%
Supplemental data					
Net assets, end of period (in thousands)	$188,852	$233,165	$240,404	$275,348	$627,286
Portfolio turnover	104%	152%	152%	150%	116%

Notes to Financial Highlights

[a] Expense ratios include the impact of a performance incentive adjustment, if any. In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[b] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, before giving effect to any performance incentive adjustment, if applicable.

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

December 31, 2011

Note 1. Organization

Columbia Variable Portfolio – Large Cap Growth Fund (the Fund), formerly known as Seligman Variable Portfolio –Growth Fund, a series of Columbia Funds Variable Series Trust II (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. Prior to April 25, 2011, the Trust was named RiverSource Variable Series Trust.

Fund Shares

The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1, Class 2 and Class 3 shares to separate accounts funding variable annuity contracts and variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board, including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation

The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements

The Funds may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions

Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Interest income is recorded on the accrual basis.

Expenses

General expenses of the Trust are allocated to the Funds and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value

All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status

The Fund is treated as a partnership for federal income tax purposes, and the Fund does not expect to make regular distributions. The Fund will not be subject to federal income tax, and therefore, there is no provision for federal income taxes. The partners of the Fund are subject to tax on their distributive share of the Fund's income and loss. The components of the Fund's net assets are reported at the partner-level for federal income tax purposes, and therefore, are not presented in the Statement of Assets and Liabilities.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Foreign Taxes

The Funds may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Funds will accrue such taxes and recoveries, as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Realized gains in certain countries may be subject to foreign taxes at the Fund level, based on statutory rates. The Fund accrues for such foreign taxes on net realized and unrealized gains at the appropriate rate for each jurisdiction, as applicable.

Guarantees and Indemnifications

Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board (FASB) issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees

Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. Effective April 30, 2011, the management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.71% to 0.54% as the Fund's net assets increase. Prior to April 30, 2011, the rates were an annual fee that declined from 0.600% to 0.375% as assets increased. Also, prior to April 30, 2011, the fee was adjusted upward or downward by a performance incentive adjustment (PIA) determined monthly by measuring the percentage difference over a rolling 12-month period between the annualized performance of one Class 3 share of the Fund and the annualized performance of the Lipper Large-Cap Growth Funds Index. The maximum adjustment was 0.12% per year. If the performance difference was less than 0.50%, the adjustment was zero. The adjustment increased the management fee by $54,555 for the year ended December 31, 2011. The effective management fee rate for the year ended December 31, 2011 was 0.70% of the Fund's average daily net assets, including the adjustment under the terms of the PIA. Effective April 30, 2011, the PIA was terminated.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to a percentage of the Fund's average

daily net assets that declines from 0.06% to 0.03% as the Fund's net assets increase. The effective administration fee rate for the year ended December 31, 2011 was 0.06% of the Fund's average daily net assets.

Other Fees

Other expenses are for, among other things, certain expenses of the Fund or the Board including, Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board.

For the year ended December 31, 2011, there were no expenses incurred for these particular items.

Compensation of Board Members

Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund as defined under the 1940 Act may elect to defer payment of up to 100% of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of certain funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Transfer Agency Fees

The Fund has a Transfer Agency and Dividend Disbursing Agent Agreement with Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial. The annual fee rate under this agreement is 0.06% of the Fund's average daily net assets. The Transfer Agent also receives compensation from fees for various shareholder services and reimbursements for certain out-of-pocket expenses.

Distribution Fees

The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Under a Plan and Agreement of Distribution pursuant to Rule 12b-1, the Fund pays a fee at an annual rate of up to 0.25% of the Fund's average daily net assets attributable to Class 2 shares and an annual rate of up to 0.125% of the Fund's average daily net assets attributable to Class 3 shares. The Fund pays no distribution and service fees for Class 1 shares.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates

Effective April 30, 2011, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), through April 30, 2012, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and/or overdraft charges from the Fund's custodian, do not exceed the annual rates as a percentage of the class' average daily net assets:

Class 1	0.765%
Class 2	1.015
Class 3	0.890

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

Prior to April 30, 2011, there was no contractual limitation.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $261,894,632 and $304,820,219, respectively, for the year ended December 31, 2011.

Note 5. Lending of Portfolio Securities

The Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned. At December 31, 2011, securities valued at $21,223,269 were on loan, secured by cash collateral of $21,826,244 (which does not reflect calls for collateral made to borrowers by JPMorgan at period end) that is partially or fully invested in short-term securities or other cash equivalents.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. Net income earned from securities lending for the year ended December 31, 2011 is disclosed in the Statement of Operations. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Note 6. Affiliated Money Market Fund

The Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 7. Shareholder Concentration

At December 31, 2011, one unaffiliated shareholder account indirectly owned 17.2% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially. Affiliated shareholder accounts indirectly owned 79.1% of the outstanding shares of the Fund. Subscription and redemption activity of these accounts may have a significant effect on the operations of the Fund.

Note 8. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum.

Prior to December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

The Fund had no borrowings during the year ended December 31, 2011.

Note 9. Fund Merger

At the close of business on April 29, 2011, the Fund acquired the assets and assumed the identified liabilities of Columbia Large Cap Growth Fund, Variable Series (the acquired fund), a series of Columbia Funds Variable Insurance Trust. The reorganization was completed after shareholders of the acquired fund approved a plan of reorganization on February 15, 2011. The purpose of the transaction was to combine two funds managed by the Investment Manager with comparable investment objectives and strategies.

The aggregate net assets of the Fund immediately before the acquisition were $244,494,303 and the combined net assets immediately after the acquisition were $307,801,516.

The merger was accomplished by a tax-free exchange of 1,979,922 shares of the acquired fund valued at $63,307,213 (including $13,585,216 of unrealized appreciation).

In exchange for the acquired fund's shares, the Fund issued the following number of shares:

	Shares
Class 1	7,273,180
Class 2	1,137,310

For financial reporting purposes, net assets received and shares issued by the Fund were recorded at fair value; however, the acquired fund's cost of investments was carried forward. The financial statements reflect the operations of the Fund for the period prior to the merger and the combined Fund for the period subsequent to the merger. Because the combined investment portfolios have been managed as a single integrated portfolio since the merger was completed, it is not practicable to separate the amounts of revenue and earnings of the acquired fund that have been included in the combined Fund's Statement of Operations since the merger was completed.

Assuming the merger had been completed on January 1, 2011, the Fund's pro-forma net investment income, net gain on investments, net change in unrealized depreciation and net decrease in net assets from operations for the year ended December 31, 2011, would have been approximately $0.7 million, $26.4 million, $(34.5) million and $(7.4) million, respectively.

Note 10. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 11. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the

District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
Columbia Variable Portfolio – Large Cap Growth Fund:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Columbia Variable Portfolio – Large Cap Growth Fund (formerly known as Seligman VP – Growth Fund) (the Fund) (one of the portfolios constituting the Columbia Funds Variable Series Trust II) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the Fund for the periods presented through December 31, 2008, were audited by other auditors whose report dated February 27, 2009, expressed an unqualified opinion on those financial highlights.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Columbia Variable Portfolio – Large Cap Growth Fund of the Columbia Funds Variable Series Trust II at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Minneapolis, Minnesota
February 17, 2012

Board Members and Officers

Shareholders elect the Board that oversees the funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve until the next Board meeting after he or she reaches the mandatory retirement age established by the Board, or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

On Sept. 29, 2009, Ameriprise Financial, the parent company of Columbia Management, entered into an agreement with Bank of America, N.A. ("Bank of America") to acquire a portion of the asset management business of Columbia Management Group, LLC and certain of its affiliated companies (the "Transaction"). Following the Transaction, which became effective on May 1, 2010, various alignment activities have occurred with respect to the Fund Family. In connection with the Transaction, Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Mr. John J. Nagorniak, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, who were members prior to the Transaction of the Legacy Columbia Nations Funds' Board ("Nations Funds"), which includes Columbia Funds Series Trust, Columbia Funds Variable Insurance Trust I and Columbia Funds Master Investment Trust, LLC, began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011, which resulted in an overall increase from twelve Trustees to sixteen for all mutual funds overseen by the Board.

Independent Board Members

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	153	None
Edward J. Boudreau, Jr. 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	146	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard-Partners in Cross Cultural Leadership (consulting company)	153	None
William P. Carmichael 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	146	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel); McMoRan Exploration Company (oil and gas exploration and development); Former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 Age 61	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University; former Dean, McCallum Graduate School of Business, Bentley University	153	None

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
William A. Hawkins 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	146	Trustee, BofA Funds Series Trust (11 funds)
R. Glenn Hilliard 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 69	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (formerly Conseco, Inc.) (insurance), September 2003 –May 2011	146	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 Age 73	Chair of the Board for RiverSource Funds since 1/07, Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds	President Emeritus and Professor of Economics Emeritus, Carleton College	153	Valmont Industries, Inc. (manufactures irrigation systems)
John F. Maher 901 S. Marquette Ave. Minneapolis, MN 55402 Age 68	Board member since 12/06 for Legacy Seligman funds, since 12/08 for RiverSource Funds and since 6/11 for Nations Funds	Retired President and Chief Executive Officer and former Director, Great Western Financial Corporation (financial services), 1986-1997	153	None
John J. Nagorniak 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Retired; President and Director, Foxstone Financial, Inc. (consulting), 2000-2007; Director, Mellon Financial Corporation affiliates (investing), 2000-2007; Chairman, Franklin Portfolio Associates (investing – Mellon affiliate) 1982-2007	146	Trustee, Research Foundation of CFA Institute; Director, MIT Investment Company; Trustee, MIT 401k Plan; former Trustee, BofA Funds Series Trust (11 funds)
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 Age 59	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	153	None
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 Age 70	Board member since 2000 for legacy Seligman funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. since 2004; former Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation	153	Digital Ally, Inc. (digital imaging); Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services)

Board Members and Officers *(continued)*

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Minor M. Shaw 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 64	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President – Micco LLC (private investments)	146	Former Trustee, BofA Funds Series Trust (11 funds); Piedmont Natural Gas; Director, Blue Cross Blue Shield of South Carolina
Alison Taunton-Rigby 901 S. Marquette Ave Minneapolis, MN 55402 Age 67	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc. 2003-2010 (biotechnology); former President, Aquila Biopharmaceuticals	153	Director Healthways, Inc. (health management programs); Director, ICI Mutual Insurance Company RRG; Director, Abt Associates (government contractor)

Interested Board Member Not Affiliated with Investment Manager*

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Anthony M. Santomero* 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 65	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008; President and Chief Executive Officer, Federal Reserve Bank of Philadelphia, 2000-2006	146	Director, Renaissance Reinsurance Ltd.; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup; Director, Citibank, N.A.; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the investment manager or Ameriprise Financial. However, he is currently deemed by the funds to be an "interested person" (as defined in the 1940 Act) of the funds because he serves as a Director of Citigroup, Inc. and Citibank N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the funds or accounts advised/managed by the investment manager.

Interested Board Member Affiliated with Investment Manager* (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 Age 51	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	Chairman of the Board, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. (formerly RiverSource Fund Distributors, Inc.) since May 2010 (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010.	153	None

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the investment manager or Ameriprise Financial.

Board Members and Officers *(continued)*

The SAI has additional information about the Fund's Board members and is available, without charge, upon request by calling 800.345.6611; or contacting your financial intermediary.

The Board has appointed officers who are responsible for day-to-day business decisions based on policies it has established. The officers serve at the pleasure of the Board. In addition to Mr. Truscott, who is Senior Vice President, the funds' other officers are:

Name, address, age	Position held with funds and length of service	Principal occupation during past five years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 Age 47	President and Principal Executive Officer since 5/10 for RiverSource Funds and 2009 for Nations Funds	Senior Vice President and General Manager — Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Columbia Management Advisors, LLC, December 2004 – April 2010; Senior Vice President and Chief Financial Officer, Columbia Funds, June 2008-January 2009; Treasurer, Columbia Funds, October 2003 – May 2008
Amy K. Johnson 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 46	Vice President since 12/06 for RiverSource Funds and 5/10 for Nations Funds	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since May 2010 (previously Chief Administrative Officer, 2009 – April 2010 and Vice President — Asset Management and Trust Company Services, 2006-2009)
Michael G. Clarke 225 Franklin Street Boston, MA 02110 Age 42	Treasurer since 1/11 and Chief Financial Officer since 4/11 for RiverSource Funds and Treasurer since 3/11 and Chief Financial Officer since 2009 for Nations Funds	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, September 2004 — April 2010; senior officer of Columbia Funds and affiliated funds since 2002
Scott R. Plummer 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 52	Senior Vice President and Chief Legal Officer since 12/06 and Assistant Secretary since 6/11 for RiverSource Funds and Senior Vice President and Chief Legal Officer since 5/10 and Assistant Secretary since 6/11 for Nations Funds	Vice President, Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since June 2005; Vice President and Lead Chief Counsel — Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel — Asset Management, 2005-April 2010); Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. (formerly RiverSource Fund Distributors, Inc.) since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006
Colin Moore 225 Franklin Street Boston, MA 02110 Age 53	Senior Vice President since 5/10 for RiverSource Funds and Nations Funds	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer, Columbia Management Advisors, LLC, 2007 – April 2010; Head of Equities, Columbia Management Advisors, LLC, 2002 – September 2007
Linda J. Wondrack 225 Franklin Street Boston, MA 02110 Age 47	Senior Vice President since 4/11 and Chief Compliance Officer since 5/10 for RiverSource Funds and 2007 for Nations Funds	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, June 2005 – April 2010
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 Age 54	Vice President since 4/11 for RiverSource Funds and 2006 for Nations Funds	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc., July 2004 — April 2010; Managing Director, Columbia Management Distributors, Inc., August 2007 — April 2010
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 Age 42	Vice President and Secretary since 4/11 for RiverSource Funds and 3/11 for Nations Funds	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel, April 2004 — January 2010); Assistant Secretary of Legacy RiverSource Funds, January 2007 – April 2011 and of the Nations Funds, May 2010 – March 2011

Name, address, age	Position held with funds and length of service	Principal occupation during past five years
Paul D. Pearson 10468 Ameriprise Financial Center Minneapolis, MN 55474 Age 55	Vice President since 4/11 and Assistant Treasurer since 1/99 for RiverSource Funds and Vice President and Assistant Treasurer since 6/11 for Nations Funds	Vice President – Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President – Managed Assets, Investment Accounting, Ameriprise Financial Corporation, February 1998 – May 2010
Joseph F. DiMaria 225 Franklin Street Boston, MA 02110 Age 43	Vice President and Chief Accounting Officer since 4/11 and Vice President since 3/11 and Chief Accounting Officer since 2008 for Nations Funds	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC, January 2006 – April 2010;
Paul B. Goucher 100 Park Avenue New York, NY 10017 Age 43	Vice President since 4/11 and Assistant Secretary since 11/08 for RiverSource Funds and 5/1/10 for Nations Funds	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel, November 2008 – January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman), July 2008 – November 2008 and Managing Director and Associate General Counsel of Seligman, January 2005 – July 2008
Michael E. DeFao 225 Franklin Street Boston, MA 02110 Age 44	Vice President since 4/11 and Assistant Secretary since 5/10 for RiverSource Funds and 2011 for Nations Funds	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel, Bank of America, June 2005 – April 2010

Proxy Voting

The policy of the Board is to vote the proxies of the companies in which the Fund holds investments consistent with the procedures as stated in the Statement of Additional Information (SAI). You may obtain a copy of the SAI without charge by calling 800.345.6611; contacting your financial intermediary; or searching the website of the Securities and Exchange Commission (SEC) at www.sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities is filed with the SEC by August 31 for the most recent 12-month period ending June 30 of that year, and is available without charge by visiting columbiamanagement.com; or searching the website of the SEC at www.sec.gov.

Notes

Notes

Notes

ColumbiaManagement®

Columbia VP – Large Cap Growth Fund
P.O. Box 8081
Boston, MA 02266-8081

This report must be accompanied or preceded by the Fund's current prospectus. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Adviser, LLC.
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S-6464 A (2/12)

ColumbiaManagement

Columbia Variable Portfolio - Money Market Fund

Annual Report for the Period Ended December 31, 2011

Not FDIC insured • No bank guarantee • May lose value

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Performance Information

Columbia Variable Portfolio – Money Market Fund / December 31, 2011

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. An investment in the fund is not bank deposit and is not insured or guaranteed by Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC ("the Investment Manager") and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

Average annual total return as of December 31, 2011 (%)

	1-year	5-year	10-year
Columbia Variable Portfolio – Money Market Fund (01/01/89)	0.00	1.55	1.80

Inception date of the fund is in parentheses.

7-day yield 0.00%

The 7-day yield reflects the earnings of the fund as of 12/31/11, while the total return reflects past holding periods.

Net asset value per share ($)	12/31/10	12/31/11
Columbia Variable Portfolio – Money Market Fund	1.00	1.00

Portfolio Breakdown[1] (at December 31, 2011) (%)

Asset-Backed Securities – Non-Agency	3.3
U.S. Government & Agency Obligations	17.6
Asset-Backed Commercial Paper	20.0
Certificates of Deposit	16.5
Commercial Paper	23.1
Repurchase Agreements	10.1
Treasury Note Short-Term	9.4

[1] Percentages indicated are based upon total investments.

Understanding Your Expenses

Columbia Variable Portfolio – Money Market Fund / December 31, 2011

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension or retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

07/01/11 – 12/31/11	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,000.00	1,024.42	0.65	0.66	0.13

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had the Investment Manager and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments – Columbia Variable Portfolio – Money Market Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Effective Yield	Par/ Principal/ Shares	Value
Asset-Backed Commercial Paper 20.0%			
Charta LLC			
01/03/12	0.010%	$3,000,000	$2,999,997
Fairway Finance Co. LLC(b)			
01/20/12	0.210%	3,000,000	2,999,633
Jupiter Securitization Co. LLC			
01/17/12	0.130%	3,000,000	2,999,802
Market Street Funding LLC(b)			
01/23/12	0.140%	3,000,000	2,999,732
Metlife Short Term Funding LLC(b)			
01/05/12	0.200%	2,000,000	1,999,933
Thunder Bay Funding LLC(b)			
03/01/12	0.220%	3,000,000	2,998,882
Total Asset-Backed Commercial Paper			
(Cost: $16,997,979)			$16,997,979
Commercial Paper 22.9%			
Banking 14.1%			
Bank Of Nova Scotia Trust Co.			
01/04/12	0.020%	$3,000,000	$2,999,993
Barclays U.S. Funding Corp.			
01/03/12	0.070%	3,000,000	2,999,978
Canadian Imperial Holdings, Inc.(c)			
01/06/12	0.030%	3,000,000	2,999,985
State Street Corp.			
01/10/12	0.180%	3,000,000	2,999,833
Total			11,999,789
Life Insurance 2.9%			
New York Life Capital Corp.			
03/12/12	0.160%	2,500,000	2,499,200
Non-Captive Diversified 3.5%			
General Electric Capital Corp.			
01/03/12	0.020%	3,000,000	2,999,993
Pharmaceuticals 2.4%			
Roche Holdings, Inc.			
02/06/12	0.060%	2,000,000	1,999,877
Total Commercial Paper			
(Cost: $19,498,859)			$19,498,859
Certificates of Deposit 16.5%			
Bank Of Montreal			
01/04/12	0.060%	$3,000,000	$3,000,000
Chase Bank U.S.A.			
01/03/12	0.010%	3,000,000	3,000,000
Royal Bank Of Canada(c)			
01/03/12	0.010%	3,000,000	3,000,000
Toronto Dominion Bank			
02/07/12	0.090%	3,000,000	3,000,000
Westpac Banking Corp.(d)			
07/03/12	0.558%	2,000,000	2,000,000
Total Certificates of Deposit			
(Cost: $14,000,000)			$14,000,000

Issuer	Effective Yield	Par/ Principal/ Shares	Value
U.S. Government & Agency Obligations 17.5%			
Federal Home Loan Bank Discount Notes(a)			
01/03/12	0.000%	$4,000,000	$4,000,000
Federal Home Loan Banks			
09/05/12	0.190%	2,500,000	2,500,000
09/19/12	0.350%	1,500,000	1,500,000
12/10/12	0.300%	900,000	900,000
Federal Home Loan Mortgage Corp. Discount Notes			
05/09/12	0.040%	4,000,000	3,999,422
05/22/12	0.040%	2,000,000	1,999,682
Total U.S. Government & Agency Obligations			
(Cost: $14,899,104)			$14,899,104
U.S. Government-Insured Debt 2.4%			
Straight-A Funding LLC U.S. Treasury Government Guaranty			
02/14/12	0.150%	$2,000,000	$1,999,625
Total U.S. Government-Insured Debt			
(Cost: $1,999,625)			$1,999,625
Repurchase Agreements 10.1%			
Tri-Party Barclays Bank PLC, dated 12/30/11, due 01/03/12 at 0.020%, collateralized by U.S. Treasury obligation maturing 05/31/14, market value $8,756,630 (repurchase proceeds $8,600,019)		$8,600,000	$8,600,000
Total Repurchase Agreements			
(Cost: $8,600,000)			$8,600,000
Treasury Note Short-Term 7.1%			
U.S. Treasury Bills			
01/05/12	0.030%	$2,000,000	$1,999,992
01/12/12	0.040%	4,000,000	3,999,946
Total Treasury Note Short-Term			
(Cost: $5,999,938)			$5,999,938

Issuer	Coupon Rate	Principal Amount	Value
Asset-Backed Securities – Non-Agency 3.3%			
Car Loan 3.3%			
AmeriCredit Automobile Receivables Trust			
Series 2011-4 Class A1			
10/09/12	0.339%	$625,370	$625,370
Series 2011-5 Class A1			
11/08/12	0.433%	499,882	499,882
Enterprise Fleet Financing LLC(b)			
Series 2011-2 Class A1			
07/20/12	0.384%	510,784	510,784
Series 2011-3 Class A1			
11/20/12	0.589%	408,907	408,907

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Coupon Rate	Principal Amount	Value
Asset-Backed Securities – Non-Agency (continued)			
Car Loan (cont.)			
Santander Drive Auto Receivables Trust Series 2011-1 Class A1 05/15/12	0.312%	$151,858	$151,858
Volkswagen Auto Lease Trust Series 2011-A Class A1 11/20/12	0.461%	590,995	590,995
Total			2,787,796
Total Asset-Backed Securities—Non-Agency (Cost: $2,787,796)			$2,787,796
Total Investments (Cost: $84,783,301)			$84,783,301
Other Assets & Liabilities, Net			184,375
Net Assets			$84,967,676

The Accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Portfolio of Investments

(a) Zero coupon bond.

(b) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2011, the value of these securities amounted to $11,917,871 or 14.03% of net assets.

(c) Represents a foreign security. At December 31, 2011, the value of foreign securities amounted to $5,999,985 or 7.06% of net assets.

(d) Variable rate security. The interest rate shown reflects the rate as of December 31, 2011.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Short-term securities are valued using amortized cost, as permitted under Rule 2a-7 of the Investment Company Act of 1940, as amended. Generally, amortized cost approximates the current fair value of these securities, but because the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description(a)	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs(b)**	**Level 3 significant unobservable inputs**	**Total**
Bonds				
Asset-Backed Securities—Non-Agency	$—	$2,787,796	$—	$2,787,796
U.S. Government & Agency Obligations	—	14,899,104	—	14,899,104
Total Bonds	—	17,686,900	—	17,686,900
Short-Term Securities				
Asset-Backed Commercial Paper	—	16,997,979	—	16,997,979
Certificates of Deposit	—	14,000,000	—	14,000,000
Commercial Paper	—	19,498,859	—	19,498,859
Repurchase Agreements	—	8,600,000	—	8,600,000
Treasury Note Short-Term	—	7,999,563	—	7,999,563
Total Short-Term Securities	—	67,096,401	—	67,096,401
Total	$—	$84,783,301	$—	$84,783,301

The Fund's assets assigned to the Level 2 input category represent certain short-term obligations which are valued using amortized cost, an income approach which converts future cash flows to a present value based upon the discount or premium at purchase.

(a) See the Portfolio of Investments for all investment classifications not indicated in the table.

(b) There were no significant transfers between Levels 1 and 2 during the period.

Statement of Assets and Liabilities – Columbia Variable Portfolio – Money Market Fund

December 31, 2011

Assets	
Investments, at value	
(identified cost $76,183,301)	$76,183,301
Repurchase Agreements	
(identified cost $8,600,000)	8,600,000
Cash	124,439
Receivable for:	
Capital shares sold	115,640
Interest	2,518
Expense reimbursement due from Investment Manager	38,204
Prepaid expense	1,566
Trustees' deferred compensation plan	37,207
Total assets	85,102,875
Liabilities	
Payable for:	
Capital shares purchased	18,513
Investment management fees	24,770
Transfer agent fees	4,246
Administration fees	10,616
Chief compliance officer expenses	366
Other expenses	39,481
Trustees' deferred compensation plan	37,207
Total liabilities	135,199
Net assets applicable to outstanding capital stock	$84,967,676

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities (continued) — Columbia Variable Portfolio – Money Market Fund

December 31, 2011

Represented by	
Paid-in capital	$85,006,671
Overdistributed net investment income	(34,345)
Accumulated net realized loss	(4,650)
Total — representing net assets applicable to outstanding capital stock	$84,967,676
Net assets applicable to outstanding shares	
Class 1	$84,967,676
Shares outstanding	
Class 1	85,053,275
Net asset value per share	
Class 1	$ 1.00

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations – Columbia Variable Portfolio – Money Market Fund

Year Ended December 31, 2011

Net investment income	
Income:	
Interest	$ 158,370
Total income	158,370
Expenses:	
Investment management fees	342,858
Transfer agent fees	58,775
Administration fees	146,939
Compensation of board members	15,588
Pricing and bookkeeping fees	28,681
Custodian fees	15,585
Printing and postage fees	17,262
Professional fees	44,232
Chief compliance officer expenses	827
Other	5,921
Total expenses	676,668
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(518,271)
Expense reductions	(27)
Total net expenses	158,370
Net investment income	$—
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	290
Net gain	290
Net increase in net assets resulting from operations	$ 290

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets – Columbia Variable Portfolio – Money Market Fund

Year ended December 31,	2011	2010
Operations		
Net investment income	$ —	$ —
Net realized gain (loss)	290	(6)
Net increase (decrease) in net assets resulting from operations	290	(6)
Distributions to shareholders from:		
Net investment income	—	(33,665)
Increase (decrease) in net assets from share transactions	(24,686,233)	(19,044,895)
Total decrease in net assets	(24,685,943)	(19,078,566)
Net assets at beginning of year	109,653,619	128,732,185
Net assets at end of year	$ 84,967,676	$109,653,619
Overdistributed net investment income	$ (34,345)	$ (37,034)

Year ended December 31,	2011		2010	
	Shares	Dollars($)	Shares	Dollars($)
Capital stock activity				
Class 1 shares				
Subscriptions	24,995,324	24,995,324	57,556,856	57,556,856
Distributions reinvested	—	—	33,665	33,665
Redemptions	(49,681,557)	(49,681,557)	(76,635,418)	(76,635,416)
Net decrease	(24,686,233)	(24,686,233)	(19,044,897)	(19,044,895)
Total net decrease	**(24,686,233)**	**(24,686,233)**	**(19,044,897)**	**(19,044,895)**

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights – Columbia Variable Portfolio – Money Market Fund

The following table is intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts of the Fund are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec 31, 2011				
	2011	**2010**	**2009**	**2008**	**2007**
Class 1					
Per share data					
Net asset value, beginning of period	$1.00	$1.00	$1.00	$1.00	$1.00
Income from investment operations:					
Net investment income	—	—	0.00[a]	0.03	0.05
Net realized and unrealized gain (loss)	0.00[a]	(0.00)[a]	—	0.00[a]	0.00[a]
Total from investment operations	0.00[a]	(0.00)[a]	0.00[a]	0.03	0.05
Less distributions to shareholders from:					
Net investment income	—	(0.00)[a]	(0.00)[a]	(0.03)	(0.05)
Total distributions to shareholders	—	(0.00)[a]	(0.00)[a]	(0.03)	(0.05)
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00
Total return	0.00%	0.03%	0.23%	2.58%[d]	5.02%
Ratios to average net assets					
Expenses prior to fees waived or expenses reimbursed	0.69%	0.67%	0.67%	0.64%	0.60%
Net expenses after fees waived or expenses reimbursed[b][c]	0.16%	0.26%	0.44%	0.46%	0.45%
Net investment income[c]	0.00%	0.00%	0.25%	2.56%	4.91%
Supplemental data					
Net assets, end of period (in thousands)	$84,968	$109,654	$128,732	$164,340	$181,348

Notes to Financial Highlights

[a] Rounds to less than $0.01.

[b] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[c] The benefits derived from expense reductions had an impact of less than 0.01%.

[d] Had affiliates of the Investment Manager not reimbursed the Fund for realized losses on securities and not provided capital support, total return would have been 1.87%.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Note 1. Organization

Columbia Variable Portfolio – Money Market Fund (the Fund), formerly known as Columbia Money Market Fund, Variable Series, a series of Columbia Funds Variable Insurance Trust (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. On May 2, 2011, Columbia Money Market Fund, Variable Series was renamed Columbia Variable Portfolio – Money Market Fund.

Fund Shares—The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 shares to separate accounts funding variable annuity contracts and/or variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors (collectively, Qualified Investors) authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure. On May 2, 2011, Class A shares of the Fund were renamed Class 1 shares.

Note 2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation—Securities in the Fund are valued utilizing the amortized cost valuation method permitted in accordance with Rule 2a-7 under the 1940 Act provided certain conditions are met, including that the Board of Trustees (the Board) continues to believe that the amortized cost valuation method fairly reflects the market-based net asset value per share of the Fund. This method involves valuing a portfolio security initially at its cost and thereafter assuming a constant accretion or amortization to maturity of any discount or premium, respectively. The Board has established procedures intended to stabilize the Fund's net asset value for purposes of sales and redemptions at $1.00 per share. These procedures include determinations, at such intervals as the Board deems appropriate and reasonable in light of current market conditions, of the extent, if any, to which the Fund's market-based net asset value deviates from $1.00 per share. In the event such deviation exceeds 1/2 of 1%, the Board will promptly consider what action, if any, should be initiated.

Repurchase Agreements—The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Security Transactions—Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition—Interest income is recorded on the accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any.

Expenses—General expenses of the Trust are allocated to the Fund and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund.

Federal Income Tax Status—The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Shareholders—Distributions from net investment income, if any, are declared daily and paid monthly. Net realized capital gains, if any, are distributed at least annually after the fiscal year in which the capital gains were earned or more frequently to seek to maintain a net asset value of $1.00 per share, unless offset by any available capital loss carryforward. Income distributions and capital

gain distributions are determined in accordance with federal income tax regulations which may differ from GAAP.

Guarantees and Indemnifications—Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees—Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to a percentage of the Fund's average daily net assets that declines from 0.35% to 0.25% as the Fund's net assets increase. The effective management fee rate for the year ended December 31, 2011 was 0.35% of the Fund's average daily net assets.

Administration Fees—Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.15% of the Fund's average daily net assets.

Prior to July 11, 2011, the administration fee was equal to the annual rate of 0.15% of the Fund's average daily net assets, less the fees that were payable by the Fund as described under the Pricing and Bookkeeping Fees note below.

Pricing and Bookkeeping Fees—Prior to July 11, 2011, the Fund had entered into a Financial Reporting Services Agreement (the Financial Reporting Services Agreement) with State Street Bank and Trust Company (State Street) and the Investment Manager pursuant to which State Street provided financial reporting services to the Fund. The Fund also entered into an Accounting Services Agreement (collectively with the Financial Reporting Services Agreement, the State Street Agreements) with State Street and the Investment Manager pursuant to which State Street provided accounting services to the Fund. Under the State Street Agreements, the Fund paid State Street an annual fee of $38,000 paid monthly plus an additional monthly fee based on an annualized percentage rate of average daily net assets of the Fund for the month. The aggregate fee did not exceed $140,000 per year (exclusive of out-of-pocket expenses and charges). The Fund also reimbursed State Street for certain out-of-pocket expenses and charges. Effective July 11, 2011, these services are now provided under the Administrative Services Agreement discussed above.

Compensation of Board Members—Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. The Trust's eligible Trustees may participate in a Deferred Compensation Plan (the Plan) which may be terminated at any time. Obligation of the Plan will be paid solely out of the Fund's assets.

Compensation of Chief Compliance Officer—The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. The Fund, along with other affiliated funds, pays its pro-rata share of the expenses associated with the Chief Compliance Officer. The Fund's expenses for the Chief Compliance Officer will not exceed $15,000 per year.

Transfer Agent Fee—Under a Transfer and Dividend Disbursing Agent Agreement, Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, is responsible for providing transfer agency services to the Fund. The Transfer Agent has contracted with Boston Financial Data Services (BFDS) to serve as

sub-transfer agent. The Transfer Agent receives a monthly fee for its services at the annual rate of 0.06% of the average daily net assets attributable to Class 1 shares of the Fund.

The Transfer Agent may also retain, as additional compensation for its services, fees for wire, telephone and redemption orders, account transcript fees due to the Transfer Agent from shareholders of the Fund and interest (net of bank charges) earned with respect to balances in accounts the Transfer Agent maintains in connection with its services to the Fund.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates—Effective May 1, 2011, the Investment Manager and certain of its affiliates have contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below, through April 30, 2012, unless sooner terminated at the sole discretion of the Board, so that the Fund's net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rate of 0.45% of the Fund's average daily net assets attributable to Class 1 shares.

Under the agreement, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if applicable: taxes (including foreign transaction taxes), expenses associated with investments in affiliated and non-affiliated pooled investment vehicles (including mutual funds and exchange traded funds), transaction costs and brokerage commissions, costs related to any securities lending program, dividend expenses associated with securities sold short, inverse floater program fees and expenses, transaction charges and interest on borrowed money, interest, extraordinary expenses and any other expenses the exclusion of which is specifically approved by the Board. This agreement may be modified or amended only with approval from all parties.

In addition, the Investment Manager has voluntarily undertaken to waive its receipt of certain Fund expenses (consisting of investment management and administration fees) to the extent necessary in order to maintain a minimum annualized net yield of 0.00% for the Fund. This arrangement may be modified or terminated by the Investment Manager at any time.

Prior to May 1, 2011, the Investment Manager voluntarily agreed to reimburse a portion of the Fund's expenses (excluding certain expenses, such as distribution and services fees, brokerage commissions, interest, taxes and extraordinary expenses, but including custodian charges relating to overdrafts, if any) so that the Fund's ordinary net operating expenses, after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, did not exceed 0.45% of the Fund's average daily net assets on an annualized basis. The Investment Manager also voluntarily waived its receipt of certain investment management and administration fees to the extent necessary in order to maintain a minimum annualized net yield of 0.00% for the Fund.

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

For the year ended December 31, 2011, these differences are primarily due to net operating loss and deferred trustees expense. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Overdistributed net investment income	$ 2,689
Accumulated net realized gain	—
Paid-in capital	(2,689)

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

Year Ended December 31,	2011	2010
Ordinary income*	$—	$33,665

* Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2011, the cost of investments for federal income tax purposes was $84,783,301 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$—
Unrealized depreciation	$—
Net unrealized app/depreciation	$—

The following capital loss carryforward, determined at December 31, 2011, may be available to reduce taxable

income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount
2013	$ 415
2014	1,707
2015	2,520
2018	6
Total	$4,648

For the year ended December 31, 2011, $292 of capital loss carryforward was utilized.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of enactment. Under the Act, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment 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, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Custody Credits

Prior to July 11, 2011, the Fund had an agreement with its custodian bank under which custody fees may have been reduced by balance credits. These credits are recorded as part of expense reductions on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if they had not entered into such an agreement. For the period January 1, 2011 through July 10, 2011, these credits reduced total expenses by $27.

Note 6. Shareholder Concentration

At December 31, 2011, one unaffiliated shareholder account owned 93.6% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially. Subscription and redemption activity of this account may have a significant effect on the operations of the Fund

Note 7. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on July 11, 2011, replacing a prior credit facility. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011 amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum. For the period July 11, 2011 through December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

Prior to July 11, 2011, the Fund and certain other funds managed by the Investment Manager participated in a committed, unsecured revolving credit facility provided by State Street. For the period June 27, 2011 through July 8, 2011, the collective borrowing amount of the credit facility was $100 million. For the period May 16, 2011 through June 26, 2011, the collective borrowing amount of the credit facility was $150 million. For the period March 28, 2011 through May 15, 2011, the collective borrowing amount of the credit facility was $225 million. Prior to March 28, 2011, the collective borrowing amount of the credit facility was $280 million. Interest was charged to each fund based on its borrowings at a rate equal to the greater of the (i) federal funds rate plus 1.25% per annum or (ii) the overnight LIBOR rate plus 1.25% per annum. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.125% per annum.

Note 8. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were

issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 9. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S. Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust and
the Shareholders of Columbia Variable Portfolio – Money Market Fund

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio – Money Market Fund (formerly Columbia Money Market Fund, Variable Series) (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 21, 2012

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Variable Insurance Trust, the year each was first elected or appointed to office, their principal business occupations during at least the last five years, the number of Funds overseen by each Trustee and other directorships they hold are shown below. Each officer listed below serves as an officer of each Fund in Columbia Funds Variable Insurance Trust.

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Rodman L. Drake (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994) and Chairman of the Board (since 2009)	Independent consultant since 2010; Co-Founder of Baringo Capital LLC (private equity) from 1997 to 2008; CEO of Crystal River Capital, Inc. (real estate investment trust) from 2003 to 2010; Oversees 43; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2008 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parson Brinckerhoff from 1995 to 2008; and Apex Silver Mines Ltd. from 2007 to 2009
Douglas A. Hacker (Born 1955) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Independent business executive since May 2006; Executive Vice President – Strategy of United Airlines from December 2002 to May 2006; President of UAL Loyalty Services (airline marketing company) from September 2001 to December 2002; Executive Vice President and Chief Financial Officer of United Airlines from July 1999 to September 2001. Oversees 43; Nash Finch Company (food distributor); Aircastle Limited (aircraft leasing); and SeaCube Container Leasing Ltd (container leasing)
Janet Langford Kelly (Born 1957) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1996)	Senior Vice President, General Counsel and Corporate Secretary, ConocoPhillips (integrated energy company) since September 2007; Deputy General Counsel – Corporate Legal Services, ConocoPhillips from August 2006 to August 2007; Partner, Zelle, Hofmann, Voelbel, Mason & Gette LLP (law firm) from March 2005 to July 2006; Adjunct Professor of Law, Northwestern University, from September 2004 to June 2006; Director, UAL Corporation (airline) from February 2006 to July 2006; Oversees 43; None
Nancy T. Lukitsh (Born 1956) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Senior Vice President, Partner and Director, Marketing of Wellington Management Company, LLP (investment adviser) from 1997 to 2010; Chair, Wellington Management Investment Portfolios (commingled non-U.S. investment pools) from 2007 to 2010; Director, Wellington Trust Company, NA and other Wellington affiliates from 1997 to 2010. Oversees 43; None
William E. Mayer (Born 1940) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1994)	Partner, Park Avenue Equity Partners (private equity) since February 1999; Dean and Professor, College of Business and Management, University of Maryland from 1992 to 1996. Oversees 43; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider); BlackRock Kelso Capital Corporation (investment company)
David M. Moffett (Born 1952) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2011)	Retired. Chief Executive Officer, Federal Home Loan Mortgage Corporation, from 2008 to 2009; Senior Adviser, Global Financial Services Group, Carlyle Group, Inc., from 2007 to 2008; Vice Chairman and Chief Financial Officer, U.S. Bancorp, from 1993 to 2007. Oversees 43; CIT Group Inc. (commercial and consumer finance), eBay Inc. (online trading community), MBIA Corp (financial service provider), E.W. Scripps Co. (print and television media), Building Materials Holding Corp. (building materials and construction services), and University of Oklahoma Foundation.
Charles R. Nelson (Born 1942) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1981)	Retired Professor Emeritus, University of Washington, since 2011; Professor of Economics, University of Washington, from January 1976 to 2011; Ford and Louisa Van Voorhis Professor of Political Economy, University of Washington, from 1993 to 2011; Adjunct Professor of Statistics, University of Washington, from 1980 to 2011; Associate Editor, Journal of Money Credit and Banking from 1993 to 2008; consultant on econometric and statistical matters. Oversees 43; None
John J. Neuhauser (Born 1943) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1984)	President, Saint Michael's College, since August 2007; Director or Trustee of several non-profit organizations, including Fletcher Allen Health Care, Inc.; University Professor, Boston College from November 2005 to August 2007; Academic Vice President and Dean of Faculties, Boston College from August 1999 to October 2005. Oversees 43; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Name, Address and Year of Birth, Position with Funds, Year First Elected or Appointed to Office	Principal Occupation(s) During Past Five Years, Number of Funds in Columbia Funds Complex Overseen by Trustee, Other Directorships Held
Independent Trustees	
Patrick J. Simpson (Born 1944) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 2000)	Partner, Perkins Coie LLP (law firm). Oversees 43; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired since 1997 (formerly General Manager – Global Education Industry from 1994 to 1997, President – Application Systems Division from 1991 to 1994, Chief Financial Officer – US Marketing & Services from 1988 to 1991, and Chief Information Officer from 1987 to 1988, IBM Corporation (computer and technology)). Oversees 43; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

The Statement of Additional Information includes additional information about the Trustees of the Funds and is available, without charge, upon request by calling 1-800-345-6611.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
J. Kevin Connaughton (Born 1964) 225 Franklin Street Boston, MA 02110 President (since 2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; President, Columbia Funds, since 2009, and RiverSource Funds, since May 2010 (previously Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009, Treasurer, Columbia Funds, from October 2003 to May 2008, and senior officer of various other affiliated funds since 2000); Managing Director, Columbia Management Advisors, LLC from December 2004 to April 2010.
Michael G. Clarke (Born 1969) 225 Franklin Street Boston, MA 02110 Treasurer (since 2011) and Chief Financial Officer (since 2009)	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Scott R. Plummer (Born 1959) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President, Assistant Secretary and Chief Legal Officer (since 2010)	Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, from 2005 to April 2010; Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006; Senior officer of Columbia Funds and affiliated funds, since 2006.
Linda J. Wondrack (Born 1964) 225 Franklin Street Boston, MA 02110 Senior Vice President and Chief Compliance Officer (since 2007)	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Chief Compliance Officer, Columbia Funds, since 2007, and RiverSource Funds, since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, from June 2005 to April 2010; Director of Corporate Compliance and Conflicts Officer of MFS Investment Management (investment management) from August 2004 to May 2005.
William F. Truscott (Born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2010)	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer from 2005 to April 2010, and Senior Vice President – Chief Investment Officer, from 2001 to 2005); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. since May 2010 (previously Chairman of the Board and Chief Executive Officer from 2008 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.
Colin Moore (Born 1958) 225 Franklin Street Boston, MA 02110 Senior Vice President (since 2010)	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer of Columbia Management Advisors, LLC from 2007 to April 2010; Head of Equities, Columbia Management Advisors, LLC from 2002 to 2007.
Amy Johnson (Born 1965) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, from 2009 until April 2010, Vice President – Asset Management and Trust Company Services, from 2006 to 2009, and Vice President – Operations and Compliance from 2004 to 2006).
Joseph F. DiMaria (Born 1968) 225 Franklin Street Boston, MA 02110 Vice President (since 2011) and Chief Accounting Officer (since 2008)	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC from January 2006 to April 2010; Head of Tax/Compliance and Assistant Treasurer, Columbia Management Advisors, LLC, from November 2004 to December 2005.
Stephen T. Welsh (Born 1957) 225 Franklin Street Boston, MA 02110 Vice President (since 2006)	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc. from July 2004 to April 2010; Managing Director, Columbia Management Distributors, Inc. from August 2007 to April 2010.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
Paul D. Pearson (Born 1956) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2011)	Vice President, Investment Accounting, Columbia Management Investment Advisers, LLC, since May 2010; Vice President, Managed Assets, Investment Accounting, Ameriprise Financial Corporation.
Paul B. Goucher (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2010)	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel from November 2008 to January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman) from July 2008 to November 2008 and Managing Director and Associate General Counsel of Seligman from January 2005 to July 2008.
Christopher O. Petersen (Born 1970) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010) and Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel from April 2004 to January 2010); Senior officer of Columbia Funds and affiliated funds, since 2007.
Michael E. DeFao (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel Bank of America from June 2005 to April 2010

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Important Information About This Report

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities and a copy of the fund's voting records are available (i) at www.columbiamanagement.com, (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 1-800-368-0346. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available from the fund's website, www.columbiamanagement.com.

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Fund is available only through variable annuity contracts and/or variable life insurance policies issued by participating insurance companies, qualified pension or retirement plans or other eligible investors. Please contact your financial advisor or insurance representative for more information.

Please carefully consider the investment objectives, risks, charges and expenses of any Variable Fund and its related variable contract before investing. For Variable Fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectuses carefully before you invest.

ColumbiaManagement®

Columbia Variable Portfolio – Money Market Fund
P.O. Box 8081 Boston, MA 02266-8081

C-1511 A (2/12)

This report must be accompanied or preceeded by the Fund's current prospectus. Columbia Management mutual funds are distributed by Columbia Management Investment Distributors, Inc.
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ColumbiaManagement

Columbia Variable Portfolio - High Income Fund

Annual Report for the Period Ended December 31, 2011

Not FDIC insured • No bank guarantee • May lose value

The views expressed in this report reflect the current views of the respective parties. These views are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict, so actual outcomes and results may differ significantly from the views expressed. These views are subject to change at any time based upon economic, market or other conditions and the respective parties disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Columbia Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any particular Columbia Fund. References to specific securities should not be construed as a recommendation or investment advice.

Portfolio Manager's Discussion

Columbia Variable Portfolio – High Income Fund / December 31, 2011

Columbia Variable Portfolio – High Income Fund seeks total return, consisting of a high level of income and capital appreciation.

Brian Lavin has been the fund's portfolio manager since 2010.

Summary

For the 12-month period ended December 31, 2011, the fund's Class 1 shares outperformed their benchmark, the Credit Suisse High Yield Index.† The fund's relatively conservative orientation served it well during a period of extreme volatility within the high-yield universe.

A year of volatility

The high-yield market began 2011 on a strong note, buoyed by better-than-expected corporate earnings for the fourth quarter of 2010. But investor optimism underwent a sharp reversal during the second quarter, owing primarily to a series of events internationally. The first jolt to hit the financial markets came from the tsunami, earthquake and near nuclear meltdown that hit Japan in March. In Northern Africa and the Middle East, geopolitical uncertainty resulted in a sharp increase in worldwide oil prices, easily overshadowing a better-than-expected set of first-quarter earnings reports. The summer produced dual crises. Greece's financial difficulties threatened a full-blown sovereign debt crisis throughout Europe, while political gridlock dominated the domestic picture as the protracted negotiations to set the debt ceiling ended up taking away America's longstanding AAA credit rating. These concerns drove fixed-income investors to the relative safety of the U.S. Treasury market, and yields on lower quality securities soared. The weakest credits fared especially poorly, as, generally speaking, low quality has historically tended to underperform in periods of increased uncertainty and volatility. High-yield bonds eventually staged an impressive year-end rally when riskier markets rebounded going into year end, resulting in a solid return for 2011.

Conservative positioning benefited fund

Against this backdrop of uncertainty, the fund's relatively conservative positioning gave it a competitive advantage. The fund's underweight position in the real estate, banking, and airline sectors was particularly helpful to performance, while overweight positions in gaming and energy were also incrementally positive. Strong security selection in the mining and media sectors further aided results. On the downside, the fund's positions in the wireless sector detracted from performance, as did the fund's underweight in utilities and food and drug retailers, each of which outperformed the broader market.

Looking ahead

As we enter 2012, we maintain a constructive outlook for the high-yield market. The environment is not without its challenges. The economy must still contend with the overhang of high unemployment, a weak housing market and high government deficits. The European sovereign crisis is far from resolved, and global growth is widely expected to slow. Nonetheless, corporate earnings are expected to be solid, if unspectacular, and the default rate is likely to come in well below what the high-yield market's current valuation appears to suggest. We continue to believe that bottom-up credit selection will be a key driver of relative performance in 2012, as it was in 2011. We believe there are still solid risk-adjusted values in the marketplace and will look to invest incremental dollars in the mid to higher quality segment of the market. We will be selective in adding risk to the portfolio and may look to reduce risk on the margin should valuations improve.

Past performance is no guarantee of future results.

Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yield and share price fluctuations due to changes in interest rates. When interest rates go up, bond prices typically drop, and vice versa.

Investing in high yield securities or "junk" bonds offers the potential for higher current income and attractive total return but involves certain risks. Changes in economic conditions or other circumstances may adversely affect a high-yield bond issuer's ability to make timely principal and interest payments.

Holdings are disclosed as of December 31, 2011, and are subject to change.

The outlook for the fund may differ from that presented for other Columbia Funds.

† Please see "Performance Information" on the following page for a description of the index.

Performance Information

Columbia Variable Portfolio – High Income Fund / December 31, 2011

Performance data quoted represents past performance and current performance may be lower or higher. Past performance is no guarantee of future results. The investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than the original cost. For current month-end performance information, please contact your insurance company.

Performance results reflect any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC (the "Investment Manager") and/or any of its affiliates. Absent these fee waivers or expense reimbursement arrangements, performance results would have been lower.

Investment earnings, if any, are tax-deferred until distributed, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any.

Performance results reflect all fund expenses, but do not include any fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan. If performance results included the effect of these additional charges, they would be lower.

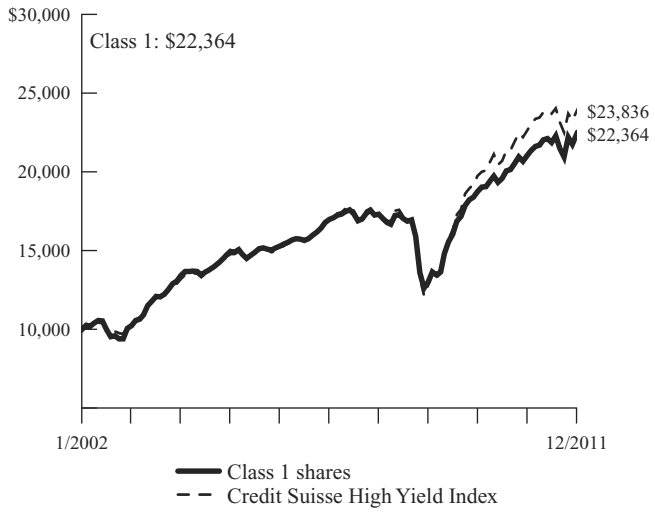
Average annual total return as of December 31, 2011 (%)

	1-year	5-year	10-year
Class 1 (07/07/00)	6.46	5.67	8.38
Class 2* (05/01/06)	6.41	5.59	8.32
Credit Suisse High Yield Index[1]	5.47	7.12	9.07

Inception date of share class is in parentheses.

Net asset value per share ($)	12/31/10	12/31/11
Class 1	10.06	9.95
Class 2	10.05	9.94

Performance of a $10,000 investment, 01/01/02 – 12/31/11



Portfolio Breakdown[1] (at December 31, 2011) (%)

Corporate Bonds & Notes	97.2
Convertible Bonds	0.0*
Senior Loans	0.0*
Common Stocks	0.1
Preferred Stocks	0.0*
Warrants	0.0*
Other[2]	2.7

* Rounds to less than 0.1%.

[1] Percentages indicated are based upon total investments. The Fund's composition is subject to change.

[2] Includes Cash Equivalents.

The graph compares the results of a hypothetical $10,000 investment in Class 1 shares of the fund with the index. The returns for the index and Class 1 shares assume reinvestment of distributions. Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due.

* The returns shown for periods prior to the share class inception date (including returns since inception, which are since fund inception) include the returns of the fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

[1] The Credit Suisse First Boston (CSFB) High Yield Index is a broad-based index that tracks the performance of high-yield bonds.

Indices are not investments, do not incur fees or expenses and are not professionally managed. It is not possible to invest directly in an index. Securities in the fund may not match those in an index.

Fund Expense Example

Columbia Variable Portfolio – High Income Fund / December 31, 2011

As an investor, you incur ongoing costs, which generally include management fees, distribution and/or service (Rule 12b-1) fees, and other fund expenses. The following information is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to help you compare these costs with the ongoing costs of investing in other mutual funds.

The information below does not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy (collectively, Contracts) or qualified pension and retirement plan (Qualified Plan), if any. The total fees and expenses you bear may therefore be higher than those shown below.

Analyzing your fund's expenses

To illustrate these ongoing costs, we have provided examples and calculated the expenses paid by investors in each share class of the Fund during the period. The actual and hypothetical information in the table is based on an initial investment of $1,000 at the beginning of the period indicated and held for the entire period. Expense information is calculated two ways and each method provides you with different information. The amount listed in the "Actual" column is calculated using the Fund's actual operating expenses and total return for the period. You may use the Actual information, together with the amount invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the results by the expenses paid during the period under the Actual column. The amount listed in the "Hypothetical" column assumes a 5% annual rate of return before expenses (which is not the Fund's actual return) and then applies the Fund's actual expense ratio for the period to the hypothetical return. You should not use the hypothetical account values and expenses to estimate either your actual account balance at the end of the period or the expenses you paid during the period. See "Compare with other funds" below for details on how to use the hypothetical data.

Compare with other funds

Since all mutual funds are required to include the same hypothetical calculations about expenses in shareholder reports, you can use this information to compare the ongoing cost of investing in the Fund with other funds. To do so, compare the hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds. As you compare hypothetical examples of other funds, it is important to note that hypothetical examples are meant to highlight the ongoing costs of investing in a fund only and do not reflect any transaction costs, such as sales charges, or redemption or exchange fees. Therefore, the hypothetical calculations are useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. If the fees and expenses imposed under your Contract or Qualified Plan, if any, were included, your costs would be higher.

07/01/11 – 12/31/11	Account value at the beginning of the period ($)		Account value at the end of the period ($)		Expenses paid during the period ($)		Fund's annualized expense ratio (%)
	Actual	Hypothetical	Actual	Hypothetical	Actual	Hypothetical	Actual
Class 1	1,000.00	1,000.00	1,022.90	1,022.06	3.04	3.04	0.60
Class 2	1,000.00	1,000.00	1,022.40	1,021.76	3.35	3.35	0.66

Expenses paid during the period are equal to the annualized expense ratio for each class as indicated above, multiplied by the average account value over the period and then multiplied by the number of days in the Fund's most recent fiscal half year and divided by 365.

Expenses do not include fees and expenses incurred indirectly by the Fund from the underlying funds in which the Fund may invest (also referred to as "acquired funds"), including affiliated and non-affiliated pooled investments vehicles (including mutual funds and exchange traded funds).

Had the Investment Manager and/or certain of its affiliates not waived/reimbursed certain fees and expenses, account value at the end of the period would have been reduced.

Portfolio of Investments – Columbia Variable Portfolio – High Income Fund

December 31, 2011

(Percentages represent value of investments compared to net assets)

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes 95.6%			
Aerospace & Defense 3.2%			
ADS Tactical, Inc.			
Senior Secured(a)			
04/01/18	11.000%	$1,254,000	$1,254,000
Huntington Ingalls Industries, Inc.(a)			
03/15/18	6.875%	590,000	578,200
03/15/21	7.125%	836,000	819,280
Kratos Defense & Security Solutions, Inc.			
Senior Secured			
06/01/17	10.000%	1,673,000	1,714,825
Oshkosh Corp.			
03/01/17	8.250%	244,000	253,760
03/01/20	8.500%	811,000	835,330
Transdigm, Inc.			
12/15/18	7.750%	239,000	256,925
Total			5,712,320
Automotive 1.9%			
Chrysler Group LLC/Co-Issuer, Inc.(a)			
Senior Secured			
06/15/19	8.000%	221,000	201,662
06/15/21	8.250%	150,000	136,125
Collins & Aikman Products Co.			
Senior Subordinated Notes(a)(b)(c)(d)			
08/15/12	12.875%	620,000	62
Dana Holding Corp.			
Senior Unsecured			
02/15/21	6.750%	38,000	38,855
Delphi Corp.(a)			
05/15/19	5.875%	255,000	258,825
05/15/21	6.125%	170,000	174,250
Lear Corp. Escrow Bond(b)(d)			
03/31/16		595,000	893
Lear Corp.			
03/15/20	8.125%	1,471,000	1,603,390
Visteon Corp.			
Senior Notes(a)			
04/15/19	6.750%	957,000	933,075
Total			3,347,137
Banking 0.2%			
Lloyds Banking Group PLC(a)(e)			
11/29/49	6.267%	728,000	393,120
Brokerage 1.2%			
E*Trade Financial Corp.			
Senior Unsecured PIK			
11/30/17	12.500%	1,870,000	2,113,100
Building Materials 2.3%			
Building Materials Corp. of America(a)			
Senior Notes			
08/15/18	6.875%	460,000	483,000
05/01/21	6.750%	1,140,000	1,197,000
Senior Secured			
02/15/20	7.000%	440,000	473,000
Gibraltar Industries, Inc.			
12/01/15	8.000%	545,000	545,000
Interface, Inc.			
12/01/18	7.625%	660,000	697,950

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Building Materials (cont.)			
Norcraft Companies LP/Finance Corp.			
Secured			
12/15/15	10.500%	$306,000	$285,345
Nortek, Inc.(a)			
12/01/18	10.000%	63,000	59,693
04/15/21	8.500%	397,000	335,465
Total			4,076,453
Chemicals 4.0%			
CF Industries, Inc.			
05/01/18	6.875%	219,000	250,755
05/01/20	7.125%	776,000	915,680
Hexion U.S. Finance Corp./Nova Scotia ULC			
Senior Secured			
02/01/18	8.875%	315,000	295,312
Ineos Finance PLC			
Senior Secured(a)(e)			
05/15/15	9.000%	775,000	786,625
JM Huber Corp.			
Senior Unsecured(a)			
11/01/19	9.875%	490,000	501,025
Koppers, Inc.			
12/01/19	7.875%	565,000	598,900
LyondellBasell Industries NV(a)(e)			
11/15/21	6.000%	1,436,000	1,489,850
Momentive Performance Materials, Inc.			
06/15/14	12.500%	302,000	320,120
Nalco Co.(a)			
01/15/19	6.625%	742,000	858,865
Nova Chemicals Corp.(e)			
Senior Unsecured			
11/01/16	8.375%	475,000	517,750
11/01/19	8.625%	6,000	6,615
Polypore International, Inc.			
11/15/17	7.500%	545,000	564,075
Total			7,105,572
Construction Machinery 3.6%			
CNH Capital LLC(a)			
11/01/16	6.250%	692,000	712,760
Case New Holland, Inc.			
12/01/17	7.875%	1,405,000	1,587,650
Columbus McKinnon Corp.			
02/01/19	7.875%	188,000	195,285
Manitowoc Co., Inc. (The)			
11/01/20	8.500%	1,155,000	1,217,081
Neff Rental LLC/Finance Corp.			
Secured(a)			
05/15/16	9.625%	739,000	654,015
RSC Equipment Rental, Inc./Holdings III LLC			
02/01/21	8.250%	290,000	293,625
United Rentals North America, Inc.			
12/15/19	9.250%	1,315,000	1,380,750
Xerium Technologies, Inc.(a)			
06/15/18	8.875%	435,000	393,675
Total			6,434,841

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Consumer Cyclical Services 0.3%			
Goodman Networks, Inc.			
Senior Secured(a)			
07/01/18	12.125%	$497,000	$474,635
Consumer Products 1.2%			
Central Garden and Pet Co.			
03/01/18	8.250%	345,000	338,963
Libbey Glass, Inc.			
Senior Secured			
02/15/15	10.000%	242,000	258,940
Spectrum Brands Holdings, Inc.			
Senior Secured			
06/15/18	9.500%	1,220,000	1,334,375
Spectrum Brands Holdings, Inc.(a)			
Senior Secured			
06/15/18	9.500%	224,000	245,000
Total			2,177,278
Diversified Manufacturing 1.9%			
Actuant Corp.			
06/15/17	6.875%	680,000	700,400
Amsted Industries, Inc.			
Senior Notes(a)			
03/15/18	8.125%	1,095,000	1,162,069
CPM Holdings, Inc.			
Senior Secured			
09/01/14	10.625%	164,000	174,660
Tomkins LLC/Inc.			
Secured			
10/01/18	9.000%	94,000	104,223
WireCo WorldGroup, Inc.(a)			
05/15/17	10.000%	1,134,000	1,141,087
Total			3,282,439
Electric 1.6%			
AES Corp. (The)			
Senior Unsecured			
10/15/17	8.000%	97,000	106,700
AES Corp. (The)(a)			
Senior Notes			
07/01/21	7.375%	845,000	910,487
DPL, Inc.			
Senior Unsecured(a)			
10/15/21	7.250%	167,000	180,360
Energy Future Intermediate Holding Co. LLC/Finance, Inc.			
Senior Secured			
12/01/20	10.000%	115,000	121,325
GenOn Energy, Inc.			
Senior Unsecured			
06/15/14	7.625%	320,000	320,000
10/15/18	9.500%	401,000	406,013
Ipalco Enterprises, Inc.			
05/01/18	5.000%	220,000	215,600
Ipalco Enterprises, Inc.(a)			
Senior Secured			
04/01/16	7.250%	525,000	561,750
Total			2,822,235

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Entertainment 0.9%			
AMC Entertainment, Inc.			
06/01/19	8.750%	$750,000	$776,250
Speedway Motorsports, Inc.			
06/01/16	8.750%	420,000	457,800
02/01/19	6.750%	330,000	333,300
Total			1,567,350
Environmental 0.1%			
Clean Harbors, Inc.			
Senior Secured			
08/15/16	7.625%	210,000	223,125
Food and Beverage 0.8%			
Cott Beverages, Inc.			
11/15/17	8.375%	659,000	710,896
09/01/18	8.125%	545,000	588,600
Darling International, Inc.			
12/15/18	8.500%	115,000	127,650
Total			1,427,146
Gaming 3.1%			
Caesars Entertainment Operating Co., Inc.			
Senior Secured			
06/01/17	11.250%	438,000	464,828
MGM Resorts International			
Senior Secured			
03/15/20	9.000%	1,218,000	1,348,935
Senior Unsecured			
03/01/18	11.375%	58,000	63,800
MGM Mirage			
07/15/15	6.625%	370,000	351,500
Penn National Gaming, Inc.			
Senior Subordinated Notes			
08/15/19	8.750%	166,000	180,525
Pinnacle Entertainment, Inc.			
06/15/15	7.500%	88,000	87,120
ROC Finance LLC/Corp.			
Secured(a)			
09/01/18	12.125%	481,000	506,252
San Pasqual Casino(a)			
09/15/13	8.000%	40,000	39,400
Seminole Indian Tribe of Florida(a)			
10/01/17	7.750%	500,000	520,000
Senior Secured			
10/01/20	6.535%	1,260,000	1,227,303
Seneca Gaming Corp.(a)			
12/01/18	8.250%	455,000	444,763
Tunica-Biloxi Gaming Authority			
Senior Unsecured(a)			
11/15/15	9.000%	248,000	248,000
Total			5,482,426
Gas Pipelines 4.0%			
Copano Energy LLC/Finance Corp.			
04/01/21	7.125%	275,000	277,750
El Paso Corp.			
Senior Unsecured			
06/01/18	7.250%	1,147,000	1,255,965
09/15/20	6.500%	1,014,000	1,107,795
01/15/32	7.750%	495,000	571,725

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Gas Pipelines (cont.)			
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	$705,000	$736,725
Northwest Pipeline GP			
Senior Unsecured			
12/01/25	7.125%	150,000	189,959
Regency Energy Partners LP/Finance Corp.			
12/01/18	6.875%	1,195,000	1,266,700
07/15/21	6.500%	848,000	881,920
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	859,000	874,032
Total			7,162,571
Health Care 6.1%			
AMERIGROUP Corp.			
Senior Unsecured			
11/15/19	7.500%	60,000	61,800
AMGH Merger Sub, Inc.			
Senior Secured(a)			
11/01/18	9.250%	25,000	25,750
American Renal Holdings Co., Inc.			
Senior Secured			
05/15/18	8.375%	249,000	261,450
CHS/Community Health Systems, Inc.(a)			
11/15/19	8.000%	530,000	535,300
ConvaTec Healthcare E SA			
Senior Unsecured(a)(e)			
12/15/18	10.500%	882,000	787,185
Fresenius Medical Care U.S. Finance, Inc.(a)			
02/15/21	5.750%	730,000	729,087
Fresenius Medical Care Us Finance(a)			
09/15/18	6.500%	136,000	142,460
HCA, Inc.			
Senior Secured			
02/15/20	6.500%	1,368,000	1,419,300
09/15/20	7.250%	2,675,000	2,822,125
Hanger Orthopedic Group, Inc.			
11/15/18	7.125%	278,000	282,518
Health Management Associates, Inc.			
Senior Unsecured(a)			
01/15/20	7.375%	844,000	877,760
Healthsouth Corp.			
09/15/22	7.750%	67,000	65,911
InVentiv Health, Inc.(a)			
08/15/18	10.000%	332,000	298,800
Kinetic Concepts/KCI U.S.A., Inc.			
Secured(a)			
11/01/18	10.500%	362,000	354,760
Omnicare, Inc.			
06/01/20	7.750%	168,000	180,390
STHI Holding Corp.			
Secured(a)			
03/15/18	8.000%	198,000	203,445
Tenet Healthcare Corp.			
Senior Secured			
07/01/19	8.875%	330,000	370,425

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Health Care (cont.)			
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	$1,110,000	$1,101,675
02/01/19	7.750%	388,000	372,480
Total			10,892,621
Home Construction 0.3%			
Shea Homes LP/Funding Corp.			
Senior Secured(a)			
05/15/19	8.625%	522,000	488,070
Independent Energy 9.5%			
Antero Resources Finance Corp.			
12/01/17	9.375%	31,000	33,480
Antero Resources Finance Corp.(a)			
Senior Notes			
08/01/19	7.250%	48,000	49,200
Berry Petroleum Co.			
Senior Unsecured			
06/01/14	10.250%	525,000	593,906
11/01/20	6.750%	180,000	182,025
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	1,075,000	1,085,750
Carrizo Oil & Gas, Inc.(a)			
10/15/18	8.625%	198,000	199,980
Chaparral Energy, Inc.			
10/01/20	9.875%	224,000	241,920
09/01/21	8.250%	1,191,000	1,205,887
Chesapeake Energy Corp.			
08/15/20	6.625%	1,608,000	1,716,540
02/15/21	6.125%	868,000	891,870
Concho Resources, Inc.			
10/01/17	8.625%	149,000	162,783
01/15/21	7.000%	806,000	865,443
01/15/22	6.500%	382,000	399,190
Continental Resources, Inc.			
10/01/19	8.250%	65,000	71,500
10/01/20	7.375%	377,000	410,930
04/01/21	7.125%	145,000	157,144
Kodiak Oil & Gas Corp.			
Senior Notes(a)(e)			
12/01/19	8.125%	1,076,000	1,115,005
MEG Energy Corp.(a)(e)			
03/15/21	6.500%	580,000	593,050
Oasis Petroleum, Inc.			
02/01/19	7.250%	676,000	699,660
11/01/21	6.500%	656,000	651,080
Petrohawk Energy Corp.			
08/15/18	7.250%	1,002,000	1,127,250
06/01/19	6.250%	56,000	61,600
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	940,000	1,012,850
Range Resources Corp.			
05/01/18	7.250%	8,000	8,520
06/01/21	5.750%	995,000	1,077,087
SM Energy Co.			
Senior Unsecured(a)			
11/15/21	6.500%	264,000	271,920

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Independent Energy (cont.)			
WPX Energy, Inc.			
Senior Unsecured(a)			
01/15/22	6.000%	$447,000	$457,616
Whiting Petroleum Corp.			
02/01/14	7.000%	1,520,000	1,618,800
10/01/18	6.500%	32,000	33,440
Total			16,995,426
Lodging 0.4%			
Sheraton Holding Corp.			
11/15/15	7.375%	420,000	474,600
Starwood Hotels & Resorts Worldwide, Inc.			
Senior Unsecured			
05/15/18	6.750%	210,000	237,300
Total			711,900
Media Cable 5.4%			
CCO Holdings LLC/Capital Corp.			
04/30/20	8.125%	1,681,000	1,840,695
CSC Holdings LLC			
Senior Unsecured			
02/15/19	8.625%	555,000	639,638
CSC Holdings LLC(a)			
Senior Unsecured			
11/15/21	6.750%	826,000	869,365
Cequel Communications Holdings I LLC/Capital Corp.			
Senior Unsecured(a)			
11/15/17	8.625%	1,142,000	1,210,520
DISH DBS Corp.			
09/01/19	7.875%	768,000	867,840
06/01/21	6.750%	892,000	961,130
Insight Communications Co., Inc.			
Senior Notes(a)			
07/15/18	9.375%	976,000	1,115,080
Quebecor Media, Inc.(b)(d)(e)			
01/15/49	9.750%	1,855,000	96,460
Quebecor Media, Inc.(e)			
Senior Unsecured			
03/15/16	7.750%	1,635,000	1,679,962
UPCB Finance V Ltd.			
Senior Secured(a)(e)			
11/15/21	7.250%	392,000	396,779
Total			9,677,469
Media Non-Cable 6.1%			
AMC Networks, Inc.(a)			
07/15/21	7.750%	997,000	1,084,237
Belo Corp.			
Senior Unsecured			
11/15/16	8.000%	1,080,000	1,169,100
Clear Channel Worldwide Holdings, Inc.			
12/15/17	9.250%	891,000	962,280
EH Holding Corp.			
Senior Secured(a)			
06/15/19	6.500%	433,000	451,403
Intelsat Jackson Holdings SA(a)(e)			
04/01/19	7.250%	580,000	588,700
Lamar Media Corp.			
04/15/18	7.875%	37,000	39,220

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Media Non-Cable (cont.)			
National Cinemedia Llc			
07/15/21	7.875%	$470,000	$465,888
Nielsen Finance LLC/Co.			
10/15/18	7.750%	590,000	637,200
Salem Communications Corp.			
Secured			
12/15/16	9.625%	1,221,000	1,288,155
Sinclair Television Group, Inc.			
Secured(a)			
11/01/17	9.250%	1,717,000	1,871,530
United Artists Theatre Circuit, Inc.			
1995-A Pass-Through Certificates(b)(d)			
07/01/15	9.300%	29,663	28,512
Univision Communications, Inc.			
Senior Secured(a)			
11/01/20	7.875%	1,075,000	1,091,125
XM Satellite Radio, Inc.(a)			
11/01/18	7.625%	1,197,000	1,268,820
Ziff Davis Media, Inc.(b)(c)(d)			
12/15/11	13.500%	68,749	1,794
Total			10,947,964
Metals 5.8%			
Alpha Natural Resources, Inc.			
06/01/19	6.000%	744,000	721,680
Arch Coal, Inc.(a)			
06/15/19	7.000%	916,000	938,900
06/15/21	7.250%	455,000	467,513
Calcipar SA			
Senior Secured(a)(e)			
05/01/18	6.875%	834,000	750,600
Consol Energy, Inc.			
04/01/17	8.000%	885,000	969,075
04/01/20	8.250%	870,000	961,350
FMG Resources August 2006 Proprietary Ltd.(a)(e)			
11/01/15	7.000%	1,188,000	1,199,880
02/01/16	6.375%	372,000	360,840
02/01/18	6.875%	204,000	195,330
Senior Notes			
11/01/19	8.250%	731,000	738,310
JMC Steel Group			
Senior Notes(a)			
03/15/18	8.250%	545,000	531,375
Neenah Foundry Co.			
Secured PIK			
07/29/15	15.000%	258,474	255,889
Novelis, Inc.(e)			
12/15/20	8.750%	528,000	566,280
Peabody Energy Corp.(a)			
Senior Notes			
11/15/21	6.250%	436,000	451,260
Senior Unsecured			
11/15/18	6.000%	655,000	668,100
Rain CII Carbon LLC/Corp.			
Senior Secured(a)			
12/01/18	8.000%	591,000	604,297
Total			10,380,679

The Accompanying Notes to Financial Statements are an integral part of this statement.

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Non-Captive Consumer 1.2%			
SLM Corp.			
Senior Notes			
01/25/16	6.250%	$493,000	$479,432
Senior Unsecured			
03/25/20	8.000%	808,000	816,080
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	1,184,000	855,440
Total			2,150,952
Non-Captive Diversified 8.0%			
Ally Financial, Inc.			
03/15/20	8.000%	4,095,000	4,197,375
CIT Group, Inc.(a)			
Secured			
05/02/17	7.000%	3,315,000	3,310,856
04/01/18	6.625%	695,000	714,112
Ford Motor Credit Co. LLC			
Senior Unsecured			
01/15/20	8.125%	1,905,000	2,242,315
02/01/21	5.750%	1,395,000	1,453,773
International Lease Finance Corp.			
Senior Unsecured			
09/01/17	8.875%	460,000	474,950
12/15/20	8.250%	1,485,000	1,499,850
Intl Lease Finance Corp.			
01/15/22	8.625%	401,000	405,654
Total			14,298,885
Oil Field Services 1.2%			
Offshore Group Investments Ltd.			
Senior Secured(e)			
08/01/15	11.500%	1,386,000	1,498,613
Oil States International, Inc.			
06/01/19	6.500%	686,000	701,435
Total			2,200,048
Other Industry 0.2%			
Interline Brands, Inc.			
11/15/18	7.000%	261,000	270,135
Packaging 2.8%			
Ardagh Packaging Finance PLC			
Senior Secured(a)(e)			
10/15/17	7.375%	1,002,000	1,012,020
Greif, Inc.			
Senior Unsecured			
08/01/19	7.750%	633,000	683,640
Reynolds Group Issuer, Inc./LLC(a)			
Senior Secured			
08/15/19	7.875%	2,073,000	2,166,285
02/15/21	6.875%	380,000	377,150
Senior Unsecured			
08/15/19	9.875%	375,000	363,750
Reynolds Group Issuer, Inc./LLC(a)			
Senior Secured			
10/15/16	8.750%	325,000	342,063
Total			4,944,908

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Paper 0.6%			
Cascades, Inc.(e)			
12/15/17	7.750%	$190,000	$188,100
01/15/20	7.875%	500,000	485,000
Verso Paper Holdings LLC/Inc.			
Secured			
02/01/19	8.750%	610,000	372,100
Total			1,045,200
Pharmaceuticals 1.4%			
Endo Pharmaceuticals Holdings, Inc.			
01/15/22	7.250%	259,000	275,511
Grifols, Inc.			
02/01/18	8.250%	618,000	648,900
Jaguar Holding Co. II/Merger Sub, Inc.			
Senior Unsecured(a)			
12/01/19	9.500%	185,000	194,250
Mylan, Inc.(a)			
07/15/17	7.625%	785,000	856,631
11/15/18	6.000%	530,000	545,238
Total			2,520,530
Property & Casualty —%			
Lumbermens Mutual Casualty(a)(c)			
12/01/97	8.450%	30,000	78
Lumbermens Mutual Casualty(c)			
Subordinated Notes			
07/01/26	9.155%	645,000	1,677
Total			1,755
Refining 0.3%			
United Refining Co.			
Senior Secured			
02/28/18	10.500%	591,000	552,585
Retailers 0.9%			
Limited Brands, Inc.			
04/01/21	6.625%	370,000	392,200
QVC, Inc.			
Senior Secured(a)			
10/01/19	7.500%	289,000	312,120
Rite Aid Corp.			
Senior Secured			
08/15/20	8.000%	555,000	613,275
Sally Holdings LLC/Capital, Inc.(a)			
11/15/19	6.875%	180,000	187,200
Total			1,504,795
Technology 3.5%			
Amkor Technology, Inc.			
Senior Unsecured			
05/01/18	7.375%	535,000	547,037
06/01/21	6.625%	780,000	750,750
Brocade Communications Systems, Inc.			
Senior Secured			
01/15/18	6.625%	156,000	162,240
01/15/20	6.875%	520,000	553,800
Cardtronics, Inc.			
09/01/18	8.250%	93,000	101,370

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Technology (cont.)			
Cdw Llc / Cdw Finance Corp.			
12/15/18	8.000%	$1,050,000	$1,094,625
04/01/19	8.500%	26,000	26,195
CommScope, Inc.(a)			
01/15/19	8.250%	415,000	415,000
Equinix, Inc.			
Senior Unsecured			
07/15/21	7.000%	245,000	259,700
First Data Corp.			
Senior Secured(a)			
08/15/20	8.875%	165,000	165,000
Interactive Data Corp.			
08/01/18	10.250%	880,000	963,600
NXP BV/Funding LLC			
Senior Secured(a)(e)			
08/01/18	9.750%	502,000	549,690
iGate Corp.(a)			
05/01/16	9.000%	680,000	707,200
Total			6,296,207
Transportation Services 0.7%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	402,000	398,985
Avis Budget Car Rental Llc			
03/15/20	9.750%	290,000	297,975
Hertz Corp.			
01/15/21	7.375%	606,000	615,848
Total			1,312,808
Wireless 5.7%			
CC Holdings GS V LLC/Crown Castle GS III Corp.			
Senior Secured(a)			
05/01/17	7.750%	832,000	896,480
Cricket Communications, Inc.			
10/15/20	7.750%	351,000	307,125
Senior Secured			
05/15/16	7.750%	1,437,000	1,483,702
MetroPCS Wireless, Inc.			
11/15/20	6.625%	277,000	258,303
NII Capital Corp.			
04/01/21	7.625%	561,000	556,793
SBA Telecommunications, Inc.			
08/15/19	8.250%	355,000	386,063
Sprint Capital Corp.			
11/15/28	6.875%	1,830,000	1,306,162
Sprint Nextel Corp.(a)			
11/15/18	9.000%	2,277,000	2,388,004
Wind Acquisition Finance SA			
Senior Secured(a)(e)			
02/15/18	7.250%	2,785,000	2,513,462
Total			10,096,094
Wirelines 5.2%			
CenturyLink, Inc.			
Senior Unsecured			
06/15/21	6.450%	1,690,000	1,693,113

Issuer	Coupon Rate	Principal Amount	Value
Corporate Bonds & Notes (continued)			
Wirelines (cont.)			
Cincinnati Bell, Inc.			
10/15/17	8.250%	$189,000	$189,945
Frontier Communications Corp.			
Senior Unsecured			
04/15/20	8.500%	704,000	720,720
Integra Telecom Holdings, Inc.			
Senior Secured(a)			
04/15/16	10.750%	240,000	193,200
Level 3 Escrow, Inc.			
Senior Unsecured(a)			
07/01/19	8.125%	558,000	549,630
Level 3 Financing, Inc.			
02/01/18	10.000%	242,000	256,520
04/01/19	9.375%	936,000	976,950
PAETEC Holding Corp.			
Senior Secured			
06/30/17	8.875%	1,075,000	1,161,000
Qwest Corp.			
Senior Unsecured			
12/01/21	6.750%	2,386,000	2,600,740
Windstream Corp.			
10/15/20	7.750%	955,000	987,231
Total			9,329,049
Total Corporate Bonds & Notes			
(Cost: $169,158,212)			$170,419,828
Convertible Bonds —%			
Wirelines —%			
At Home Corp.			
Subordinated Notes(b)(c)(d)			
06/12/15	4.750%	$296,350	$30
Total Convertible Bonds			
(Cost: $—)			$30

Borrower	Weighted Average Coupon	Principal Amount	Value
Senior Loans —%			
Electric —%			
BHM Technologies LLC			
Exit Term Loan(b)(c)(d)			
10/12/26	6.313%	$386,034	$1,042
Total Senior Loans			
(Cost $951,580)			$1,042

The Accompanying Notes to Financial Statements are an integral part of this statement.

Columbia Variable Portfolio – High Income Fund
December 31, 2011
(Percentages represent value of investments compared to net assets)

Issuer	Shares	Value
Common Stocks 0.1%		
CONSUMER DISCRETIONARY —%		
Media —%		
Haights Cross Communications, Inc.(b)(d)(g)	27,056	$—
Ziff Davis Holdings, Inc.(b)(d)(i)	553	6
Total		6
TOTAL CONSUMER DISCRETIONARY		6
CONSUMER STAPLES —%		
Beverages —%		
Cott Corp.(e)(i)	1,700	10,642
TOTAL CONSUMER STAPLES		10,642
INDUSTRIALS —%		
Airlines —%		
Delta Air Lines, Inc.(i)	399	3,228
Building Products —%		
BHM Technologies LLC(b)(d)	35,922	359
Commercial Services & Supplies —%		
Quad Graphics, Inc.	2,869	41,141
Road & Rail —%		
Quality Distribution, Inc.(i)	195	2,194
TOTAL INDUSTRIALS		46,922
INFORMATION TECHNOLOGY —%		
Communications Equipment —%		
Loral Space & Communications, Inc.(i)	6	389
TOTAL INFORMATION TECHNOLOGY		389
MATERIALS 0.1%		
Metals & Mining 0.1%		
Neenah Enterprises, Inc.(b)(d)(i)	45,482	204,214
TOTAL MATERIALS		204,214
UTILITIES —%		
Independent Power Producers & Energy Traders —%		
Calpine Corp. Escrow(b)(d)(g)	6,049,000	—
TOTAL UTILITIES		—
Total Common Stocks		
(Cost: $845,401)		$262,173
Preferred Stocks —%		
INDUSTRIALS —%		
Industrial Conglomerates —%		
BHM Technologies LLC(b)(d)(i)	430	$4
TOTAL INDUSTRIALS		4
Total Preferred Stocks		
(Cost: $23)		$4

Issuer	Shares	Value
Warrants —%		
CONSUMER DISCRETIONARY —%		
Media —%		
ION Media Networks, Inc.(b)(d)(i)		
12/18/16	62	$1
12/18/16	61	—
Total		1
TOTAL CONSUMER DISCRETIONARY		1
Total Warrants		
(Cost: $316,604)		$1
Money Market Funds 2.7%		
Columbia Short-Term Cash Fund, 0.141%(f)(h)	4,728,321	$4,728,321
Total Money Market Funds		
(Cost: $4,728,321)		$4,728,321
Total Investments		
(Cost: $176,000,141)		$175,411,399
Other Assets & Liabilities, Net		2,870,492
Net Assets		$178,281,891

The Accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Portfolio of Investments

(a) Security exempt from registration pursuant to Rule 144A under the Securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2011, the value of these securities amounted to $63,097,449 or 35.39% of net assets.

(b) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2011 was $333,377, representing 0.19% of net assets. Information concerning such security holdings at December 31, 2011 was as follows:

Security Description	Acquisition Dates	Cost
At Home Corp. Subordinated Notes 4.750% 06/12/15	07/26/05	$—
BHM Technologies LLC 6.313% 10/12/26	06/21/07 - 03/31/10	951,580
BHM Technologies LLC	07/21/06	1,940
BHM Technologies LLC	07/21/06	23
Calpine Corp. Escrow	09/29/11	—
Collins & Aikman Products Co. Senior Subordinated Notes 12.875% 08/15/12	08/12/04 - 04/12/05	488,810
Haights Cross Communications, Inc.	01/15/04 - 02/03/06	307,972
ION Media Networks, Inc 12/18/16 12/18/16	 12/19/05 - 04/14/09 12/19/05 - 04/14/09	 159,589 157,015
Lear Corp. Escrow Bond 03/31/16	11/20/06 - 07/24/08	—
Neenah Enterprises, Inc.	08/02/10	385,233
Quebecor Media, Inc 9.750% 01/15/49	01/17/07 - 07/24/08	14,474
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 9.300% 07/01/15	01/27/03	28,411
Ziff Davis Media, Inc. 13.500% 12/15/11	07/01/08 - 04/15/11	53,372
Ziff Davis Holdings, Inc.	07/01/08	6

(c) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2011, the value of these securities amounted to $4,683, which represents less than 0.01% of net assets.

(d) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2011, the value of these securities amounted to $333,377, which represents 0.19% of net assets.

(e) Represents a foreign security. At December 31, 2011, the value of foreign securities, excluding short-term securities, amounted to $18,519,868 or 10.39% of net assets.

(f) The rate shown is the seven-day current annualized yield at December 31, 2011.

(g) Negligible market value.

(h) Investments in affiliates during the year ended December 31, 2011:

Issuer	Beginning Cost	Purchase Cost	Sales Cost/ Proceeds from Sales	Realized Gain/Loss	Ending Cost	Dividends or Interest Income	Value
Columbia Short-Term Cash Fund	$—	$39,717,526	$(34,989,205)	$—	$4,728,321	$2,698	$4,728,321

(i) Non-income producing.

Abbreviation Legend

PIK Payment-in-Kind

The Accompanying Notes to Financial Statements are an integral part of this statement.

Fair Value Measurements

Generally accepted accounting principles (GAAP) require disclosure regarding the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, investments shall be disclosed by major category.

The Fund categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the Fund's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level. For example, certain U.S. government securities are generally high quality and liquid, however, they are reflected as Level 2 because the inputs used to determine fair value may not always be quoted prices in an active market.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 — Valuations based on quoted prices for investments in active markets that the Fund has the ability to access at the measurement date (including NAV for open-end mutual funds). Valuation adjustments are not applied to Level 1 investments.
- Level 2 — Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 — Valuations based on significant unobservable inputs (including the Fund's own assumptions and judgment in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments, and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace. The inputs will be considered by the Investment Manager, along with any other relevant factors in the calculation of an investment's fair value. The Fund uses prices and inputs that are current as of the measurement date, which may include periods of market dislocations. During these periods, the availability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified between the various levels within the hierarchy.

Foreign equity securities actively traded in markets where there is a significant delay in the local close relative to the New York Stock Exchange (NYSE) are classified as Level 2. The values of these securities may include an adjustment to reflect the impact of significant market movements following the close of local trading, as described in Note 2 to the financial statements — Security Valuation.

Investments falling into the Level 3 category are primarily supported by quoted prices from brokers and dealers participating in the market for those investments. However, these may be classified as Level 3 investments due to lack of market transparency and corroboration to support these quoted prices. Additionally, valuation models may be used as the pricing source for any remaining investments classified as Level 3. These models rely on one or more significant unobservable inputs and/or significant assumptions by the Investment Manager. Inputs used in valuations may include, but are not limited to, financial statement analysis, capital account balances, discount rates and estimated cash flows, and comparable company data.

Fair Value Measurements (continued)

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2011:

	Fair value at December 31, 2011			
Description(a)	**Level 1 quoted prices in active markets for identical assets**	**Level 2 other significant observable inputs(b)**	**Level 3 significant unobservable inputs**	**Total**
Bonds				
Corporate Bonds & Notes				
Aerospace & Defense	$—	$5,712,320	$—	$5,712,320
Automotive	—	3,346,182	955	3,347,137
Banking	—	393,120	—	393,120
Brokerage	—	2,113,100	—	2,113,100
Building Materials	—	4,076,453	—	4,076,453
Chemicals	—	7,105,572	—	7,105,572
Construction Machinery	—	6,434,841	—	6,434,841
Consumer Cyclical Services	—	474,635	—	474,635
Consumer Products	—	2,177,278	—	2,177,278
Diversified Manufacturing	—	3,282,439	—	3,282,439
Electric	—	2,822,235	—	2,822,235
Entertainment	—	1,567,350	—	1,567,350
Environmental	—	223,125	—	223,125
Food and Beverage	—	1,427,146	—	1,427,146
Gaming	—	5,482,426	—	5,482,426
Gas Pipelines	—	7,162,571	—	7,162,571
Health Care	—	10,892,621	—	10,892,621
Home Construction	—	488,070	—	488,070
Independent Energy	—	16,995,426	—	16,995,426
Logding	—	711,900	—	711,900
Media Cable	—	9,581,009	96,460	9,677,469
Media Non-Cable	—	10,917,658	30,306	10,947,964
Metals	—	10,380,679	—	10,380,679
Non-Captive Consumer	—	2,150,952	—	2,150,952
Non-Captive Diversified	—	14,298,885	—	14,298,885
Oil Field Services	—	2,200,048	—	2,200,048
Other Industry	—	270,135	—	270,135
Packaging	—	4,944,908	—	4,944,908
Paper	—	1,045,200	—	1,045,200
Pharmaceuticals	—	2,520,530	—	2,520,530
Property & Casualty	—	1,755	—	1,755
Refining	—	552,585	—	552,585
Retailers	—	1,504,795	—	1,504,795
Technology	—	6,296,207	—	6,296,207
Transportation Services	—	1,312,808	—	1,312,808
Wireless	—	10,096,094	—	10,096,094
Wirelines	—	9,329,049	—	9,329,049
Convertible Bonds	—	—	30	30
Total Bonds	—	170,292,107	127,751	170,419,858
Senior Loans				
Electric	—	—	1,042	1,042
Total Senior Loans	—	—	1,042	1,042
Equity Securities				
Common Stocks				
Consumer Discretionary	—	—	6	6
Consumer Staples	10,642	—	—	10,642
Industrials	46,563	—	359	46,922
Information Technology	389	—	—	389
Materials	—	—	204,214	204,214
Utilities	—	—	—	—

The Accompanying Notes to Financial Statements are an integral part of this statement.

Fair Value Measurements (continued)

Description(a)	Fair value at December 31, 2011			
	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs(b)	Level 3 significant unobservable inputs	Total
Preferred Stocks				
Industrials	$—	$—	$4	$4
Warrants				
Consumer Discretionary	—	—	1	1
Total Equity Securities	57,594	—	204,584	262,178
Other				
Money Market Funds	4,728,321	—	—	4,728,321
Total Other	4,728,321	—	—	4,728,321
Total	$4,785,915	$170,292,107	$333,377	$175,411,399

The Fund's assets assigned to the Level 2 input category are generally valued using the market approach, in which a security's value is determined through reference to prices and information from market transactions for similar or identical assets.

The Fund's assets assigned to the Level 3 category are valued utilizing the valuation technique deemed the most appropriate in the circumstances.

Certain corporate bonds, convertible bonds and common stocks classified Level 3 are valued using an income approach. To determine fair value for these securities, management considered estimates, of future distributions from the liquidation of company assets or potential actions related to the respective company's bankruptcy filing.

Certain corporate bonds, common stocks and preferred stocks classified Level 3 are valued using a market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, trades of similar securities, estimated earnings of the respective company, estimated cash flows of the securities, market multiples or observed yields derived from a set of comparable companies, and the position of the security within the respective company's capital structure.

Certain warrants classified as level 3 securities are valued using the market approach. To determine fair value for these securities, management considered various factors which may have included, but were not limited to, the exercise prices of the security, closing prices of similar securities from the issuer, and volatility factors.

(a) See the Portfolio of Investments for all investment classifications not indicated in the table.

(b) There were no significant transfers between Levels 1 and 2 during the period.

The following table is a reconciliation of Level 3 assets for which significant unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes	Convertible Bonds	Senior Loans	Preferred Stocks	Common Stocks	Warrants	Total
Balance as of December 31, 2010	$134,983	$29	$1,081,042	$4	$204,584	$1	$1,420,643
Accrued discounts/premiums	554	—	—	—	—	—	554
Realized gain (loss)	419	—	—	—	(5)	—	414
Change in unrealized appreciation (depreciation)**	(2,725)	1	—	—	—	—	(2,724)
Sales	(5,568)	—	(1,080,000)	—	—	(157,015)	(1,242,583)
Purchases	58	—	—	—	—	157,015	157,073
Transfers into Level 3	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—
Balance as of December 31, 2011	$127,721	$30	$1,042	$4	$204,579	$1	$333,377

** Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2011 was $(2,724).

Statement of Assets and Liabilities – Columbia Variable Portfolio – High Income Fund

December 31, 2011

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $171,271,820)	$170,683,078
Affiliated issuers (identified cost $4,728,321)	4,728,321
Total investments (identified cost $176,000,141)	175,411,399
Receivable for:	
Investments sold	473,362
Capital shares sold	940
Dividends	526
Interest	2,942,315
Expense reimbursement due from Investment Manager	26,648
Prepaid expense	5,689
Trustees' deferred compensation plan	438
Total assets	178,861,317
Liabilities	
Payable for:	
Capital shares purchased	379,806
Investment management fees	80,176
Distribution fees	6,289
Transfer agent fees	8,746
Administration fees	11,662
Compensation of board members	42,228
Other expenses	50,081
Trustees' deferred compensation plan	438
Total liabilities	579,426
Net assets applicable to outstanding capital stock	$178,281,891

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Assets and Liabilities (continued) — Columbia Variable Portfolio – High Income Fund

December 31, 2011

Represented by	
Paid-in capital	$196,735,893
Undistributed net investment income	11,732,109
Accumulated net realized loss	(29,597,369)
Unrealized appreciation (depreciation) on:	
Investments	(588,742)
Total — representing net assets applicable to outstanding capital stock	$178,281,891
Net assets applicable to outstanding shares	
Class 1	$ 49,949,087
Class 2	$128,332,804
Shares outstanding	
Class 1	5,020,873
Class 2	12,909,643
Net asset value per share	
Class 1	$ 9.95
Class 2	$ 9.94

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Operations – Columbia Variable Portfolio – High Income Fund

Year Ended December 31, 2011

Net investment income	
Income:	
Dividends	$ 1,722
Interest	13,245,693
Dividends from affiliates	2,698
Foreign taxes withheld	(1,055)
Total income	13,249,058
Expenses:	
Investment management fees	1,038,029
Distribution fees	
Class 2	334,267
Transfer agent fees	
Class 1	33,022
Class 2	80,217
Administration fees	150,986
Compensation of board members	13,858
Pricing and bookkeeping fees	14,455
Custodian fees	32,049
Printing and postage fees	66,324
Professional fees	65,299
Chief compliance officer expenses	268
Other	9,728
Total expenses	1,838,502
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(371,626)
Fees waived by distributor — Class 2	(254,053)
Expense reductions	(30)
Total net expenses	1,212,793
Net investment income	12,036,265
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	3,319,725
Foreign currency translations	(2,525)
Net realized gain	3,317,200
Net change in unrealized appreciation (depreciation) on:	
Investments	(3,798,519)
Foreign currency translations	(73)
Net change in unrealized depreciation	(3,798,592)
Net realized and unrealized loss	(481,392)
Net increase in net assets resulting from operations	$11,554,873

The Accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Changes in Net Assets – Columbia Variable Portfolio – High Income Fund

	Year ended December 31, 2011	Year ended December 31, 2010
Operations		
Net investment income	$ 12,036,265	$ 13,614,120
Net realized gain	3,317,200	1,944,478
Net change in unrealized appreciation (depreciation)	(3,798,592)	5,926,572
Net increase in net assets resulting from operations	11,554,873	21,485,170
Distributions to shareholders from:		
Net investment income		
Class 1	(4,042,824)	(4,531,681)
Class 2	(9,717,660)	(10,362,420)
Total distributions to shareholders	(13,760,484)	(14,894,101)
Increase (decrease) in net assets from share transactions	(11,688,749)	(5,110,889)
Total increase (decrease) in net assets	(13,894,360)	1,480,180
Net assets at beginning of year	192,176,251	190,696,071
Net assets at end of year	$178,281,891	$192,176,251
Undistributed net investment income	$ 11,732,109	$ 13,161,212

	Year ended December 31, 2011		Year ended December 31, 2010	
	Shares	**Dollars($)**	**Shares**	**Dollars($)**
Capital stock activity				
Class 1 shares				
Subscriptions	570,556	5,742,252	811,708	8,117,471
Distributions reinvested	407,543	4,042,824	477,522	4,531,681
Redemptions	(1,711,322)	(17,009,164)	(1,505,284)	(15,018,068)
Net decrease	(733,223)	(7,224,088)	(216,054)	(2,368,916)
Class 2 shares				
Subscriptions	782,579	7,975,001	587,716	5,812,765
Distributions reinvested	980,591	9,717,660	1,091,930	10,362,420
Redemptions	(2,216,666)	(22,157,322)	(1,900,029)	(18,917,158)
Net decrease	(453,496)	(4,464,661)	(220,383)	(2,741,973)
Total net decrease	**(1,186,719)**	**(11,688,749)**	**(436,437)**	**(5,110,889)**

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights – Columbia Variable Portfolio – High Income Fund

The following tables are intended to help you understand the Fund's financial performance. Certain information reflects financial results for a single share of a class held for the periods shown. Per share net investment income (loss) amounts are calculated based on average shares outstanding during the period. Total returns assume reinvestment of all dividends and distributions. Total returns do not reflect payment of the expenses that apply to the variable accounts or contract charges, if any, and are not annualized for periods of less than one year.

	Year ended Dec. 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Class 1					
Per share data					
Net asset value, beginning of period	$10.06	$9.76	$7.53	$11.14	$11.52
Income from investment operations:					
Net investment income	0.65	0.72	0.73	0.81	0.84
Net realized and unrealized gain (loss)	(0.00)[a]	0.41	2.46	(3.33)	(0.63)
Total from investment operations	0.65	1.13	3.19	(2.52)	0.21
Less distributions to shareholders from:					
Net investment income	(0.76)	(0.83)	(0.96)	(1.09)	(0.59)
Total distributions to shareholders	(0.76)	(0.83)	(0.96)	(1.09)	(0.59)
Net asset value, end of period	$9.95	$10.06	$9.76	$7.53	$11.14
Total return	6.46%	12.07%	44.34%	(24.88%)	1.84%[e]
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	0.80%	0.89%	0.93%	0.89%	0.90%
Net expenses after fees waived or expenses reimbursed[c]	0.60%[d]	0.60%[d]	0.60%[d]	0.60%[d]	0.60%[d]
Net investment income	6.42%[d]	7.21%[d]	8.33%[d]	8.15%[d]	7.31%[d]
Supplemental data					
Net assets, end of period (in thousands)	$49,949	$57,870	$58,247	$47,162	$86,238
Portfolio turnover	98%	91%	36%	23%	46%

Notes to Financial Highlights

[a] Rounds to less than $0.01.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Includes a reimbursement by the investment sub-adviser for a realized investment loss on disposal of an investment not meeting the Fund's investment restrictions. This reimbursement increased total return and net asset value per share by less than 0.01% and $0.01, respectively.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Financial Highlights (continued) — Columbia Variable Portfolio – High Income Fund

	Year ended Dec. 31,				
	2011	2010	2009	2008	2007
Class 2					
Per share data					
Net asset value, beginning of period	$10.05	$9.75	$7.52	$11.13	$11.53
Income from investment operations:					
Net investment income	0.64	0.71	0.72	0.80	0.83
Net realized and unrealized gain (loss)	(0.00)[a]	0.41	2.46	(3.33)	(0.63)
Total from investment operations	0.64	1.12	3.18	(2.53)	0.20
Less distributions to shareholders from:					
Net investment income	(0.75)	(0.82)	(0.95)	(1.08)	(0.60)
Total distributions to shareholders	(0.75)	(0.82)	(0.95)	(1.08)	(0.60)
Net asset value, end of period	$9.94	$10.05	$9.75	$7.52	$11.13
Total return	6.41%	12.01%	44.30%	(24.96%)	1.70%[e]
Ratios to average net assets[b]					
Expenses prior to fees waived or expenses reimbursed	1.05%	1.14%	1.18%	1.14%	1.15%
Net expenses after fees waived or expenses reimbursed[c]	0.66%[d]	0.66%[d]	0.66%[d]	0.66%[d]	0.66%[d]
Net investment income	6.36%[d]	7.15%[d]	8.25%[d]	8.11%[d]	7.21%[d]
Supplemental data					
Net assets, end of period (in thousands)	$128,333	$134,306	$132,449	$97,038	$166,724
Portfolio turnover	98%	91%	36%	23%	46%

Notes to Financial Highlights

[a] Rounds to less than $0.01.

[b] In addition to the fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the reported expense ratios.

[c] The Investment Manager and certain of its affiliates agreed to waive/reimburse certain fees and expenses, if applicable.

[d] The benefits derived from expense reductions had an impact of less than 0.01%.

[e] Includes a reimbursement by the investment sub-adviser for a realized investment loss on disposal of an investment not meeting the Fund's investment restrictions. This reimbursement increased total return and net asset value per share by less than 0.01% and $0.01, respectively.

The Accompanying Notes to Financial Statements are an integral part of this statement.

Note 1. Organization

Columbia Variable Portfolio – High Income Fund (the Fund), formerly known as Columbia High Yield Fund, Variable Series, a series of Columbia Funds Variable Insurance Trust I (the Trust), is a diversified fund. The Trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Delaware statutory trust. On May 2, 2011, Columbia High Yield Fund, Variable Series was renamed Columbia Variable Portfolio – High Income Fund.

Fund Shares—The Trust may issue an unlimited number of shares (without par value). The Fund offers Class 1 and Class 2 shares to separate accounts funding variable annuity contracts and/or variable life insurance policies issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans and other qualified institutional investors (collectively, Qualified Investors) authorized by Columbia Management Investment Distributors, Inc. (the Distributor). You may not buy (nor will you own) shares of the Fund directly. You invest by participating in a qualified plan or buying a contract and making allocations to the Fund. All share classes have identical voting, dividend and liquidation rights. Each share class has its own expense structure. On May 2, 2011, Class A and Class B shares of the Fund were renamed Class 1 and Class 2 shares, respectively.

Note 2. Summary of Significant Accounting Policies

Use of Estimates—The preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

Security Valuation—Debt securities generally are valued by pricing services approved by the Board of Trustees (the Board) based upon market transactions for normal, institutional-size trading units of similar securities. The services may use various pricing techniques which take into account appropriate factors such as yield, quality, coupon rate, maturity, type of issue, trading characteristics and other data, as well as broker quotes. Debt securities for which quotations are readily available may also be valued based upon an over-the-counter or exchange bid quotation.

All equity securities are valued at the close of business of the New York Stock Exchange (NYSE). Equity securities are valued at the last quoted sales price on the principal exchange or market on which they trade, except for securities traded on the NASDAQ Stock Market, which are valued at the NASDAQ official close price. Unlisted securities or listed securities for which there were no sales during the day are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets.

Foreign securities are valued based on quotations from the principal market in which such securities are normally traded. If any foreign share prices are not readily available as a result of limited share activity the securities are valued at the mean of the latest quoted bid and asked prices on such exchanges or markets. Foreign currency exchange rates are generally determined at 4:00 p.m. Eastern (U.S.) time. However, many securities markets and exchanges outside the U.S. close prior to the close of the NYSE; therefore, the closing prices for securities in such markets or on such exchanges may not fully reflect events that occur after such close but before the close of the NYSE. In those situations, foreign securities will be fair valued pursuant to the policy adopted by the Board of Trustees (the Board), including utilizing a third party pricing service to determine these fair values. The third party pricing service takes into account multiple factors, including, but not limited to, movements in the U.S. securities markets, certain depositary receipts, futures contracts and foreign exchange rates that have occurred subsequent to the close of the foreign exchange, to determine a good faith estimate that reasonably reflects the current market conditions as of the close of the NYSE. The fair value of a security is likely to be different from the quoted or published price, if available.

Investments in other open-end investment companies, including money market funds, are valued at net asset value.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. The value of short-term securities originally purchased with maturities greater than 60 days is determined based on an amortized value to par upon reaching 60 days to maturity. Short-term securities maturing in more than 60 days from the valuation date are valued at the market price or approximate market value based on current interest rates.

Investments for which market quotations are not readily available, or that have quotations which management believes are not reliable, are valued at fair value as determined in good faith under consistently applied procedures established by and under the general supervision of the Board. If a security or class of securities (such as foreign securities) is valued at fair value, such value is likely to be different from the last quoted market price for the security. The determination of fair value often requires significant judgment. To determine fair value, management may use assumptions including but not limited to future cash flows

and estimated risk premiums. Multiple inputs from various sources may be used to determine value.

Foreign Currency Transactions and Translation—The values of all assets and liabilities denominated in foreign currencies are translated into U.S. dollars at that day's exchange rates. Net realized and unrealized gains (losses) on foreign currency transactions and translations include gains (losses) arising from the fluctuation in exchange rates between trade and settlement dates on securities transactions, gains (losses) arising from the disposition of foreign currency and currency gains (losses) between the accrual and payment dates on dividends, interest income and foreign withholding taxes.

For financial statement purposes, the Fund does not distinguish that portion of gains (losses) on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realized and unrealized gains (losses) on investments in the Statement of Operations.

Repurchase Agreements—The Fund may engage in repurchase agreement transactions with institutions that management has determined are creditworthy. The Fund, through the custodian, receives delivery of the underlying securities collateralizing a repurchase agreement. Management is responsible for determining that the collateral is at least equal, at all times, to the value of the repurchase obligation including interest. A repurchase agreement transaction involves certain risks in the event of default or insolvency of the counterparty. These risks include possible delays in or restrictions on a Fund's ability to dispose of the underlying securities and a possible decline in the value of the underlying securities during the period while the Fund seeks to assert its rights.

Loan Participations and Commitments—The Fund may invest in loan participations. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participation (Selling Participant), but not the borrower. However, the Fund assumes the credit risk of the borrower, Selling Participant and any other persons interpositioned between the Fund and the borrower. The Fund may not directly benefit from the collateral supporting the senior loan which it has purchased from the Selling Participant.

Security Transactions—Security transactions are accounted for on the trade date. Cost is determined and gains (losses) are based upon the specific identification method for both financial statement and federal income tax purposes.

Income Recognition—Interest income is recorded on the accrual basis. Market premium and discount are amortized and accreted, respectively, on all debt securities, unless otherwise noted. Original issue discount is accreted to interest income over the life of the security with a corresponding increase in the cost basis, if any. For convertible securities, premiums attributable to the conversion feature are not amortized.

Corporate actions and dividend income are recorded net of any non-reclaimable tax withholdings, on the ex-dividend date or upon receipt of ex-dividend notification in the case of certain foreign securities.

Expenses—General expenses of the Trust are allocated to the Funds and other funds of the Trust based upon relative net assets or other expense allocation methodologies determined by the nature of the expense. Expenses directly attributable to the Fund are charged to the Fund. Expenses directly attributable to a specific class of shares are charged to that share class.

Determination of Class Net Asset Value—All income, expenses (other than class-specific expenses, which are charged to that share class, as shown in the Statement of Operations) and realized and unrealized gains (losses) are allocated to each class of the Fund on a daily basis, based on the relative net assets of each class, for purposes of determining the net asset value of each class.

Federal Income Tax Status—The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended, and will distribute substantially all of its taxable income, if any, for its tax year, and as such will not be subject to federal income taxes. In addition, because the Fund's sole shareholders are Qualified Investors, the Fund expects not to be subject to federal excise tax. Therefore, no federal income or excise tax provision is recorded.

Distributions to Shareholders—Distributions from net investment income are declared and paid annually. Net realized capital gains, if any, are distributed along with the income dividend. Income distributions and capital gain distributions are determined in accordance with federal income tax regulations which may differ from GAAP.

All dividends and distributions are reinvested in additional shares of the applicable class of the Fund at net asset value as of the ex-dividend date of the distribution.

Guarantees and Indemnifications—Under the Trust's organizational documents and, in some cases, by contract, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust or its funds. In addition, certain of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be

determined, and the Fund has no historical basis for predicting the likelihood of any such claims.

Recent Accounting Pronouncement

Fair Value Measurements and Disclosures

In May 2011, the Financial Accounting and Standards Board issued ASU No. 2011-04 modifying Topic 820, Fair Value Measurements and Disclosures. At the same time, the International Accounting Standards Board issued International Financial Reporting Standard 13, Fair Value Measurement. The objective of the FASB and IASB is convergence of their guidance on fair value measurements and disclosures.

Specifically, ASU No. 2011-04 requires reporting entities to disclose i) the amounts of any transfers between Level 1 and Level 2, and the reasons for the transfers, ii) for Level 3 fair value measurements, a) quantitative information about significant unobservable inputs used, b) a description of the valuation processes used by the reporting entity and c) a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement. The effective date of ASU No. 2011-04 is for interim and annual periods beginning after December 15, 2011. At this time, management is evaluating the implications of this guidance and the impact it will have on the financial statement amounts and footnote disclosures, if any.

Note 3. Fees and Compensation Paid to Affiliates

Investment Management Fees—Under an Investment Management Services Agreement, Columbia Management Investment Advisers, LLC (the Investment Manager), a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The management fee is an annual fee that is equal to 0.55% of the Fund's average daily net assets.

Administration Fees—Under an Administrative Services Agreement, the Investment Manager serves as the Fund Administrator. Effective July 11, 2011, the Fund pays the Fund Administrator an annual fee rate for administration and accounting services equal to 0.08% of the Fund's average daily net assets. Prior to July 11, 2011, the administration fee was equal to the annual rate of 0.08% of the Fund's average daily net assets, less the fees that were payable by the Fund as described under the Pricing and Bookkeeping Fees note below.

Pricing and Bookkeeping Fees—Prior to July 11, 2011, the Fund had entered into a Financial Reporting Services Agreement (the Financial Reporting Services Agreement) with State Street Bank and Trust Company (State Street) and the Investment Manager pursuant to which State Street provided financial reporting services to the Fund. The Fund also entered into an Accounting Services Agreement (collectively with the Financial Reporting Services Agreement, the State Street Agreements) with State Street and the Investment Manager pursuant to which State Street provided accounting services to the Fund. Under the State Street Agreements, the Fund paid State Street an annual fee of $38,000 paid monthly plus an additional monthly fee based on an annualized percentage rate of average daily net assets of the Fund for the month. The aggregate fee did not exceed $140,000 per year (exclusive of out-of-pocket expenses and charges). The Fund also reimbursed State Street for certain out-of-pocket expenses and charges. Effective July 11, 2011, these services are now provided under the Administrative Services Agreement discussed above.

Other Fees—Other expenses are for, among other things, certain expenses of the Funds or the Board including: Fund boardroom and office expense, employee compensation, employee health and retirement benefits, and certain other expenses. Payment of these Fund and Board expenses is facilitated by a company providing limited administrative services to the Fund and the Board. For the year ended December 31, 2011, other expenses paid to this company were $1,209.

Compensation of Board Members—Board members are compensated for their services to the Fund as disclosed in the Statement of Operations. Under a Deferred Compensation Plan (the Plan), the Board members who are not "interested persons" of the Fund as defined under the 1940 Act may defer receipt of their compensation. Deferred amounts are treated as though equivalent dollar amounts had been invested in shares of the Fund or certain other funds managed by the Investment Manager. The Fund's liability for these amounts is adjusted for market value changes and remains in the Fund until distributed in accordance with the Plan.

Compensation of Chief Compliance Officer—The Board has appointed a Chief Compliance Officer to the Fund in accordance with federal securities regulations. Effective April 1, 2011, the Fund's expenses associated with the Chief Compliance Officer are paid directly by Columbia. Prior to April 1, 2011, the Fund, along with other affiliated funds, paid its pro-rata share of the expenses for the Chief Compliance Officer. Such fees did not exceed $15,000 per year.

Transfer Agent Fee—Under a Transfer and Dividend Disbursing Agent Agreement, Columbia Management Investment Services Corp. (the Transfer Agent), an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, is responsible for providing transfer agency services to the Fund. The Transfer Agent has contracted with Boston Financial Data Services (BFDS) to serve as sub-transfer agent. The Transfer Agent receives a monthly fee for its services at the annual rate of 0.06% of the

average daily net assets attributable to Class 1 and Class 2 shares of the Fund.

The Transfer Agent may also retain, as additional compensation for its services, fees for wire, telephone and redemption orders, account transcript fees due to the Transfer Agent from shareholders of the Fund and interest (net of bank charges) earned with respect to balances in accounts the Transfer Agent maintains in connection with its services to the Fund.

Distribution Fees—The Fund has an agreement with the Distributor, an affiliate of the Investment Manager and a wholly-owned subsidiary of Ameriprise Financial, for distribution services. Pursuant to Rule 12b-1 under the 1940 Act, the Board has approved, and the Fund has adopted, a distribution plan (the Plan) which sets the distribution fees for the Fund. These fees are calculated daily and are intended to compensate the Distributor for selling shares of the Fund. The Plan requires the payment of a monthly distribution fee to the Distributor at the maximum annual rate of 0.25% of the average daily net assets attributable to Class 2 shares of the Fund.

The Distributor has voluntarily agreed to waive 0.19% of the distribution fee for Class 2 shares. This arrangement may be modified or terminated by the Distributor at any time.

Expenses Waived/Reimbursed by the Investment Manager and its Affiliates—The Investment Manager and certain of its affiliates have voluntarily agreed to waive fees and/or reimburse expenses so that the Fund's net operating expenses (excluding certain expenses, such as transaction costs and brokerage commissions, interest, taxes, acquired fund fees and expenses, and extraordinary expenses) after giving effect to fees waived/expenses reimbursed and any balance credits and/or overdraft charges from the Fund's custodian, do not exceed the annual rates below as a percentage of the class' average daily net assets. The Investment Manager, in its discretion, may revise or discontinue this arrangement at any time.

Class 1	0.60%
Class 2	0.85

Note 4. Federal Tax Information

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP because of temporary or permanent book to tax differences.

For the year ended December 31, 2011, these differences are primarily due to foreign currency transactions, defaulted bond adjustments, deferred trustees expense, market discount/premium and deferral/reversal of wash sales. To the extent these differences are permanent, reclassifications are made among the components of the Fund's net assets in the Statement of Assets and Liabilities. Temporary differences do not require reclassifications. In the Statement of Assets and Liabilities the following reclassifications were made:

Undistributed net investment income	$ 295,116
Accumulated net realized loss	(605,700)
Paid-in capital	310,584

Net investment income and net realized gains (losses), as disclosed in the Statement of Operations, and net assets were not affected by this reclassification.

The tax character of distributions paid during the years indicated was as follows:

	Year Ended December 31,	
	2011	2010
Ordinary income	$13,760,484	$14,894,101

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$12,085,143
Undistributed long-term capital gains	—
Unrealized depreciation	(919,318)

At December 31, 2011, the cost of investments for federal income tax purposes was $176,330,717 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$ 4,635,085
Unrealized depreciation	$(5,554,403)
Net unrealized depreciation	$ (919,318)

The following capital loss carryforward, determined at December 31, 2011, may be available to reduce taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Internal Revenue Code:

Year of Expiration	Amount
2014	$ 634,653
2016	8,867,907
2017	20,498,742
Total	$30,001,302

For the year ended December 31, 2011, $3,107,516 of capital loss carryforwards were utilized.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the Act) was enacted, which changed various technical rules governing the tax treatment of regulated investment companies. The changes are generally effective for taxable years beginning after the date of

enactment. Under the Act, the Fund will be permitted to carry forward capital losses incurred in taxable years beginning after the date of enactment 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, which carry an expiration date. As a result of this ordering rule, pre-enactment capital loss carryforwards may be more likely to expire unused.

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. However, management's conclusion may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulations, and administrative interpretations (including relevant court decisions). Generally, the Fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $177,858,989 and $189,354,463, respectively, for the year ended December 31, 2011.

Note 6. Lending of Portfolio Securities

Effective July 11, 2011, the Fund has entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement, which replaces the previous security lending arrangement with State Street, authorizes JPMorgan as lending agent to lend securities to authorized borrowers in order to generate additional income on behalf of the Fund. Pursuant to the Agreement, the securities loaned are secured by cash or U.S. government securities equal to at least 100% of the market value of the loaned securities. Any additional collateral required to maintain those levels due to market fluctuations of the loaned securities is requested to be delivered the following business day. Cash collateral received is invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement. The investments made with the cash collateral are listed in the Portfolio of Investments. The values of such investments and any uninvested cash collateral are disclosed in the Statement of Assets and Liabilities along with the related obligation to return the collateral upon the return of the securities loaned.

For the year ended December 31, 2011, the Fund did not participate in securities lending activity.

Risks of delay in recovery of securities or even loss of rights in the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the securities loaned increases above the value of the collateral received. JPMorgan will indemnify the Fund from losses resulting from a borrower's failure to return a loaned security when due. Such indemnification does not extend to losses associated with declines in the value of cash collateral investments. The Investment Manager is not responsible for any losses incurred by the Fund in connection with the securities lending program. Loans are subject to termination by the Fund or the borrower at any time, and are, therefore, not considered to be illiquid investments.

Pursuant to the Agreement, the Fund receives income for lending its securities either in the form of fees or by earning interest on invested cash collateral, net of negotiated rebates paid to borrowers and fees paid to the lending agent for services provided and any other securities lending expenses. The Fund continues to earn and accrue interest and dividends on the securities loaned.

Prior to July 11, 2011, the Fund participated in a securities lending arrangement with State Street. Each security on loan was collateralized in an amount at least equal to the market value of the securities loaned plus accrued income from the investment of collateral. The income generated by the investment of the collateral, net of any fees remitted to State Street as the lending agent and borrower rebates, was paid to the Fund.

Note 7. Custody Credits

Prior to July 11, 2011, the Fund had an agreement with its custodian bank under which custody fees may have been reduced by balance credits. These credits are recorded as part of expense reductions on the Statement of Operations. The Fund could have invested a portion of the assets utilized in connection with the expense offset arrangement in an income-producing asset if they had not entered into such an agreement. Subsequent to this date, the Fund may invest its daily balance in an affiliated money market fund as detailed below. For the period January 1, 2011 through July 10, 2011, these credits reduced total expenses by $30.

Note 8. Affiliated Money Market Fund

Effective July 11, 2011, the Fund may invest its daily cash balances in Columbia Short-Term Cash Fund, a money market fund established for the exclusive use by the Fund and other affiliated funds. The income earned by the Fund from such investments is included as "Dividends from affiliates" in the Statement of Operations. As an investing fund, the Fund indirectly bears its proportionate share of the expenses of Columbia Short-Term Cash Fund.

Note 9. Shareholder Concentration

At December 31, 2011 two unaffiliated shareholder accounts owned 23.8% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially. Affiliated shareholder accounts owned 67.6% of the outstanding shares of the Fund. Subscription and redemption activity of this account may have a significant effect on the operations of the Fund.

Note 10. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank, N.A. (the Administrative Agent), whereby the Fund may borrow for the temporary funding of shareholder redemptions or for other temporary or emergency purposes. The credit facility became effective on July 11, 2011, replacing a prior credit facility. The credit facility agreement, as amended, which is a collective agreement between the Fund and certain other funds managed by the Investment Manager, severally and not jointly, permits collective borrowings up to $500 million. Pursuant to a December 13, 2011 amendment to the credit facility agreement, interest is charged to each participating fund based on its borrowings at a rate equal to the higher of (i) the overnight federal funds rate plus 1.00% or (i) the one-month LIBOR rate plus 1.00%. Each borrowing under the credit facility matures no later than 60 days after the date of borrowing. The Fund also pays a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.08% per annum. For the period July 11, 2011 through December 13, 2011, interest was charged to each participating fund based on its borrowings at a rate equal to the sum of the federal funds rate plus (i) 1.25% per annum plus (ii) if one-month LIBOR exceeds the federal funds rate, the amount of such excess. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.10% per annum.

Prior to July 11, 2011, the Fund and certain other funds managed by the Investment Manager participated in a committed, unsecured revolving credit facility provided by State Street. For the period June 27, 2011 through July 8, 2011, the collective borrowing amount of the credit facility was $100 million. For the period May 16, 2011 through June 26, 2011, the collective borrowing amount of the credit facility was $150 million. For the period March 28, 2011 through May 15, 2011, the collective borrowing amount of the credit facility was $225 million. Prior to March 28, 2011, the collective borrowing amount of the credit facility was $280 million. Interest was charged to each fund based on its borrowings at a rate equal to the greater of the (i) federal funds rate plus 1.25% per annum or (ii) the overnight LIBOR rate plus 1.25% per annum. The Fund also paid a commitment fee equal to its pro rata share of the amount of the credit facility at a rate of 0.125% per annum.

For the year ended December 31, 2011, the Fund did not borrow under these arrangements.

Note 11. Significant Risks

High Yield Securities Risk—Investing in high-yield fixed income securities may involve greater credit risk and considerations not typically associated with investing in U.S. Government bonds and other higher quality fixed income securities. These securities are non-investment grade securities, often referred to as "junk" bonds. Economic downturns may disrupt the high yield market and impair the ability of issuers to repay principal and interest. Also, an increase in interest rates would likely have an adverse impact on the value of such obligations. Moreover, high-yield securities may be less liquid to the extent that there is no established secondary market.

Note 12. Subsequent Events

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Note 13. Information Regarding Pending and Settled Legal Proceedings

In June 2004, an action captioned *John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc.* was filed in the United States District Court for the District of Arizona. The plaintiffs allege that they are investors in several American Express Company mutual funds (branded as Columbia) and they purport to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940. The plaintiffs allege that fees allegedly paid to the defendants by the funds for investment advisory and administrative services are excessive. The plaintiffs seek remedies including restitution and rescission of investment advisory and distribution agreements. The plaintiffs voluntarily agreed to transfer this case to the United States District Court for the District of Minnesota (the District Court). In response to defendants' motion to dismiss the complaint, the District Court dismissed one of plaintiffs' four claims and granted plaintiffs limited discovery. Defendants moved for summary judgment in April 2007. Summary judgment was granted in the defendants' favor on July 9, 2007. The plaintiffs filed a notice of appeal with the Eighth Circuit Court of Appeals (the Eighth Circuit) on August 8, 2007. On April 8, 2009, the Eighth Circuit reversed summary judgment and remanded to the District Court for further proceedings. On August 6, 2009, defendants filed a writ of certiorari with the U.S.

Supreme Court (the Supreme Court), asking the Supreme Court to stay the District Court proceedings while the Supreme Court considers and rules in a case captioned *Jones v. Harris Associates*, which involves issues of law similar to those presented in the Gallus case. On March 30, 2010, the Supreme Court issued its ruling in *Jones v. Harris Associates*, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit's decision in the Gallus case and remanded the case to the Eighth Circuit for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On June 4, 2010, the Eighth Circuit remanded the Gallus case to the District Court for further consideration in light of the Supreme Court's decision in *Jones v. Harris Associates*. On December 9, 2010, the District Court reinstated its July 9, 2007 summary judgment order in favor of the defendants. On January 10, 2011, plaintiffs filed a notice of appeal with the Eighth Circuit. In response to the plaintiffs' opening appellate brief filed on March 18, 2011, the defendants filed a response brief on May 4, 2011 with the Eighth Circuit. The plaintiffs filed a reply brief on May 26, 2011 and oral arguments took place on November 17, 2011.

In December 2005, without admitting or denying the allegations, American Express Financial Corporation (AEFC, which is now known as Ameriprise Financial, Inc. (Ameriprise Financial)), entered into settlement agreements with the Securities and Exchange Commission (SEC) and Minnesota Department of Commerce (MDOC) related to market timing activities. As a result, AEFC was censured and ordered to cease and desist from committing or causing any violations of certain provisions of the Investment Advisers Act of 1940, the Investment Company Act of 1940, and various Minnesota laws. AEFC agreed to pay disgorgement of $10 million and civil money penalties of $7 million. AEFC also agreed to retain an independent distribution consultant to assist in developing a plan for distribution of all disgorgement and civil penalties ordered by the SEC in accordance with various undertakings detailed at www.sec.gov/litigation/admin/ia-2451.pdf. Ameriprise Financial and its affiliates have cooperated with the SEC and the MDOC in these legal proceedings, and have made regular reports to the funds' Boards of Trustees.

Ameriprise Financial and certain of its affiliates have historically been involved in a number of legal, arbitration and regulatory proceedings, including routine litigation, class actions, and governmental actions, concerning matters arising in connection with the conduct of their business activities. Ameriprise Financial believes that the Funds are not currently the subject of, and that neither Ameriprise Financial nor any of its affiliates are the subject of, any pending legal, arbitration or regulatory proceedings that are likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds. Ameriprise Financial is required to make 10-Q, 10-K and, as necessary, 8-K filings with the Securities and Exchange Commission on legal and regulatory matters that relate to Ameriprise Financial and its affiliates. Copies of these filings may be obtained by accessing the SEC website at www.sec.gov.

There can be no assurance that these matters, or the adverse publicity associated with them, will not result in increased fund redemptions, reduced sale of fund shares or other adverse consequences to the Funds. Further, although we believe proceedings are not likely to have a material adverse effect on the Funds or the ability of Ameriprise Financial or its affiliates to perform under their contracts with the Funds, these proceedings are subject to uncertainties and, as such, we are unable to estimate the possible loss or range of loss that may result. An adverse outcome in one or more of these proceedings could result in adverse judgments, settlements, fines, penalties or other relief that could have a material adverse effect on the consolidated financial condition or results of operations of Ameriprise Financial.

Report of Independent Registered Public Accounting Firm

To the Trustees of Columbia Funds Variable Insurance Trust I and
the Shareholders of Columbia Variable Portfolio – High Income Fund

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Columbia Variable Portfolio – High Income Fund (formerly Columbia High Yield Fund, Variable Series) (the "Fund") (a series of Columbia Funds Variable Insurance Trust I) at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended 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 at December 31, 2011 by correspondence with the custodian, brokers and transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 21, 2012

Shareholders elect the Board that oversees the funds' operations. The Board appoints officers who are responsible for day-to-day business decisions based on policies set by the Board. The following table provides basic biographical information about the funds' Board members, including their principal occupations during the past five years, although specific titles for individuals may have varied over the period. Under current Board policy, members may serve until the next Board meeting after he or she reaches the mandatory retirement age established by the Board, or the fifteenth anniversary of the first Board meeting they attended as a member of the Board.

On Sept. 29, 2009, Ameriprise Financial, the parent company of Columbia Management, entered into an agreement with Bank of America, N.A. ("Bank of America") to acquire a portion of the asset management business of Columbia Management Group, LLC and certain of its affiliated companies (the "Transaction"). Following the Transaction, which became effective on May 1, 2010, various alignment activities have occurred with respect to the Fund Family. In connection with the Transaction, Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Mr. John J. Nagorniak, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, who were members prior to the Transaction of the Legacy Columbia Nations funds' Board ("Nations Funds"), which includes Columbia Funds Series Trust, Columbia Funds Variable Insurance Trust I and Columbia Funds Master Investment Trust, LLC., began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011, which resulted in an overall increase from twelve Trustees to sixteen for all mutual funds overseen by the Board.

Independent Board Members

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Kathleen Blatz 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	153	None
Edward J. Boudreau, Jr. 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	146	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 Age 57	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard-Partners in Cross Cultural Leadership (consulting company)	153	None
William P. Carmichael 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	146	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel); McMoRan Exploration Company (oil and gas exploration and development); Former Trustee, BofA Funds Series Trust (11 funds); former Director, Spectrum Brands, Inc. (consumer products); former Director, Simmons Company (bedding)

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Patricia M. Flynn 901 S. Marquette Ave. Minneapolis, MN 55402 Age 61	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Trustee Professor of Economics and Management, Bentley University; former Dean, McCallum Graduate School of Business, Bentley University	153	None
William A. Hawkins 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 68	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, Overton Partners (financial consulting), since August 2010; President and Chief Executive Officer, California General Bank, N.A., January 2008-August 2010	146	Trustee, BofA Funds Series Trust (11 funds)
R. Glenn Hilliard 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 69	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Chairman and Chief Executive Officer, Hilliard Group LLC (investing and consulting), since April 2003; Non-Executive Director & Chairman, CNO Financial Group, Inc. (formerly Conseco, Inc.) (insurance), September 2003-May 2011	146	Chairman, BofA Fund Series Trust (11 funds); former Director, CNO Financial Group, Inc. (insurance)
Stephen R. Lewis, Jr. 901 S. Marquette Ave. Minneapolis, MN 55402 Age 73	Chair of the Board for RiverSource Funds since 1/07, Board member for RiverSource Funds since 1/02 and since 6/11 for Nations Funds	President Emeritus and Professor of Economics Emeritus, Carleton College	153	Valmont Industries, Inc. (manufactures irrigation systems)
John F. Maher 901 S. Marquette Ave. Minneapolis, MN 55402 Age 68	Board member since 12/06 for Legacy Seligman funds, since 12/08 for RiverSource Funds and since 6/11 for Nations Funds	Retired President and Chief Executive Officer and former Director, Great Western Financial Corporation (financial services), 1986-1997	153	None
John J. Nagorniak 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 67	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Retired; President and Director, Foxstone Financial, Inc. (consulting), 2000-2007; Director, Mellon Financial Corporation affiliates (investing), 2000-2007; Chairman, Franklin Portfolio Associates (investing – Mellon affiliate) 1982-2007	146	Trustee, Research Foundation of CFA Institute; Director, MIT Investment Company; Trustee, MIT 401k Plan; former Trustee, BofA Funds Series Trust (11 funds)
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 Age 59	Board member since 11/04 for RiverSource Funds and since 6/11 for Nations Funds	Director, Enterprise Asset Management, Inc. (private real estate and asset management company)	153	None

Independent Board Members (continued)

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 Age 70	Board member since 2000 for Legacy Seligman funds, since 11/08 for RiverSource Funds and since 6/11 for Nations Funds	Counsel, Lewis & Munday, P.C. since 2004; former Vice President and General Counsel, Automotive Legal Affairs, Chrysler Corporation	153	Digital Ally, Inc. (digital imaging); Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services)
Minor M. Shaw 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 64	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President – Micco LLC (private investments)	146	Former Trustee, BofA Funds Series Trust (11 funds); Piedmont Natural Gas; Director, Blue Cross Blue Shield of South Carolina
Alison Taunton-Rigby 901 S. Marquette Ave Minneapolis, MN 55402 Age 67	Board member since 11/02 for RiverSource Funds and since 6/11 for Nations Funds	Chief Executive Officer and Director, RiboNovix, Inc. 2003-2010 (biotechnology); former President, Aquila Biopharmaceuticals	153	Director, Healthways, Inc. (health management programs); Director, ICI Mutual Insurance Company RRG; Director, Abt Associates (government contractor)

Interested Board Member Not Affiliated with Investment Manager*

Anthony M. Santomero* 225 Franklin Street Mail Drop BX32 05228 Boston, MA 02110 Age 65	Board member since 6/11 for RiverSource Funds and since 1/08 for Nations Funds	Richard K. Mellon Professor Emeritus of Finance, The Wharton School, University of Pennsylvania, since 2002; Senior Advisor, McKinsey & Company (consulting), 2006-2008; President and Chief Executive Officer, Federal Reserve Bank of Philadelphia, 2000-2006	146	Director, Renaissance Reinsurance Ltd.; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup; Director, Citibank, N.A.; former Trustee, BofA Funds Series Trust (11 funds)

* Dr. Santomero is not an affiliated person of the investment manager or Ameriprise Financial. However, he is currently deemed by the funds to be an "interested person" (as defined in the 1940 Act) of the funds because he serves as a Director of Citigroup, Inc. and Citibank N.A., companies that may directly or through subsidiaries and affiliates engage from time-to-time in brokerage execution, principal transactions and lending relationships with the funds or accounts advised/managed by the investment manager.

Interested Board Member Affiliated with Investment Manager*

Name, address, age	Position held with funds and length of service	Principal occupation during past five years	Number of funds in the Fund Family overseen by Board member	Other present or past directorships/ trusteeships (within past 5 years)
William F. Truscott 53600 Ameriprise Financial Center Minneapolis, MN 55474 Age 51	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	Chairman of the Board, Columbia Management Investment Advisers, LLC (formerly RiverSource Investments, LLC) since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer, 2005-April 2010); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. (formerly RiverSource Fund Distributors, Inc.) since May 2010 (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010).	153	None

* Interested person (as defined under the 1940 Act) by reason of being an officer, director, security holder and/or employee of the investment manager or Ameriprise Financial.

The SAI has additional information about the Fund's Board members and is available, without charge, upon request by calling 800.345.6611 or contacting your financial intermediary.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
J. Kevin Connaughton (Born 1964) 225 Franklin Street Boston, MA 02110 President (since 2009)	Senior Vice President and General Manager – Mutual Fund Products, Columbia Management Investment Advisers, LLC since May 2010; President, Columbia Funds, since 2009, and RiverSource Funds, since May 2010 (previously Senior Vice President and Chief Financial Officer, Columbia Funds, from June 2008 to January 2009, Treasurer, Columbia Funds, from October 2003 to May 2008, and senior officer of various other affiliated funds since 2000); Managing Director, Columbia Management Advisors, LLC from December 2004 to April 2010.
Michael G. Clarke (Born 1969) 225 Franklin Street Boston, MA 02110 Treasurer (since 2011) and Chief Financial Officer (since 2009)	Vice President, Columbia Management Investment Advisers, LLC since May 2010; Managing Director of Fund Administration, Columbia Management Advisors, LLC, from September 2004 to April 2010; senior officer of Columbia Funds and affiliated funds since 2002.
Scott R. Plummer (Born 1959) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President and Chief Legal Officer (since 2010)	Chief Legal Officer and Assistant Secretary, Columbia Management Investment Advisers, LLC since June 2005; Vice President and Lead Chief Counsel – Asset Management, Ameriprise Financial, Inc. since May 2010 (previously Vice President and Chief Counsel – Asset Management, from 2005 to April 2010; Vice President, Chief Counsel and Assistant Secretary, Columbia Management Investment Distributors, Inc. since 2008; Vice President, General Counsel and Secretary, Ameriprise Certificate Company since 2005; Chief Counsel, RiverSource Distributors, Inc. since 2006; Senior officer of Columbia Funds and affiliated funds, since 2006.
Linda J. Wondrack (Born 1964) 225 Franklin Street Boston, MA 02110 Senior Vice President and Chief Compliance Officer (since 2007)	Vice President and Chief Compliance Officer, Columbia Management Investment Advisers, LLC since May 2010; Chief Compliance Officer, Columbia Funds, since 2007, and RiverSource Funds, since May 2010; Director (Columbia Management Group, LLC and Investment Product Group Compliance), Bank of America, from June 2005 to April 2010.

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Officers	
William F. Truscott (Born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2010)	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2010 (previously President, Chairman of the Board and Chief Investment Officer, from 2001 to April 2010); Chief Executive Officer, U.S. Asset Management & President, Annuities, Ameriprise Financial, Inc. since May 2010 (previously President – U.S. Asset Management and Chief Investment Officer from 2005 to April 2010, and Senior Vice President – Chief Investment Officer, from 2001 to 2005); Director, President and Chief Executive Officer, Ameriprise Certificate Company since 2006; Director, Columbia Management Investment Distributors, Inc. since May 2010 (previously Chairman of the Board and Chief Executive Officer from 2008 to April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.
Colin Moore (Born 1958) 225 Franklin Street Boston, MA 02110 Senior Vice President (since 2010)	Director and Chief Investment Officer, Columbia Management Investment Advisers, LLC since May 2010; Manager, Managing Director and Chief Investment Officer of Columbia Management Advisors, LLC from 2007 to April 2010; Head of Equities, Columbia Management Advisors, LLC from 2002 to 2007.
Christopher O. Petersen (Born 1970) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Secretary (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel or Counsel from April 2004 to January 2010); Senior officer of Columbia Funds and affiliated funds, since 2007.
Amy Johnson (Born 1965) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President (since 2010)	Senior Vice President and Chief Operating Officer, Columbia Management Investment Advisers, LLC since May 2010 (previously Chief Administrative Officer, from 2009 until April 2010, Vice President – Asset Management and Trust Company Services, from 2006 to 2009, and Vice President – Operations and Compliance from 2004 to 2006).
Joseph F. DiMaria (Born 1968) 225 Franklin Street Boston, MA 02110 Vice President (since 2011) and Chief Accounting Officer (since 2008)	Vice President, Mutual Fund Administration, Columbia Management Investment Advisers, LLC, since May 2010; Director of Fund Administration, Columbia Management Advisors, LLC from January 2006 to April 2010; Head of Tax/Compliance and Assistant Treasurer, Columbia Management Advisors, LLC, from November 2004 to December 2005.
Paul B. Goucher (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2010)	Vice President and Chief Counsel of Ameriprise Financial since January 2010 (formerly Vice President and Group Counsel from November 2008 to January 2010); Director, Managing Director and General Counsel of J. & W. Seligman & Co. Incorporated (Seligman) from July 2008 to November 2008 and Managing Director and Associate General Counsel of Seligman from January 2005 to July 2008.
Michael E. DeFao (Born 1968) 5228 Ameriprise Financial Center Minneapolis, MN 55474 Vice President and Assistant Treasurer (since 2011)	Vice President and Chief Counsel, Ameriprise Financial since May 2010; Associate General Counsel Bank of America from June 2005 to April 2010
Stephen T. Welsh (Born 1957) 225 Franklin Street Boston, MA 02110 Vice President (since 2006)	President and Director, Columbia Management Investment Services Corp. since May 2010; President and Director, Columbia Management Services, Inc. from July 2004 to April 2010; Managing Director, Columbia Management Distributors, Inc. from August 2007 to April 2010.

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Important Information About This Report

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to its portfolio securities and a copy of the fund's voting records are available (i) at www.columbiamanagement.com, (ii) on the Securities and Exchange Commission's website at www.sec.gov, and (iii) without charge, upon request, by calling 1-800-368-0346. Information regarding how the fund voted proxies relating to portfolio securities during the 12-month period ended June 30 is available from the SEC's website. Information regarding how the fund voted proxies relating to portfolio securities is also available from the fund's website, www.columbiamanagement.com.

The fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

The Fund is available only through variable annuity contracts and/or variable life insurance policies issued by participating insurance companies, qualified pension or retirement plans or other eligible investors. Please contact your financial advisor or insurance representative for more information.

Please carefully consider the investment objectives, risks, charges and expenses of any Variable Fund and its related variable contract before investing. For Variable Fund and variable contract prospectuses, which contain this and other important information, contact your financial advisor or insurance representative. Please read the prospectuses carefully before you invest.

ColumbiaManagement®

Columbia Variable Portfolio – High Income Fund
P.O. Box 8081 Boston, MA 02266-8081

C-1531 A (2/12)

This report must be accompanied or preceeded by the Fund's current prospectus. Columbia Management mutual funds are distributed by Columbia Management Investment Distributors, Inc.
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Dreyfus
Stock Index Fund, Inc.

ANNUAL REPORT December 31, 2011

BNY MELLON
ASSET MANAGEMENT

Dreyfus

Save time. Save paper. View your next shareholder report online as soon as it's available. Log into www.dreyfus.com and sign up for Dreyfus eCommunications. It's simple and only takes a few minutes.

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

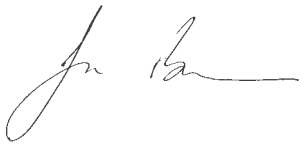
We present to you this annual report for Dreyfus Stock Index Fund, Inc., covering the 12-month period from January 1, 2011, through December 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The generally mild returns produced by the U.S. stock market in 2011 belie the pronounced volatility affecting equities over much of the year. Day-to-day market movements were often tumultuous, driven by macroeconomic developments ranging from catastrophic natural disasters in Japan to an unprecedented downgrade of long-term U.S. debt securities and the resurgence of a sovereign debt crisis in Europe. Still, U.S. corporations achieved record-setting profits, on average, even as market valuations dropped below historical norms. A fundamentals-based investment approach proved relatively ineffective in a market fueled mainly by emotion, causing most active portfolio managers to lag market averages.

We are hopeful that equity investors will adopt a more rational perspective in 2012. Our economic forecast calls for a mild acceleration of the U.S. recovery as the domestic banking system regains strength, credit conditions loosen and housing markets begin a long-awaited convalescence. Of course, we encourage you to talk with your financial adviser to help ensure that your investment objectives are properly aligned with your risk tolerance in pursuing potential market opportunities in 2012.

Thank you for your continued confidence and support.

Sincerely,



Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through December 31, 2011, as provided by Thomas J. Durante, Karen Q. Wong and Richard A. Brown, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2011, Dreyfus Stock Index Fund's Initial shares produced a total return of 1.88%, and its Service shares produced a total return of 1.62%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of 2.09% for the same period.[2,3]

Macroeconomic disappointments throughout the world weighed on U.S. stocks during 2011, but rallies in the first and fourth quarters enabled the S&P 500 Index to end the year in positive territory. The difference in returns between the fund and the S&P 500 Index was primarily the result of transaction costs and operating expenses that are not reflected in the S&P 500 Index's results.

The Fund's Investment Approach

The fund seeks to match the total return of the S&P 500 Index by generally investing in all 500 stocks in the S&P 500 Index in proportion to their respective weighting. Often considered a proxy for the stock market in general, the S&P 500 Index is made up of 500 common stocks chosen to reflect the industries of the U.S. economy. Each stock is weighted by its market capitalization; that is, larger companies have greater representation in the S&P 500 Index than smaller ones. The fund also may use stock index futures as a substitute for the sale or purchase of securities.

Global Economic Developments Roiled Equity Markets

Improvements in U.S. economic data supported stock prices at the start of 2011, but political unrest in the Middle East and catastrophic natural and nuclear disasters in Japan soon interrupted the rally. Nonetheless, stocks generally rebounded from these unexpected shocks by the end of the first quarter.

Investors' hopes for a more robust recovery were dashed in late April, when Greece teetered on the brink of default on its sovereign debt and the crisis spread to other European nations. In addition, U.S. economic data proved disappointing, and investors reacted cautiously to a contentious political debate regarding government spending and borrowing. Consequently, newly risk-averse investors shifted their focus toward traditionally defensive industries and companies.

Market declines were particularly severe in August and September, after a major credit-rating agency downgraded its assessment of long-term U.S. government debt. The market rebounded to a degree from October through December, when U.S. economic data improved and European policymakers made some progress in addressing the region's problems.

Investors Favored Traditionally Defensive Stocks

Cautious investor sentiment helped lift the performance of traditionally defensive industry groups, such as the consumer staples, health care and utilities sectors, due to their relatively low levels of economic sensitivity. Investors also were attracted to stocks offering competitive dividend yields, many of which can be found in the consumer staples and utilities sectors.

In the consumer staples sector, tobacco companies fared especially well amid higher sales in the emerging markets and the introduction of new smokeless tobacco products. Food producers and household products makers also gained value when investors sought companies with consistent sales and stable earnings. Many consumer-oriented companies saw sales rise late in the year when consumer sentiment improved and companies offered holiday season discounts that were largely offset by expense reductions.

Large pharmaceutical developers led the health care sector in 2011, as companies that previously had been hurt by patent expirations diversified their revenue streams through entry into the market for nonprescription health-and-beauty products. Managed care providers also advanced as an aging population made greater use of assisted living facilities. Among utilities, high dividend yields attracted traditional fixed-income investors, and electric utilities powered by fossil fuels gained value in the wake of Japan's nuclear disaster.

The financials sector proved to be the greatest laggard of 2011, as the European debt crisis took its toll on diversified financial institutions. In addition, commercial banks were battered by low lending margins, investment banks suffered with reduced deal volumes, and insurance companies were hurt by claims stemming from a series of natural disasters and the impact of low interest rates on their investment portfolios. In the materials sector, gold stocks failed to keep pace with commodity prices, and industrial metals producers struggled with reduced demand in the faltering global economy. Finally, the energy sector disappointed, mainly due to weakness among equipment and service providers with exposure to the Middle East and North Africa, where security and insurance costs soared.

Index Funds Offer Diversification Benefits

As an index fund, we attempt to replicate the returns of the S&P 500 Index by closely approximating the composition of the S&P 500 Index. In our view, one of the greatest benefits of an index fund is that it offers a broadly diversified investment vehicle that can help investors manage risks by limiting the impact on the overall portfolio of unexpected losses in any single industry group or holding.

January 17, 2012

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

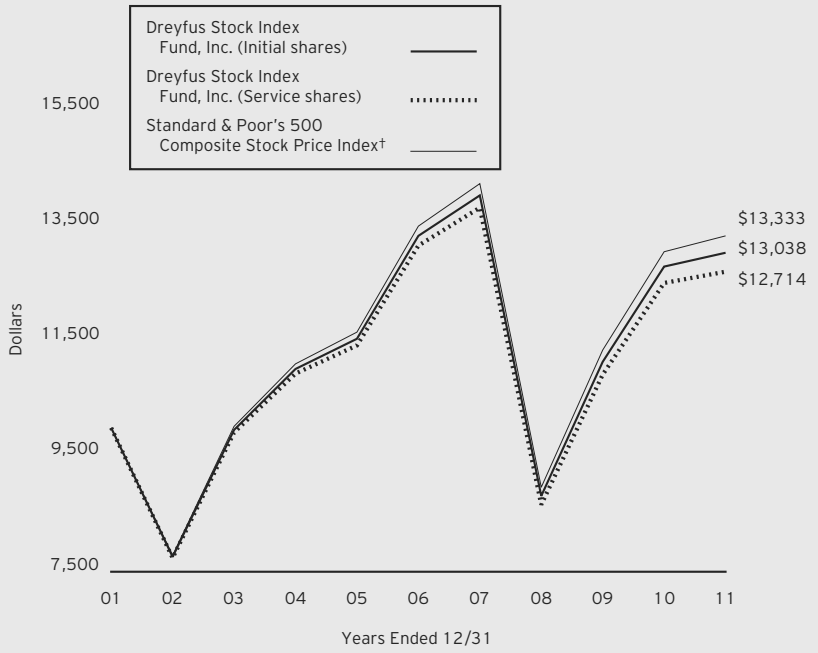
The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends daily and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

3 *"Standard & Poor's®," "S&P®," "Standard & Poor's 500®" and "S&P 500®" are trademarks of Standard & Poor's Financial Services LLC, and have been licensed for use by the fund. The fund is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the fund.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Stock Index Fund, Inc. Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/11*

	1 Year	5 Years	10 Years
Initial shares	**1.88%**	**-0.45%**	**2.69%**
Service shares	**1.62%**	**-0.70%**	**2.43%**
Standard & Poor's 500 Composite Stock Price Index	**2.09%**	**-0.25%**	**2.92%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. ***The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.***

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Stock Index Fund, Inc. on 12/31/01 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses (after any expense reimbursements). The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Stock Index Fund, Inc. from July 1, 2011 to December 31, 2011. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.38	$ 2.62
Ending value (after expenses)	$961.60	$960.40

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.43	$ 2.70
Ending value (after expenses)	$1,023.79	$1,022.53

† *Expenses are equal to the fund's annualized expense ratio of .28% for Initial Shares and .53% for Service Shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2011

Common Stocks—97.1%	Shares		Value ($)
Consumer Discretionary—10.4%			
Abercrombie & Fitch, Cl. A	12,224		597,020
Amazon.com	51,373	[a]	8,892,666
Apollo Group, Cl. A	17,177	[a]	925,325
AutoNation	7,097	[a,b]	261,666
AutoZone	4,091	[a]	1,329,452
Bed Bath & Beyond	33,983	[a]	1,969,994
Best Buy	42,989		1,004,653
Big Lots	8,592	[a]	324,434
BorgWarner	15,340	[a]	977,772
Cablevision Systems (NY Group), Cl. A	32,651		464,297
CarMax	32,366	[a]	986,516
Carnival	65,169		2,127,116
CBS, Cl. B	93,245		2,530,669
Chipotle Mexican Grill	4,483	[a]	1,514,088
Coach	40,199		2,453,747
Comcast, Cl. A	384,774		9,122,992
D.R. Horton	41,456		522,760
Darden Restaurants	19,596		893,186
DeVry	8,371		321,949
DIRECTV, Cl. A	99,681	[a]	4,262,360
Discovery Communications, Cl. A	37,905	[a]	1,552,968
Dollar Tree	16,641	[a]	1,383,034
Expedia	14,096		409,066
Family Dollar Stores	17,050		983,103
Ford Motor	536,156		5,769,039
GameStop, Cl. A	19,244	[a,b]	464,358
Gannett	34,112		456,077
Gap	49,319		914,867
Genuine Parts	22,075		1,350,990
Goodyear Tire & Rubber	36,313	[a]	514,555
H&R Block	43,111		704,003
Harley-Davidson	33,992		1,321,269
Harman International Industries	10,117		384,851
Hasbro	16,395		522,837
Home Depot	218,873		9,201,421

Common Stocks (continued)	Shares	Value ($)
Consumer Discretionary (continued)		
International Game Technology	40,806	701,863
Interpublic Group of Cos	64,557	628,140
J.C. Penney	20,617	724,688
Johnson Controls	95,532	2,986,330
Kohl's	35,832	1,768,309
Leggett & Platt	19,484	448,911
Lennar, Cl. A	20,670 [b]	406,165
Limited Brands	34,239	1,381,544
Lowe's	178,476	4,529,721
Macy's	61,011	1,963,334
Marriott International, Cl. A	39,628	1,155,949
Mattel	47,354	1,314,547
McDonald's	144,520	14,499,692
McGraw-Hill	42,381	1,905,874
Netflix	7,376 [a,b]	511,083
Newell Rubbermaid	41,621	672,179
News, Cl. A	309,828	5,527,332
NIKE, Cl. B	52,397	5,049,499
Nordstrom	22,539	1,120,414
O'Reilly Automotive	18,135 [a]	1,449,893
Omnicom Group	40,047	1,785,295
Priceline.com	6,991 [a]	3,269,761
Pulte Group	45,071 [a,b]	284,398
Ralph Lauren	8,961	1,237,335
Ross Stores	32,620	1,550,429
Scripps Networks Interactive, Cl. A	13,562	575,300
Sears Holdings	5,041 [a,b]	160,203
Staples	100,355	1,393,931
Starbucks	104,176	4,793,138
Starwood Hotels & Resorts Worldwide	27,052 [c]	1,297,684
Target	94,344	4,832,300
Tiffany & Co.	17,841	1,182,145
Time Warner	141,397	5,110,088
Time Warner Cable	45,077	2,865,545
TJX	53,098	3,427,476

Common Stocks (continued)	Shares		Value ($)
Consumer Discretionary (continued)			
TripAdvisor	14,096	a,b	355,360
Urban Outfitters	15,796	a	435,338
VF	12,340		1,567,057
Viacom, Cl. B	78,008		3,542,343
Walt Disney	253,774		9,516,525
Washington Post, Cl. B	724	b	272,810
Whirlpool	10,747		509,945
Wyndham Worldwide	22,381		846,673
Wynn Resorts	10,901		1,204,451
Yum! Brands	65,143		3,844,088
			172,020,185
Consumer Staples—11.2%			
Altria Group	289,820		8,593,163
Archer-Daniels-Midland	95,961		2,744,485
Avon Products	60,216		1,051,974
Beam	21,513		1,102,111
Brown-Forman, Cl. B	14,559		1,172,145
Campbell Soup	25,842	b	858,988
Clorox	18,743		1,247,534
Coca-Cola	320,768		22,444,137
Coca-Cola Enterprises	45,383		1,169,974
Colgate-Palmolive	68,032		6,285,476
ConAgra Foods	58,343		1,540,255
Constellation Brands, Cl. A	25,940	a	536,180
Costco Wholesale	61,601		5,132,595
CVS Caremark	183,867		7,498,096
Dean Foods	26,397	a	295,646
Dr. Pepper Snapple Group	29,908		1,180,768
Estee Lauder, Cl. A	15,666		1,759,605
General Mills	90,674		3,664,136
H.J. Heinz	45,676		2,468,331
Hershey	21,374		1,320,486
Hormel Foods	19,011		556,832
J.M. Smucker	15,701		1,227,347
Kellogg	35,673		1,803,984

Common Stocks (continued)	Shares	Value ($)
Consumer Staples (continued)		
Kimberly-Clark	55,647	4,093,393
Kraft Foods, Cl. A	248,283	9,275,853
Kroger	85,101	2,061,146
Lorillard	19,072	2,174,208
McCormick & Co.	18,123	913,762
Mead Johnson Nutrition	28,453	1,955,575
Molson Coors Brewing, Cl. B	22,527	980,826
PepsiCo	220,803	14,650,279
Philip Morris International	245,315	19,252,321
Procter & Gamble	388,524	25,918,436
Reynolds American	47,320	1,959,994
Safeway	49,638	1,044,384
Sara Lee	82,690	1,564,495
SUPERVALU	32,102 [b]	260,668
Sysco	83,722	2,455,566
Tyson Foods, Cl. A	41,637	859,388
Wal-Mart Stores	246,218	14,713,988
Walgreen	126,479	4,181,396
Whole Foods Market	22,257	1,548,642
		185,518,568
Energy—11.9%		
AGL Resources	16,366	691,627
Alpha Natural Resources	31,016 [a]	633,657
Anadarko Petroleum	69,779	5,326,231
Apache	53,811	4,874,200
Baker Hughes	61,283	2,980,805
Cabot Oil & Gas	14,594	1,107,685
Cameron International	34,893 [a]	1,716,387
Chesapeake Energy	91,897	2,048,384
Chevron	280,791	29,876,162
ConocoPhillips	187,559	13,667,424
Consol Energy	31,726	1,164,344
Denbury Resources	57,165 [a]	863,191
Devon Energy	57,052	3,537,224
Diamond Offshore Drilling	10,082 [b]	557,131
El Paso	106,987	2,842,645

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
EOG Resources	38,082	3,751,458
EQT	20,642	1,130,975
Exxon Mobil	676,974	57,380,316
FMC Technologies	34,164 [a]	1,784,386
Halliburton	128,454	4,432,948
Helmerich & Payne	15,270	891,157
Hess	42,536	2,416,045
Marathon Oil	99,552	2,913,887
Marathon Petroleum	50,789	1,690,766
Murphy Oil	27,755	1,547,064
Nabors Industries	42,037 [a]	728,922
National Oilwell Varco	59,098	4,018,073
Newfield Exploration	18,562 [a]	700,344
Noble	35,407 [a]	1,070,000
Noble Energy	24,507	2,313,216
Occidental Petroleum	114,637	10,741,487
Peabody Energy	37,647	1,246,492
Pioneer Natural Resources	16,733	1,497,269
QEP Resources	24,582	720,253
Range Resources	22,223	1,376,493
Rowan	16,898 [a]	512,516
Schlumberger	189,002	12,910,727
Southwestern Energy	48,851 [a]	1,560,301
Spectra Energy	91,320	2,808,090
Sunoco	14,581	598,113
Tesoro	20,658 [a]	482,571
Valero Energy	81,745	1,720,732
Williams	82,669	2,729,730
		197,561,428
Financial–13.0%		
ACE	47,400	3,323,688
Aflac	65,343	2,826,738
Allstate	71,394	1,956,910
American Express	142,733	6,732,716
American International Group	60,533 [a]	1,404,366
Ameriprise Financial	32,646	1,620,547

Common Stocks (continued)	Shares		Value ($)
Financial (continued)			
Aon	46,425		2,172,690
Apartment Investment & Management, Cl. A	16,662	c	381,726
Assurant	13,983		574,142
AvalonBay Communities	13,268	c	1,732,801
Bank of America	1,425,017		7,923,095
Bank of New York Mellon	171,902		3,422,569
BB&T	99,203		2,496,939
Berkshire Hathaway, Cl. B	248,265	a	18,942,619
BlackRock	14,156		2,523,165
Boston Properties	20,517	c	2,043,493
Capital One Financial	65,055		2,751,176
CBRE Group	41,862	a	637,140
Charles Schwab	151,897		1,710,360
Chubb	39,283	b	2,719,169
Cincinnati Financial	22,393	b	682,091
Citigroup	412,860		10,862,347
CME Group	9,495		2,313,647
Comerica	28,283		729,701
Discover Financial Services	76,479		1,835,496
E*TRADE Financial	31,953	a	254,346
Equity Residential	41,683	c	2,377,181
Federated Investors, Cl. B	13,139	b	199,056
Fifth Third Bancorp	128,564		1,635,334
First Horizon National	35,203	b	281,624
Franklin Resources	20,583		1,977,203
Genworth Financial, Cl. A	69,755	a	456,895
Goldman Sachs Group	69,539		6,288,412
Hartford Financial Services Group	63,837		1,037,351
HCP	57,956	b,c	2,401,117
Health Care REIT	26,780	c	1,460,313
Host Hotels & Resorts	96,168	c	1,420,401
Hudson City Bancorp	76,312		476,950
Huntington Bancshares	125,339		688,111
IntercontinentalExchange	10,145	a	1,222,980
Invesco	62,085		1,247,288
JPMorgan Chase & Co.	536,722		17,846,006

Common Stocks (continued)	Shares	Value ($)
Financial (continued)		
KeyCorp	126,759	974,777
Kimco Realty	58,830 [c]	955,399
Legg Mason	18,661	448,797
Leucadia National	28,761	654,025
Lincoln National	44,032 [b]	855,101
Loews	44,240	1,665,636
M&T Bank	17,241	1,316,178
Marsh & McLennan	76,920	2,432,210
MetLife	149,160	4,650,809
Moody's	28,384 [b]	955,973
Morgan Stanley	209,558	3,170,613
NASDAQ OMX Group	17,070 [a]	418,386
Northern Trust	33,811	1,340,944
NYSE Euronext	37,729	984,727
People's United Financial	51,680	664,088
Plum Creek Timber	22,888 [b,c]	836,785
PNC Financial Services Group	73,413	4,233,728
Principal Financial Group	44,370	1,091,502
Progressive	88,461	1,725,874
ProLogis	64,663 [c]	1,848,715
Prudential Financial	66,679	3,341,951
Public Storage	19,778 [c]	2,659,350
Regions Financial	181,999	782,596
Simon Property Group	41,113 [c]	5,301,110
SLM	70,591	945,919
State Street	70,418	2,838,550
SunTrust Banks	76,891	1,360,971
T. Rowe Price Group	36,155	2,059,027
Torchmark	14,167	614,706
Travelers	58,578	3,466,060
U.S. Bancorp	268,625	7,266,306
Unum Group	42,808	901,965
Ventas	40,353 [c]	2,224,661
Vornado Realty Trust	25,949 [c]	1,994,440
Wells Fargo & Co.	744,710	20,524,208
Weyerhaeuser	75,302 [c]	1,405,888

Common Stocks (continued)	Shares	Value ($)
Financial (continued)		
XL Group	46,267	914,699
Zions Bancorporation	25,562	416,149
		215,832,722
Health Care–11.5%		
Abbott Laboratories	219,981	12,369,532
Aetna	51,806	2,185,695
Agilent Technologies	48,402 [a]	1,690,682
Allergan	43,215	3,791,684
AmerisourceBergen	36,502	1,357,509
Amgen	111,392	7,152,480
Baxter International	79,359	3,926,683
Becton Dickinson & Co.	30,238	2,259,383
Biogen Idec	34,335 [a]	3,778,567
Boston Scientific	209,329 [a]	1,117,817
Bristol-Myers Squibb	239,543	8,441,495
C.R. Bard	11,807	1,009,498
Cardinal Health	47,881	1,944,447
CareFusion	31,926 [a]	811,240
Celgene	62,708 [a]	4,239,061
Cerner	20,844 [a]	1,276,695
Cigna	40,294	1,692,348
Coventry Health Care	20,567 [a]	624,620
Covidien	68,148	3,067,341
DaVita	13,296 [a]	1,007,970
DENTSPLY International	20,049 [b]	701,515
Edwards Lifesciences	15,814 [a]	1,118,050
Eli Lilly & Co.	143,721	5,973,045
Express Scripts	69,124 [a]	3,089,152
Forest Laboratories	37,889 [a]	1,146,521
Gilead Sciences	106,097 [a]	4,342,550
Hospira	23,851 [a]	724,355
Humana	23,098	2,023,616
Intuitive Surgical	5,512 [a]	2,552,111
Johnson & Johnson	385,652	25,291,058
Laboratory Corp. of America Holdings	13,843 [a]	1,190,083
Life Technologies	25,698 [a]	999,909

Common Stocks (continued)	Shares	Value ($)
Health Care (continued)		
McKesson	34,290	2,671,534
Medco Health Solutions	54,580 [a]	3,051,022
Medtronic	147,562	5,644,246
Merck & Co.	431,590	16,270,943
Mylan	58,782 [a]	1,261,462
Patterson	13,667	403,450
PerkinElmer	15,304	306,080
Perrigo	13,029	1,267,722
Pfizer	1,085,678	23,494,072
Quest Diagnostics	21,778	1,264,431
St. Jude Medical	46,150	1,582,945
Stryker	46,901	2,331,449
Tenet Healthcare	70,628 [a]	362,322
Thermo Fisher Scientific	53,572 [a]	2,409,133
UnitedHealth Group	150,564	7,630,584
Varian Medical Systems	15,906 [a]	1,067,770
Waters	13,002 [a]	962,798
Watson Pharmaceuticals	18,025 [a]	1,087,628
WellPoint	49,139	3,255,459
Zimmer Holdings	25,320	1,352,594
		190,574,356
Industrial–10.4%		
3M	99,283	8,114,400
Avery Dennison	15,913	456,385
Boeing	104,239	7,645,931
C.H. Robinson Worldwide	22,614	1,578,005
Caterpillar	91,041	8,248,315
Cintas	15,079 [b]	524,900
Cooper Industries	23,147	1,253,410
CSX	148,351	3,124,272
Cummins	27,402	2,411,924
Danaher	80,296	3,777,124
Deere & Co.	57,798	4,470,675
Dover	26,108	1,515,569
Dun & Bradstreet	6,767	506,375
Eaton	48,260	2,100,758

Common Stocks (continued)	Shares	Value ($)
Industrial (continued)		
Emerson Electric	104,024	4,846,478
Equifax	17,262	668,730
Expeditors International of Washington	29,389	1,203,773
Fastenal	40,803	1,779,419
FedEx	44,794	3,740,747
Flowserve	8,096	804,095
Fluor	24,792	1,245,798
General Dynamics	50,301	3,340,489
General Electric	1,490,920	26,702,377
Goodrich	17,357	2,147,061
Honeywell International	109,250	5,937,737
Illinois Tool Works	68,252	3,188,051
Ingersoll-Rand	44,100	1,343,727
Iron Mountain	26,243	808,284
Jacobs Engineering Group	18,344 [a]	744,400
Joy Global	14,964	1,121,851
L-3 Communications Holdings	14,920	994,866
Lockheed Martin	37,486 [b]	3,032,617
Masco	48,961	513,111
Norfolk Southern	47,477	3,459,174
Northrop Grumman	36,925	2,159,374
PACCAR	51,306	1,922,436
Pall	16,998	971,436
Parker Hannifin	21,985	1,676,356
Pitney Bowes	28,142 [b]	521,753
Precision Castparts	20,392	3,360,398
Quanta Services	28,941 [a]	623,389
R.R. Donnelley & Sons	26,196 [b]	378,008
Raytheon	49,627	2,400,954
Republic Services	45,141	1,243,635
Robert Half International	19,382	551,612
Rockwell Automation	20,556	1,508,194
Rockwell Collins	21,874	1,211,163
Roper Industries	13,111	1,138,953
Ryder System	7,044	374,318
Snap-on	8,602	435,433

Common Stocks (continued)	Shares		Value ($)
Industrial (continued)			
Southwest Airlines	110,011		941,694
Stanley Black & Decker	23,306		1,575,486
Stericycle	12,203	a	950,858
Textron	40,113		741,689
Tyco International	65,500		3,059,505
Union Pacific	68,236		7,228,922
United Parcel Service, Cl. B	136,291		9,975,138
United Technologies	127,221		9,298,583
W.W. Grainger	8,577		1,605,529
Waste Management	66,603	b	2,178,584
Xylem	25,989		667,657
			172,051,885
Information Technology—18.5%			
Accenture, Cl. A	90,036		4,792,616
Adobe Systems	68,492	a	1,936,269
Advanced Micro Devices	83,796	a,b	452,498
Akamai Technologies	27,211	a	878,371
Altera	45,136		1,674,546
Amphenol, Cl. A	23,373		1,060,900
Analog Devices	42,167		1,508,735
Apple	131,245	a	53,154,225
Applied Materials	185,121		1,982,646
Autodesk	32,159	a	975,382
Automatic Data Processing	68,296		3,688,667
BMC Software	25,190	a	825,728
Broadcom, Cl. A	67,021	a	1,967,737
CA	54,565		1,103,031
Cisco Systems	759,323		13,728,560
Citrix Systems	26,452	a	1,606,165
Cognizant Technology Solutions, Cl. A	43,117	a	2,772,854
Computer Sciences	22,054		522,680
Comverse Technology	502	a	3,444
Corning	222,675		2,890,321
Dell	215,697	a	3,155,647
eBay	162,238	a	4,920,679
Electronic Arts	47,692	a	982,455

Common Stocks (continued)	Shares	Value ($)
Information Technology (continued)		
EMC	288,120 [a]	6,206,105
F5 Networks	11,230 [a]	1,191,728
Fidelity National Information Services	35,183	935,516
First Solar	7,797 [a,b]	263,227
Fiserv	20,148 [a]	1,183,494
FLIR Systems	22,902 [b]	574,153
Google, Cl. A	35,674 [a]	23,041,837
Harris	17,568	633,151
Hewlett-Packard	280,707	7,231,012
Intel	719,288	17,442,734
International Business Machines	166,461	30,608,849
Intuit	42,802	2,250,957
Jabil Circuit	27,389	538,468
JDS Uniphase	31,965 [a]	333,715
Juniper Networks	76,396 [a]	1,559,242
KLA-Tencor	23,319	1,125,142
Lexmark International, Cl. A	10,159 [b]	335,958
Linear Technology	31,219	937,507
LSI	77,130 [a]	458,923
MasterCard, Cl. A	15,023	5,600,875
Microchip Technology	26,564 [b]	973,039
Micron Technology	141,210 [a]	888,211
Microsoft	1,057,216	27,445,327
Molex	19,411 [b]	463,146
Motorola Mobility Holdings	37,184 [a]	1,442,739
Motorola Solutions	40,482	1,873,912
NetApp	52,057 [a]	1,888,107
Novellus Systems	9,956 [a]	411,083
NVIDIA	84,396 [a]	1,169,729
Oracle	555,673	14,253,012
Paychex	44,509	1,340,166
QUALCOMM	237,369	12,984,084
Red Hat	27,192 [a]	1,122,758
SAIC	38,343 [a]	471,235
Salesforce.com	19,071 [a]	1,934,944
SanDisk	33,716 [a]	1,659,164

Common Stocks (continued)	Shares	Value ($)
Information Technology (continued)		
Symantec	105,945 [a]	1,658,039
TE Connectivity	60,800	1,873,248
Teradata	23,716 [a]	1,150,463
Teradyne	25,086 [a,b]	341,922
Texas Instruments	162,777	4,738,438
Total System Services	24,153	472,433
VeriSign	22,649	809,022
Visa, Cl. A	71,548	7,264,268
Western Digital	32,560 [a]	1,007,732
Western Union	90,012 [b]	1,643,619
Xerox	197,828	1,574,711
Xilinx	37,556	1,204,045
Yahoo!	175,198 [a]	2,825,944
		305,921,289
Materials—3.4%		
Air Products & Chemicals	29,782	2,537,129
Airgas	9,826	767,214
Alcoa	150,372	1,300,718
Allegheny Technologies	14,193	678,425
Ball	23,308	832,329
Bemis	14,682	441,635
CF Industries Holdings	9,242	1,339,905
Cliffs Natural Resources	20,699	1,290,583
Dow Chemical	165,865	4,770,277
E.I. du Pont de Nemours & Co	130,378	5,968,705
Eastman Chemical	19,746	771,279
Ecolab	42,099	2,433,743
FMC	10,448	898,946
Freeport-McMoRan Copper & Gold	133,757	4,920,920
International Flavors & Fragrances	11,820	619,604
International Paper	60,560	1,792,576
MeadWestvaco	23,370	699,931
Monsanto	74,718	5,235,490
Mosaic	41,772	2,106,562
Newmont Mining	69,037	4,142,910
Nucor	44,257	1,751,249

Common Stocks (continued)	Shares	Value ($)
Materials (continued)		
Owens-Illinois	22,658 [a]	439,112
PPG Industries	21,985	1,835,528
Praxair	42,187	4,509,790
Sealed Air	23,771	409,099
Sherwin-Williams	12,266	1,094,986
Sigma-Aldrich	16,809	1,049,890
Titanium Metals	12,805	191,819
United States Steel	20,018 [b]	529,676
Vulcan Materials	18,150 [b]	714,202
		56,074,232
Telecommunication Services–3.1%		
American Tower, Cl. A	55,156 [c]	3,309,912
AT&T	836,843	25,306,132
CenturyLink	87,090	3,239,748
Frontier Communications	138,368 [b]	712,595
MetroPCS Communications	37,950 [a]	329,406
Sprint Nextel	426,677 [a]	998,424
Verizon Communications	399,790	16,039,575
Windstream	82,215	965,204
		50,900,996
Utilities–3.7%		
AES	92,024 [a]	1,089,564
Ameren	33,940	1,124,432
American Electric Power	67,239	2,777,643
CenterPoint Energy	58,586	1,176,993
CMS Energy	33,616	742,241
Consolidated Edison	41,062	2,547,076
Constellation Energy Group	27,737	1,100,327
Dominion Resources	79,459	4,217,684
DTE Energy	23,356	1,271,734
Duke Energy	185,834	4,088,348
Edison International	45,636	1,889,330
Entergy	24,498	1,789,579
Exelon	92,515	4,012,376
FirstEnergy	58,236	2,579,855

Common Stocks (continued)	Shares	Value ($)
Utilities (continued)		
Integrys Energy Group	11,511	623,666
NextEra Energy	59,819	3,641,781
NiSource	38,186	909,209
Northeast Utilities	24,178	872,100
NRG Energy	33,991 [a]	615,917
ONEOK	14,228	1,233,425
Pepco Holdings	32,311	655,913
PG&E	56,607	2,333,341
Pinnacle West Capital	15,000	722,700
PPL	81,986	2,412,028
Progress Energy	40,984	2,295,924
Public Service Enterprise Group	71,503	2,360,314
SCANA	15,800 [b]	711,948
Sempra Energy	33,254	1,828,970
Southern	121,707	5,633,817
TECO Energy	32,015	612,767
Wisconsin Energy	32,727	1,144,136
Xcel Energy	67,768	1,873,109
		60,888,247
Total Common Stocks (cost $1,204,793,785)		**1,607,343,908**

Short-Term Investments—.2%	Principal Amount ($)	Value ($)
U.S. Treasury Bills:		
0.01%, 5/24/12	2,755,000 [d]	2,754,620
0.03%, 2/23/12	205,000 [d]	204,996
0.03%, 3/22/12	520,000 [d]	519,983
Total Short-Term Investments (cost $3,479,878)		**3,479,599**

Other Investment—2.6%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $43,932,285)	43,932,285 [e]	**43,932,285**

Investment of Cash Collateral for Securities Loaned–1.1%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $17,596,811)	17,596,811 [e]	**17,596,811**
Total Investments (cost $1,269,802,759)	**101.0%**	**1,672,352,603**
Liabilities, Less Cash and Receivables	**(1.0%)**	**(16,758,878)**
Net Assets	**100.0%**	**1,655,593,725**

REIT—Real Estate Investment Trust

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2011, the value of the fund's securities on loan was $17,087,292 and the value of the collateral held by the fund was $17,596,811.*

[c] *Investment in real estate investment trust.*

[d] *Held by a broker as collateral for open financial futures positions.*

[e] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Information Technology	18.5	Short-Term/ Money Market Investments	3.9
Financial	13.0	Utilities	3.7
Energy	11.9	Materials	3.4
Health Care	11.5	Telecommunication Services	3.1
Consumer Staples	11.2		
Consumer Discretionary	10.4		
Industrial	10.4		**101.0**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

December 31, 2011

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized Appreciation at 12/31/2011 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	801	50,166,630	March 2012	**950,496**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2011

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $17,087,292)—Note 1(b):		
Unaffiliated issuers	1,208,273,663	1,610,823,507
Affiliated issuers	61,529,096	61,529,096
Cash		470,087
Dividends and securities lending income receivable		2,429,181
Receivable for investment securities sold		281,693
Receivable for shares of Common Stock subscribed		176,340
Prepaid expenses		71,744
		1,675,781,648
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		378,542
Liability for securities on loan—Note 1(b)		17,596,811
Payable for shares of Common Stock redeemed		1,877,792
Payable for futures variation margin—Note 4		193,683
Accrued expenses		141,095
		20,187,923
Net Assets ($)		**1,655,593,725**
Composition of Net Assets ($):		
Paid-in capital		1,219,108,871
Accumulated undistributed investment income—net		489,672
Accumulated net realized gain (loss) on investments		32,494,842
Accumulated net unrealized appreciation (depreciation) on investments (including $950,496 net unrealized appreciation on financial futures)		403,500,340
Net Assets ($)		**1,655,593,725**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,487,417,218	168,176,507
Shares Outstanding	50,458,635	5,698,998
Net Asset Value Per Share ($)	**29.48**	**29.51**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2011

Investment Income ($):	
Income:	
Dividends;	
Unaffiliated issuers	35,611,477
Affiliated issuers	19,865
Income from securities lending—Note 1(b)	130,445
Interest	1,059
Total Income	**35,762,846**
Expenses:	
Management fee—Note 3(a)	4,214,159
Distribution fees—Note 3(b)	419,468
Directors' fees and expenses—Note 3(d)	101,886
Prospectus and shareholders' reports	98,434
Professional fees	86,889
Shareholder servicing costs—Note 3(c)	34,746
Loan commitment fees—Note 2	15,506
Interest expense—Note 2	2,140
Miscellaneous	134,457
Total Expenses	**5,107,685**
Less—reduction in fees due to earnings credits—Note 3(c)	(6)
Net Expenses	**5,107,679**
Investment Income—Net	**30,655,167**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	84,613,501
Net realized gain (loss) on financial futures	2,660,795
Net Realized Gain (Loss)	**87,274,296**
Net unrealized appreciation (depreciation) on investments	(84,839,762)
Net unrealized appreciation (depreciation) on financial futures	672,587
Net Unrealized Appreciation (Depreciation)	**(84,167,175)**
Net Realized and Unrealized Gain (Loss) on Investments	**3,107,121**
Net Increase in Net Assets Resulting from Operations	**33,762,288**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2011	2010
Operations ($):		
Investment income–net	30,655,167	29,904,478
Net realized gain (loss) on investments	87,274,296	79,645,981
Net unrealized appreciation (depreciation) on investments	(84,167,175)	127,503,542
Net Increase (Decrease) in Net Assets Resulting from Operations	**33,762,288**	**237,054,001**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(28,344,208)	(28,030,229)
Service Shares	(2,688,460)	(2,405,412)
Net realized gain on investments:		
Initial Shares	(10,509,094)	–
Service Shares	(1,112,437)	–
Total Dividends	**(42,654,199)**	**(30,435,641)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	171,025,336	117,708,374
Service Shares	28,394,145	21,604,639
Dividends reinvested:		
Initial Shares	38,853,302	28,030,229
Service Shares	3,800,897	2,405,412
Cost of shares redeemed:		
Initial Shares	(349,530,185)	(291,019,364)
Service Shares	(31,935,289)	(25,004,310)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(139,391,794)**	**(146,275,020)**
Total Increase (Decrease) in Net Assets	**(148,283,705)**	**60,343,340**
Net Assets ($):		
Beginning of Period	1,803,877,430	1,743,534,090
End of Period	**1,655,593,725**	**1,803,877,430**
Undistributed investment income–net	489,672	870,701

	Year Ended December 31,	
	2011	2010
Capital Share Transactions:		
Initial Shares		
Shares sold	5,767,892	4,297,365
Shares issued for dividends reinvested	1,300,359	1,032,652
Shares redeemed	(11,714,021)	(10,780,561)
Net Increase (Decrease) in Shares Outstanding	**(4,645,770)**	**(5,450,544)**
Service Shares		
Shares sold	963,854	809,525
Shares issued for dividends reinvested	127,057	88,328
Shares redeemed	(1,074,192)	(925,125)
Net Increase (Decrease) in Shares Outstanding	**16,719**	**(27,272)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
Initial Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	29.67	26.31	22.98	37.40	36.15
Investment Operations:					
Investment income–net[a]	.54	.48	.48	.64	.64
Net realized and unrealized gain (loss) on investments	.02	3.37	4.85	(14.40)	1.26
Total from Investment Operations	.56	3.85	5.33	(13.76)	1.90
Distributions:					
Dividends from investment income–net	(.55)	(.49)	(.48)	(.66)	(.65)
Dividends from net realized gain on investments	(.20)	–	(1.52)	–	–
Total Distributions	(.75)	(.49)	(2.00)	(.66)	(.65)
Net asset value, end of period	29.48	29.67	26.31	22.98	37.40
Total Return (%)	1.88	14.84	26.33	(37.14)	5.26
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.27	.27	.29	.28	.27
Ratio of net expenses to average net assets	.27	.27	.29	.28	.27
Ratio of net investment income to average net assets	1.81	1.78	2.12	2.04	1.70
Portfolio Turnover Rate	3.27	4.46	5.42	4.69	4.54
Net Assets, end of period ($ x 1,000)	1,487,417	1,635,095	1,593,165	1,464,344	2,702,209

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	29.70	26.34	23.00	37.41	36.16
Investment Operations:					
Investment income—net[a]	.47	.41	.43	.57	.55
Net realized and unrealized gain (loss) on investments	.02	3.38	4.85	(14.42)	1.26
Total from Investment Operations	.49	3.79	5.28	(13.85)	1.81
Distributions:					
Dividends from investment income—net	(.48)	(.43)	(.42)	(.56)	(.56)
Dividends from net realized gain on investments	(.20)	–	(1.52)	–	–
Total Distributions	(.68)	(.43)	(1.94)	(.56)	(.56)
Net asset value, end of period	29.51	29.70	26.34	23.00	37.41
Total Return (%)	1.62	14.54	26.05	(37.32)	4.99
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.52	.52	.54	.53	.52
Ratio of net expenses to average net assets	.52	.52	.54	.53	.52
Ratio of net investment income to average net assets	1.56	1.53	1.86	1.72	1.45
Portfolio Turnover Rate	3.27	4.46	5.42	4.69	4.54
Net Assets, end of period ($ x 1,000)	168,177	168,782	150,369	124,614	532,711

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Stock Index Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a non-diversified open-end management investment company, that is intended to be a funding vehicle for variable annuity contracts and variable life insurance policies to be offered by the separate accounts of life insurance companies. The fund's investment objective is to match the total return of the Standard and Poor's 500 Composite Stock Price Index. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Mellon Capital Management Corporation ("Mellon Capital"), an indirect wholly-owned subsidiary of BNY Mellon, serves as the fund's index manager.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 400 million shares of $.001 par value Common Stock in each of the following classes of shares: Initial shares (250 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the distribution plan, shareholder services plan, the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for

SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All preceding securities are categorized within Level 1 of the fair value hierarchy.

U.S. Treasury Bills are valued at the mean price between quoted bid prices and asked prices by an independent pricing service (the "Service") approved by the Board of Directors. These securities are generally categorized within Level 2 of the fair value hierarchy.

The Service's procedures are reviewed by Dreyfus under the general supervision of the Board of Directors.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant American Depository Receipts and futures contracts. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the

close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

Financial futures, which are traded on an exchange, are valued at the last sales price on the securities exchange on which such securities are primarily traded or at the last sales price on the national securities market on each business day. These securities are generally categorized within Level 1 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2011 in valuing the fund's investments:

	Level 1–Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3–Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities–Domestic†	1,607,343,908	–	–	**1,607,343,908**
Mutual Funds	61,529,096	–	–	**61,529,096**
U.S. Treasury	–	3,479,599	–	**3,479,599**
Other Financial Instruments:				
Futures††	950,496	–	–	**950,496**

† *See Statement of Investments for additional detailed categorizations.*

†† *Amount shown represents unrealized appreciation at period end.*

In May 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS")" ("ASU 2011-04"). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by Dreyfus, U.S. Government and

Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2011, The Bank of New York Mellon earned $55,905 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" in the Act.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended December 31, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 12/31/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	39,713,000	232,526,597	228,307,312	43,932,285	2.6
Dreyfus Institutional Cash Advantage Fund+	25,092,075	740,942,785	748,438,049	17,596,811	1.1
Total	**64,805,075**	**973,469,382**	**976,745,361**	**61,529,096**	**3.7**

† *On June 7, 2011, Dreyfus Institutional Cash Advantage Plus Fund was acquired by Dreyfus Institutional Cash Advantage Fund, resulting in a transfer of shares.*

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net are declared and paid on a quarterly basis. Dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by

capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended December 31, 2011, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2011, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $2,321,340, undistributed capital gains $83,902,872 and unrealized appreciation $350,251,684.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2011 and December 31, 2010 were as follows: ordinary income $31,032,668 and $30,435,641 and long-term capital gains $11,621,531 and $0, respectively.

During the period ended December 31, 2011, as a result of permanent book to tax differences, primarily due to the tax treatment for return of capital distributions, the fund decreased accumulated undistributed investment income-net by $3,528 and increased paid-in capital by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing.

The average amount of borrowings outstanding under the Facilities during the period ended December 31, 2011, was approximately $154,800 with a related weighted average annualized interest rate of 1.38%.

NOTE 3—Management Fee, Index Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement with Dreyfus, the management fee is computed at the annual rate of .245% of the value of the fund's average daily net assets and is payable monthly.

Dreyfus has agreed to pay Mellon Capital a monthly index-management fee at the annual rate of .07% of the value of the fund's average daily net assets.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to

actual expenses incurred. During the period ended December 31, 2011, Service shares were charged $419,468 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of the Initial shares' average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares' shareholder accounts. During the period ended December 31, 2011, Initial shares were charged $19,545 pursuant to the Shareholders Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2011, the fund was charged $1,197 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates The Bank of New York Mellon under cash management agreements for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2011, the fund was charged $191 pursuant to the cash management agreements, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $6.

Dreyfus has agreed to bear the cost of custody fees.

During the period ended December 31, 2011, the fund was charged $6,402 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $336,881, Rule 12b-1 distribution plan fees $35,156, shareholder services plan fees $1,000, chief compliance officer fees $5,295 and transfer agency per account fees $210.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities and financial futures, during the period ended December 31, 2011, amounted to $56,045,241 and $205,906,155, respectively.

Futures Contracts: In the normal course of pursuing its investment objective, the fund is exposed to market risk, including equity price risk as a result of changes in value of underlying financial instruments. The fund invests in financial futures contracts in order to manage its exposure to or protect against changes in the market. A futures contract represents a commitment for the future purchase or a sale of an asset at a specified date. Upon entering into such contracts, these investments require initial margin deposits with a broker, which consist of cash or cash equivalents. The amount of these deposits is determined by the exchange or Board of Trade on which the contract is traded and is subject to change. Accordingly, variation margin payments are received or made to reflect daily unrealized gains or losses which are recorded in the Statement of Operations. Futures contracts are valued daily at the last sales price established by the Board of Trade or exchange upon which they are traded. When the contracts are closed, the fund recognizes a realized gain or loss. There is minimal counter-

party credit risk to the fund with futures since futures are exchange traded, and the exchange's clearinghouse guarantees the futures against default. Contracts open at December 31, 2011 are set forth in the Statement of Financial Futures.

The following summarizes the average market value of derivatives outstanding during the period ended December 31, 2011:

	Average Market Value ($)
Equity futures contracts	25,202,675

At December 31, 2011, the cost of investments for federal income tax purposes was $1,322,100,919; accordingly, accumulated net unrealized appreciation on investments was $350,251,684, consisting of $625,356,886 gross unrealized appreciation and $275,105,202 gross unrealized depreciation.

NOTE 5—Pending Legal Matters:

The fund and more than two hundred other entities have been named as defendants in two pending litigations (Deutsche Bank Trust Co., Americas et al. v. Adaly Opportunity Fund TD Secs. Inc. et al., No. 11-cv-04784, filed July 12, 2011 in the United States District Court for the Southern District of New York, and Niese et al. v. Alliance Bernstein L.P. et al., No. 11-cv-04538, filed July 1, 2011 in the United States District Court for the Southern District of New York) against shareholders of the Tribune Company who received payment for their shares in June or December 2007, as part of a leveraged buyout of the company (the "LBO"). Approximately one year after the LBO was concluded, the Tribune Company filed for bankruptcy. Thereafter, in approximately June 2011, certain Tribune Company creditors filed dozens of complaints in various courts throughout the country, including complaints in the two actions referred to above, alleging that the

payments made to shareholders in the LBO were "fraudulent conveyances," and that the shareholders must return the payments they received for their shares to satisfy the plaintiffs' unpaid claims. These cases have been consolidated for pre-trial proceedings in a multi-district litigation in the United States District Court for the Southern District of New York (S.D.N.Y. No. 11-MD-2296(RJH)).

In addition, there is a case pending in United States Bankruptcy Court for the District of Delaware brought by the Unsecured Creditors Committee of the Tribune Company (The Official Committee of Unsecured Creditors of Tribune Co. v. Fitzsimons et al., Bankr. D. Del. Adv. Pro. No. 10-54010 (KJC), filed Nov. 1, 2010). In this case, the Creditors Committee seeks recovery for alleged "fraudulent conveyances" from more than 32,000 Tribune shareholders, including the fund, in a Third Amended Complaint filed in January 2012.

At this early stage in the proceedings, it is not possible to assess with any reasonable certainty the probable outcomes of the pending litigations. Consequently, at this time, management is unable to estimate the possible loss or range of loss that may result.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Dreyfus Stock Index Fund, Inc.

We have audited the accompanying statement of assets and liabilities of Dreyfus Stock Index Fund, Inc., including the statements of investments and financial futures, as of December 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011 by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Stock Index Fund, Inc., at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

New York, New York
February 10, 2012

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2011 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2012 of the percentage applicable to the preparation of their 2011 income tax returns.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (68)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)

No. of Portfolios for which Board Member Serves: 164

Peggy C. Davis (68)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law
• Writer and teacher in the fields of evidence, constitutional theory, family law, social sciences and the law, legal process and professional methodology and training

No. of Portfolios for which Board Member Serves: 53

David P. Feldman (72)
Board Member (1996)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• BBH Mutual Funds Group (4 registered mutual funds), Director (1992-present)
• QMed, Inc. a healthcare company, Director (1999-2007)

No. of Portfolios for which Board Member Serves: 49

Ehud Houminer (71)
Board Member (1993)

Principal Occupation During Past 5 Years:
• Executive-in-Residence at the Columbia Business School, Columbia University (1992-present)

Other Public Company Board Memberships During Past 5 Years:
• Avnet Inc., an electronics distributor, Director (1993-present)

No. of Portfolios for which Board Member Serves: 63

Dr. Martin Peretz (72)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Editor-in-Chief Emeritus of The New Republic Magazine (2010-present) (previously, Editor-in-Chief, 1974-2010)
• Director of TheStreet.com, a financial information service on the web (1996-present)

No. of Portfolios for which Board Member Serves: 35

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

James F. Henry, Emeritus Board Member
Dr. Paul A. Marks, Emeritus Board Member
Gloria Messinger, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 75 investment companies (comprised of 163 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since February 1988.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 49 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 38 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 56 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 37 years old and has been an employee of the Manager since February 2001.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since September 2003.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since September 2003.

Director – Mutual Fund Accounting of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2007.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since September 2003.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (76 investment companies, comprised of 189 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 54 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

STEPHEN J. STOREN, Anti-Money Laundering Compliance Officer since May 2011.

Chief Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 72 investment companies (comprised of 185 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Distributor since October 1999.

For More Information

Dreyfus Stock Index Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Index Fund Manager

Mellon Capital Management Corporation
500 Grant Street
Pittsburgh, PA 15258

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Variable Investment Fund, Appreciation Portfolio

ANNUAL REPORT December 31, 2011

BNY MELLON
ASSET MANAGEMENT

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

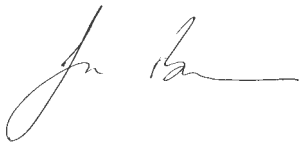
We present to you this annual report for Dreyfus Variable Investment Fund, Appreciation Portfolio, covering the 12-month period from January 1, 2011, through December 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The generally mild returns produced by the U.S. stock market in 2011 belie the pronounced volatility affecting equities over much of the year. Day-to-day market movements were often tumultuous, driven by macroeconomic developments ranging from catastrophic natural disasters in Japan to an unprecedented downgrade of long-term U.S. debt securities and the resurgence of a sovereign debt crisis in Europe. Still, U.S. corporations achieved record-setting profits, on average, even as market valuations dropped below historical norms. A fundamentals-based investment approach proved relatively ineffective in a market fueled mainly by emotion, causing most active portfolio managers to lag market averages.

We are hopeful that equity investors will adopt a more rational perspective in 2012. Our economic forecast calls for a mild acceleration of the U.S. recovery as the domestic banking system regains strength, credit conditions loosen and housing markets begin a long-awaited convalescence. Of course, we encourage you to talk with your financial adviser to help ensure that your investment objectives are properly aligned with your risk tolerance in pursuing potential market opportunities in 2012.

Thank you for your continued confidence and support.

Sincerely,



Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through December 31, 2011, as provided by Fayez Sarofim, Portfolio Manager of Fayez Sarofim & Co., Sub-Investment Adviser

Fund and Market Performance Overview

For the 12-month period ended December 31, 2011, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 9.01%, and its Service shares produced a total return of 8.74%.[1] In comparison, the total return of the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), was 2.09% for the same period.[2]

Macroeconomic disappointments throughout the world weighed on equity markets during much of 2011, but rallies in the first and fourth quarters enabled the S&P 500 Index to end the year in positive territory. The fund produced higher returns than its benchmark as risk-averse investors turned to the kinds of large, multinational companies that the fund favors.

The Fund's Investment Approach

The fund seeks long-term capital growth consistent with the preservation of capital. Its secondary goal is current income. To pursue these goals, the fund normally invests at least 80% of its assets in common stocks. The fund focuses on blue-chip companies with total market capitalizations of more than $5 billion at the time of purchase, including multinational companies. These are established companies that have demonstrated sustained patterns of profitability, strong balance sheets, an expanding global presence and the potential to achieve predictable, above-average earnings growth.

In choosing stocks, the fund first identifies economic sectors it believes will expand over the next three to five years or longer. Using fundamental analysis, the fund then seeks companies within these sectors that have proven track records and dominant positions in their industries. The fund employs a "buy-and-hold" investment strategy, which generally has resulted in an annual portfolio turnover of below 15%. A low portfolio turnover rate helps reduce the fund's trading costs and minimizes tax liability by limiting the distribution of capital gains.[3]

Global Economic Developments Roiled Equity Markets

Improvements in U.S. economic data supported stock prices at the start of 2011, but political unrest in the Middle East and catastrophic natural and nuclear disasters in Japan soon interrupted the rally. Nonetheless, investors continued to look forward to better business conditions, and stocks rebounded from these unexpected shocks by the end of the first quarter.

Investors' hopes for a more robust recovery were dashed in late April, when Greece appeared headed for default on its sovereign debt and the crisis spread to other European nations. In addition, U.S. economic data proved more disappointing than expected, and investors reacted cautiously to a contentious political debate regarding U.S. government spending and borrowing. Consequently, newly risk-averse investors moved away from more speculative investments and toward traditionally defensive industries and companies. Market declines were particularly severe in August and September, after a major credit-rating agency downgraded its assessment of long-term U.S. government debt. In contrast, the market rebounded from October through December when U.S. economic data improved and European policymakers made some progress in addressing the region's problems.

Multinational Leaders Buoyed Fund Performance

In the turbulent market environment, skittish investors flocked to blue-chip companies with generous dividend yields, a presence in global markets and strong balance sheets. The fund particularly benefited from underweighted exposure to the financials sector, which helped it avoid weakness among banks affected by Europe's debt crisis and a stricter U.S. regulatory environment. In the consumer staples sector, tobacco producer Philip Morris International encountered rising global demand, while Altria Group and Coca-Cola benefited from renewed investor interest in traditionally defensive companies with substantially positive cash flows. Industry giants Apple and International Business Machines fared well in the information technology sector. Other top performers included casual dining chain McDonald's and large integrated energy companies Exxon Mobil and Chevron.

The materials sector fared less well during the reporting period, as metal producers Freeport-McMoRan Copper & Gold and Rio Tinto

suffered amid falling industrial commodity prices. The fund held no exposure to the utilities and telecommunications services sectors, which generally beat market averages despite growth characteristics that did not meet our investment criteria. Banking giant JPMorgan Chase & Co. was hurt by industry-wide concerns stemming from Europe's debt crisis, and luxury goods purveyor Christian Dior suffered despite strong business fundamentals due to worries over the European financial crisis and potential contagion.

Investors Remain Focused on High-Quality Companies

We expect the global economic rebound to persist fitfully amid significant headwinds, leading us to conclude that investors are likely to continue to favor large, multinational companies with solid business fundamentals and strong income characteristics. Indeed, corporate earnings in 2011 generally remained robust despite the economic downturn, while equity valuations have become more attractive. When adjusting to the changing market environment, we identified a number of new opportunities among multinational companies with healthy balance sheets, ample cash reserves and a presence in growing markets, and we eliminated some older positions to make room for these opportunities.

January 17, 2012

Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

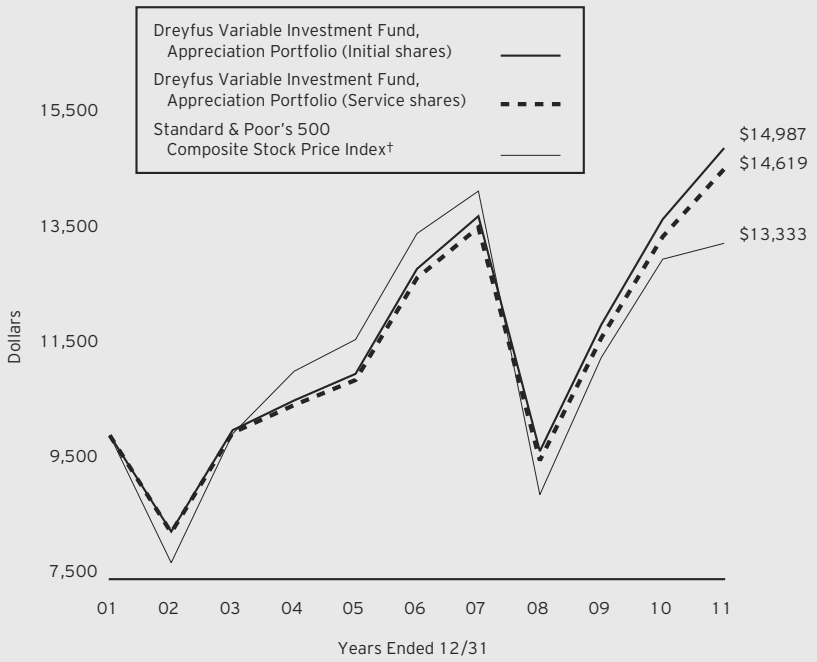
Fund shares are only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects monthly reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in an index.*

3 *Achieving tax efficiency is not a part of the fund's investment objective, and there can be no guarantee that the fund will achieve any particular level of taxable distributions in future years. In periods when the manager has to sell significant amounts of securities (e.g., during periods of significant net redemptions or changes in index components) funds can be expected to be less tax efficient than during periods of more stable market conditions and asset flows.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Variable Investment Fund, Appreciation Portfolio Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/11*

	1 Year	5 Years	10 Years
Initial shares	**9.01%**	**3.06%**	**4.13%**
Service shares	**8.74%**	**2.80%**	**3.87%**
Standard & Poor's 500 Composite Stock Price Index	**2.09%**	**-0.25%**	**2.92%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Variable Investment Fund, Appreciation Portfolio on 12/31/01 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses. The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Variable Investment Fund, Appreciation Portfolio from July 1, 2011 to December 31, 2011. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.06	$ 5.33
Ending value (after expenses)	$1,013.40	$1,012.10

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.08	$ 5.35
Ending value (after expenses)	$1,021.17	$1,019.91

† *Expenses are equal to the fund's annualized expense ratio of .80% for Initial Shares and 1.05% for Service Shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2011

Common Stocks—98.1%	Shares		Value ($)
Consumer Discretionary—11.4%			
Arcos Dorados Holdings, Cl. A	110,000		2,258,300
McDonald's	170,900		17,146,397
McGraw-Hill	107,100		4,816,287
News, Cl. A	308,136		5,497,146
News, Cl. B	7,700		139,986
Target	189,700		9,716,434
Time Warner Cable	45,000		2,860,650
Wal-Mart Stores	171,600		10,254,816
Walt Disney	120,000		4,500,000
			57,190,016
Consumer Staples—33.1%			
Altria Group	488,100		14,472,165
Christian Dior	65,500		7,766,071
Coca-Cola	472,600		33,067,822
Estee Lauder, Cl. A	64,200		7,210,944
Green Mountain Coffee Roasters	30,000	a,b	1,345,500
Kraft Foods, Cl. A	160,000		5,977,600
Nestle, ADR	317,400		18,317,154
PepsiCo	142,900		9,481,415
Philip Morris International	488,100		38,306,088
Procter & Gamble	255,000		17,011,050
Walgreen	294,300		9,729,558
Whole Foods Market	45,100		3,138,058
			165,823,425
Energy—19.7%			
Chevron	190,900		20,311,760
ConocoPhillips	165,100		12,030,837
Exxon Mobil	321,364		27,238,813
Imperial Oil	85,000	a	3,780,800
Occidental Petroleum	133,100		12,471,470
Royal Dutch Shell, Cl. A, ADR	172,500		12,608,025
Total, ADR	199,400	a	10,191,334
			98,633,039

Common Stocks (continued)	Shares	Value ($)
Financial—3.3%		
BlackRock	20,000	3,564,800
Franklin Resources	41,000	3,938,460
JPMorgan Chase & Co.	267,300	8,887,725
		16,390,985
Health Care—9.7%		
Abbott Laboratories	176,800	9,941,464
Intuitive Surgical	12,000 [b]	5,556,120
Johnson & Johnson	212,900	13,961,982
Medtronic	90,200	3,450,150
Merck & Co.	143,200	5,398,640
Novo Nordisk, ADR	33,300	3,838,158
Roche Holding, ADR	150,700	6,412,285
		48,558,799
Industrial—3.2%		
Caterpillar	84,400	7,646,640
General Electric	214,800	3,847,068
United Technologies	59,000	4,312,310
		15,806,018
Information Technology—13.0%		
Apple	61,000 [b]	24,705,000
Automatic Data Processing	85,400	4,612,454
Intel	592,900	14,377,825
International Business Machines	67,000	12,319,960
QUALCOMM	50,800	2,778,760
Texas Instruments	213,300	6,209,163
		65,003,162
Materials—4.7%		
Air Products & Chemicals	20,000	1,703,800
Freeport-McMoRan Copper & Gold	185,000	6,806,150
Praxair	95,200	10,176,880
Rio Tinto, ADR	100,000	4,892,000
		23,578,830
Total Common Stocks (cost $304,209,663)		**490,984,274**

Other Investment–1.5%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $7,593,542)	7,593,542 [c]	**7,593,542**
Investment of Cash Collateral for Securities Loaned–.5%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $2,642,191)	2,642,191 [c]	**2,642,191**
Total Investments (cost $314,445,396)	**100.1%**	**501,220,007**
Liabilities, Less Cash and Receivables	**(.1%)**	**(615,493)**
Net Assets	**100.0%**	**500,604,514**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At December 31, 2011, the value of the fund's securities on loan was $2,592,538 and the value of the collateral held by the fund was $2,642,191.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Consumer Staples	33.1	Materials	4.7
Energy	19.7	Financial	3.3
Information Technology	13.0	Industrial	3.2
Consumer Discretionary	11.4	Money Market Investments	2.0
Health Care	9.7		**100.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2011

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $2,592,538)—Note 1(c):		
Unaffiliated issuers	304,209,663	490,984,274
Affiliated issuers	10,235,733	10,235,733
Cash		1,696,633
Dividends and securities lending income receivable		1,184,021
Receivable for shares of Beneficial Interest subscribed		1,173,575
Prepaid expenses		15,657
		505,289,893
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		276,702
Due to Fayez & Sarofim & Co.		90,106
Liability for securities on loan—Note 1(c)		2,642,191
Payable for investment securities purchased		1,347,028
Payable for shares of Beneficial Interest redeemed		286,373
Accrued expenses		42,979
		4,685,379
Net Assets ($)		**500,604,514**
Composition of Net Assets ($):		
Paid-in capital		307,637,163
Accumulated undistributed investment income—net		8,843,223
Accumulated net realized gain (loss) on investments		(2,650,483)
Accumulated net unrealized appreciation (depreciation) on investments		186,774,611
Net Assets ($)		**500,604,514**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	326,444,707	174,159,807
Shares Outstanding	8,591,846	4,615,304
Net Asset Value Per Share ($)	**37.99**	**37.74**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2011

Investment Income ($):	
Income:	
Cash dividends (net of $371,041 foreign taxes withheld at source):	
Unaffiliated issuers	12,846,031
Affiliated issuers	4,870
Income from securities lending—Note 1(c)	76,748
Total Income	**12,927,649**
Expenses:	
Investment advisory fee—Note 3(a)	2,460,928
Sub-investment advisory fee—Note 3(a)	1,005,168
Distribution fees—Note 3(b)	359,542
Professional fees	73,685
Prospectus and shareholders' reports	64,725
Custodian fees—Note 3(b)	37,863
Trustees' fees and expenses—Note 3(c)	32,703
Shareholder servicing costs—Note 3(b)	14,644
Loan commitment fees—Note 2	7,494
Miscellaneous	21,679
Total Expenses	**4,078,431**
Less—reduction in fees due to earnings credits—Note 3(b)	(7)
Net Expenses	**4,078,424**
Investment Income—Net	**8,849,225**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	(368,068)
Net unrealized appreciation (depreciation) on investments	31,468,680
Net Realized and Unrealized Gain (Loss) on Investments	**31,100,612**
Net Increase in Net Assets Resulting from Operations	**39,949,837**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2011	2010
Operations ($):		
Investment income–net	8,849,225	7,352,431
Net realized gain (loss) on investments	(368,068)	(586,025)
Net unrealized appreciation (depreciation) on investments	31,468,680	51,126,895
Net Increase (Decrease) in Net Assets Resulting from Operations	**39,949,837**	**57,893,301**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(5,339,622)	(6,320,853)
Service Shares	(2,014,556)	(1,386,410)
Total Dividends	**(7,354,178)**	**(7,707,263)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	46,939,033	27,881,230
Service Shares	64,879,366	75,657,393
Dividends reinvested:		
Initial Shares	5,339,622	6,320,853
Service Shares	2,014,556	1,386,410
Cost of shares redeemed:		
Initial Shares	(58,474,591)	(48,910,102)
Service Shares	(28,370,572)	(38,807,049)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**32,327,414**	**23,528,735**
Total Increase (Decrease) in Net Assets	**64,923,073**	**73,714,773**
Net Assets ($):		
Beginning of Period	435,681,441	361,966,668
End of Period	**500,604,514**	**435,681,441**
Undistributed investment income–net	8,843,223	7,349,430

	Year Ended December 31,	
	2011	2010
Capital Share Transactions:		
Initial Shares		
Shares sold	1,285,530	864,720
Shares issued for dividends reinvested	147,422	199,459
Shares redeemed	(1,599,685)	(1,544,798)
Net Increase (Decrease) in Shares Outstanding	**(166,733)**	**(480,619)**
Service Shares		
Shares sold	1,791,766	2,347,577
Shares issued for dividends reinvested	55,897	43,916
Shares redeemed	(789,159)	(1,138,271)
Net Increase (Decrease) in Shares Outstanding	**1,058,504**	**1,253,222**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
Initial Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	35.44	31.40	28.88	44.86	42.55
Investment Operations:					
Investment income–net[a]	.73	.64	.63	.67	.66
Net realized and unrealized gain (loss) on investments	2.42	4.09	4.95	(13.01)	2.32
Total from Investment Operations	3.15	4.73	5.58	(12.34)	2.98
Distributions:					
Dividends from investment income–net	(.60)	(.69)	(.78)	(.77)	(.67)
Dividends from net realized gain on investments	–	–	(2.28)	(2.87)	–
Total Distributions	(.60)	(.69)	(3.06)	(3.64)	(.67)
Net asset value, end of period	37.99	35.44	31.40	28.88	44.86
Total Return (%)	9.01	15.32	22.56	(29.55)	7.14
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.80	.81	.80	.81	.80
Ratio of net expenses to average net assets	.80	.81	.80	.81	.80
Ratio of net investment income to average net assets	1.99	2.01	2.31	1.82	1.52
Portfolio Turnover Rate	4.24	11.90	1.49	3.41	5.17
Net Assets, end of period ($ x 1,000)	326,445	310,385	290,073	274,782	569,422

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	35.23	31.21	28.70	44.59	42.32
Investment Operations:					
Investment income—net[a]	.63	.58	.59	.58	.56
Net realized and unrealized gain (loss) on investments	2.42	4.05	4.89	(12.94)	2.30
Total from Investment Operations	3.05	4.63	5.48	(12.36)	2.86
Distributions:					
Dividends from investment income—net	(.54)	(.61)	(.69)	(.66)	(.59)
Dividends from net realized gain on investments	–	–	(2.28)	(2.87)	–
Total Distributions	(.54)	(.61)	(2.97)	(3.53)	(.59)
Net asset value, end of period	37.74	35.23	31.21	28.70	44.59
Total Return (%)	8.74	15.04	22.23	(29.72)	6.85
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.05	1.06	1.05	1.06	1.05
Ratio of net expenses to average net assets	1.05	1.06	1.05	1.06	1.05
Ratio of net investment income to average net assets	1.75	1.74	2.15	1.61	1.27
Portfolio Turnover Rate	4.24	11.90	1.49	3.41	5.17
Net Assets, end of period ($ x 1,000)	174,160	125,296	71,893	88,606	121,006

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Variable Investment Fund (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company currently offering seven series, including the Appreciation Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek long-term capital growth consistent with the preservation of capital. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser. Fayez Sarofim & Co. ("Sarofim & Co.") serves as the fund's sub-investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of Dreyfus, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan and the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and futures contracts. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Trustees. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2011 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	420,920,147	–	–	**420,920,147**
Equity Securities– Foreign†	70,064,127	–	–	**70,064,127**
Mutual Funds	10,235,733	–	–	**10,235,733**

† *See Statement of Investments for additional detailed categorizations.*

In May 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial

Reporting Standards ("IFRS")" ("ASU 2011-04"). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

(b) Foreign currency transactions: The fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized on securities transactions between trade and settlement date, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments resulting from changes in exchange rates. Foreign cur-

rency gains and losses on investments are included with net realized and unrealized gain or loss on investments.

(c) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by Dreyfus, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2011, The Bank of New York Mellon earned $32,892 from lending portfolio securities, pursuant to the securities lending agreement.

(d) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" in the Act.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended December 31, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 12/31/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	28,098,000	60,247,792	80,752,250	7,593,542	1.5
Dreyfus Institutional Cash Advantage Fund	9,340,956	354,198,748	360,897,513	2,642,191	.5
Total	**37,438,956**	**414,446,540**	**441,649,763**	**10,235,733**	**2.0**

(e) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(f) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended December 31, 2011, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2011, the components of accumulated earnings on a tax basis were as follows: ordinary income $8,843,223, accumulated capital losses $1,621,087 and unrealized appreciation $185,882,506. In addition, the fund had $137,291 of capital losses realized after October 31, 2011, which were deferred for tax purposes to the first day of the following fiscal year.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses rather than be considered short-term as they were under previous statute. However, the 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The accumulated capital loss carryover is available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2011. If not applied, $658,768 of the carryover expires in fiscal 2017, $732,796 expires in fiscal 2018 and $229,523 of post-enactment long-term capital losses can be carried forward for an unlimited period.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2011 and December 31, 2010 were as follows: ordinary income $7,354,178 and $7,707,263, respectively.

During the period ended December 31, 2011, as a result of permanent book to tax differences, primarily due to the tax treatment for foreign currency exchange gains and losses, the fund decreased

accumulated undistributed investment income-net by $1,254 and increased accumulated net realized gain (loss) on investments by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended December 31, 2011, the fund did not borrow under the Facilities.

NOTE 3—Investment Advisory Fee, Sub-Investment Advisory Fee and Other Transactions With Affiliates:

(a) Pursuant to an investment advisory agreement with Dreyfus, the investment advisory fee is computed at the annual rate of .5325% of the value of the fund's average daily net assets. Pursuant to a sub-investment advisory agreement with Sarofim & Co., the fund pays Sarofim & Co. a monthly sub-investment advisory fee at the annual rate of .2175% of the value of the fund's average daily net assets. Both fees are payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make

payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2011, Service shares were charged $359,542 pursuant to the Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2011, the fund was charged $1,506 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates The Bank of New York Mellon under cash management agreements for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2011, the fund was charged $227 pursuant to the cash management agreements, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $7.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2011, the fund was charged $37,863 pursuant to the custody agreement.

During the period ended December 31, 2011, the fund was charged $6,402 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: investment advisory fees $220,603, Rule 12b-1 distribution plan fees $35,578, custodian fees $15,003, chief compliance officer fees $5,295 and transfer agency per account fees $223.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4–Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2011, amounted to $48,582,853 and $19,558,921, respectively.

At December 31, 2011, the cost of investments for federal income tax purposes was $315,337,501; accordingly, accumulated net unrealized appreciation on investments was $185,882,506, consisting of $199,694,157 gross unrealized appreciation and $13,811,651 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Dreyfus Variable Investment Fund, Appreciation Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Variable Investment Fund, Appreciation Portfolio (one of the series comprising Dreyfus Variable Investment Fund) as of December 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011 by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Variable Investment Fund, Appreciation Portfolio at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 10, 2012

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2011 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2012 of the percentage applicable to the preparation of their 2011 income tax returns.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (68)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)

No. of Portfolios for which Board Member Serves: 164

Peggy C. Davis (68)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law
• Writer and teacher in the fields of evidence, constitutional theory, family law, social sciences and the law, legal process and professional methodology and training

No. of Portfolios for which Board Member Serves: 53

David P. Feldman (72)
Board Member (1994)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• BBH Mutual Funds Group (4 registered mutual funds), Director (1992-present)
• QMed, Inc. a healthcare company, Director (1999-2007)

No. of Portfolios for which Board Member Serves: 49

Ehud Houminer (71)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Executive-in-Residence at the Columbia Business School, Columbia University (1992-present)

Other Public Company Board Memberships During Past 5 Years:
• Avnet Inc., an electronics distributor, Director (1993-present)

No. of Portfolios for which Board Member Serves: 63

Dr. Martin Peretz (72)
Board Member (1990)

Principal Occupation During Past 5 Years:
• Editor-in-Chief Emeritus of The New Republic Magazine (2010-present) (previously, Editor-in-Chief, 1974-2010)
• Director of TheStreet.com, a financial information service on the web (1996-present)

No. of Portfolios for which Board Member Serves: 35

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

James F. Henry, Emeritus Board Member
Rosalind G. Jacobs, Emeritus Board Member
Dr. Paul A. Marks, Emeritus Board Member
Gloria Messinger, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 75 investment companies (comprised of 163 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since February 1988.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 49 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 38 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 56 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 37 years old and has been an employee of the Manager since February 2001.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2003.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (76 investment companies, comprised of 189 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 54 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

STEPHEN J. STOREN, Anti-Money Laundering Compliance Officer since May 2011.

Chief Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 72 investment companies (comprised of 185 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Distributor since October 1999.

NOTES

For More Information

Dreyfus Variable Investment Fund, Appreciation Portfolio
200 Park Avenue
New York, NY 10166

Investment Adviser

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Sub-Investment Adviser

Fayez Sarofim & Co.
Two Houston Center
Suite 2907
Houston, TX 77010

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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The Dreyfus Socially Responsible Growth Fund, Inc.

ANNUAL REPORT December 31, 2011

BNY MELLON
ASSET MANAGEMENT

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

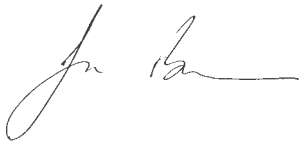
We present to you this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2011, through December 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The generally mild returns produced by the U.S. stock market in 2011 belie the pronounced volatility affecting equities over much of the year. Day-to-day market movements were often tumultuous, driven by macroeconomic developments ranging from catastrophic natural disasters in Japan to an unprecedented downgrade of long-term U.S. debt securities and the resurgence of a sovereign debt crisis in Europe. Still, U.S. corporations achieved record-setting profits, on average, even as market valuations dropped below historical norms. A fundamentals-based investment approach proved relatively ineffective in a market fueled mainly by emotion, causing most active portfolio managers to lag market averages.

We are hopeful that equity investors will adopt a more rational perspective in 2012. Our economic forecast calls for a mild acceleration of the U.S. recovery as the domestic banking system regains strength, credit conditions loosen and housing markets begin a long-awaited convalescence. Of course, we encourage you to talk with your financial adviser to help ensure that your investment objectives are properly aligned with your risk tolerance in pursuing potential market opportunities in 2012.

Thank you for your continued confidence and support.

Sincerely,



Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through December 31, 2011, as provided by Jocelin A. Reed, CFA, Portfolio Manager

Market and Fund Performance Overview

For the 12-month period ended December 31, 2011, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 0.90%, and the fund's Service shares returned 0.65%.[1] In comparison, the fund's benchmark, the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced a total return of 2.09% for the same period.[2]

Several macroeconomic disappointments weighed on equities during 2011, limiting the S&P 500 Index's return. The fund produced lower returns than its benchmark, primarily due to lack of exposure to large integrated energy companies.

The Fund's Investment Approach

The fund seeks capital growth, with current income as a secondary objective. To pursue these goals, the fund invests at least 80% of its assets in the common stocks of companies that, in our opinion, meet traditional investment standards while simultaneously conducting their businesses in a manner that contributes to the enhancement of the quality of life in America. In selecting stocks, we use quantitative research to identify and rank stocks within an industry or sector. Next, using fundamental analysis, we designate the most attractive of the higher ranked securities as potential purchase candidates. We then evaluate whether each company meets the fund's socially responsible investment criteria in order to determine whether the company is eligible for purchase or retention by the fund. With respect to those eligible securities, we then select investments that we consider to be the most attractive based on financial considerations.

The fund normally focuses on large-cap growth stocks; however, the fund also may invest in value-oriented stocks, midcap stocks and small-cap stocks.

Global Economic Developments Roiled Equity Markets

Improvements in U.S. economic data supported stock prices at the start of 2011, but political unrest in the Middle East and natural disasters in

Japan soon interrupted the rally. Nonetheless, investors looked forward to better business conditions, and stocks rebounded by the end of the first quarter.

Hopes for a more robust recovery were dashed in late April, when a sovereign debt crisis spread from Greece to other European nations. In addition, U.S. economic data proved disappointing, and investors reacted cautiously to a contentious debate regarding U.S. government spending and borrowing. Market declines were particularly severe in August and September, after a major credit-rating agency downgraded its assessment of long-term U.S. government debt. The market rebounded from October through December when U.S. economic data improved, enabling the S&P 500 Index to end the year in positive territory.

Stock Selections Produced Mixed Results

Disappointments during the reporting period were concentrated primarily in the energy sector, where the fund did not participate in the relative strength of integrated oil producers that failed to meet our socially responsible criteria. In addition, a supply glut of natural gas weighed on Nexen, *Forest Oil* and Devon Energy. In the industrials sector, lack of exposure to aerospace companies hurt relative returns, as did companies doing substantial business in the emerging markets, such as Emerson Electric and United Technologies. Meanwhile, construction engineering firm Fluor lost value due to government cutbacks on domestic infrastructure projects. Results from the materials sector were constrained by global economic worries affecting metals producers Alcoa and *Schnitzer Steel*.

The fund achieved better results in the financials sector. Relatively light holdings of diversified financial institutions helped cushion weakness affecting big banks. Instead, we established positions in non-bank financials, such as securities exchange NASDAQ OMX Group, which advanced amid higher trading volumes, and insurer Aflac, which reported growth in overseas markets. Discover Financial Services held up well due to low exposure to subprime loans and wider acceptance of its credit card.

Among health care companies, favorable stock selections included Humana and *Aetna*, which encountered rising enrollment trends in government-sponsored insurance programs. Overweighted exposure to biotechnology firms also buoyed returns. In the consumer discretionary sector, auto parts seller O'Reilly Automotive saw business

improve as consumers delayed purchases of new vehicles, and discount retailer *TJX* proved adept at managing inventories and appealing to cost-conscious consumers.

Finding Sustainable Opportunities in a Slow Growth Economy

Recent improvements in economic data have been encouraging, but selectivity is likely to remain key to investment success. The fund ended the year with overweighted exposure to high-quality, growth-oriented technology companies that appear poised to benefit from emerging technological trends. Conversely, we have maintained underweighted exposure to energy companies.

Why Invest in Mining Companies?

We sometimes are asked why the fund invests in mining companies that historically have been large energy consumers. As a socially responsible fund, we believe it is good policy to reward companies for moving in the right direction toward sustainability. The fund's mining holdings have made substantial progress toward reducing energy consumption, and we have continued to avoid those companies with less appealing track records in this area.

January 17, 2012

Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

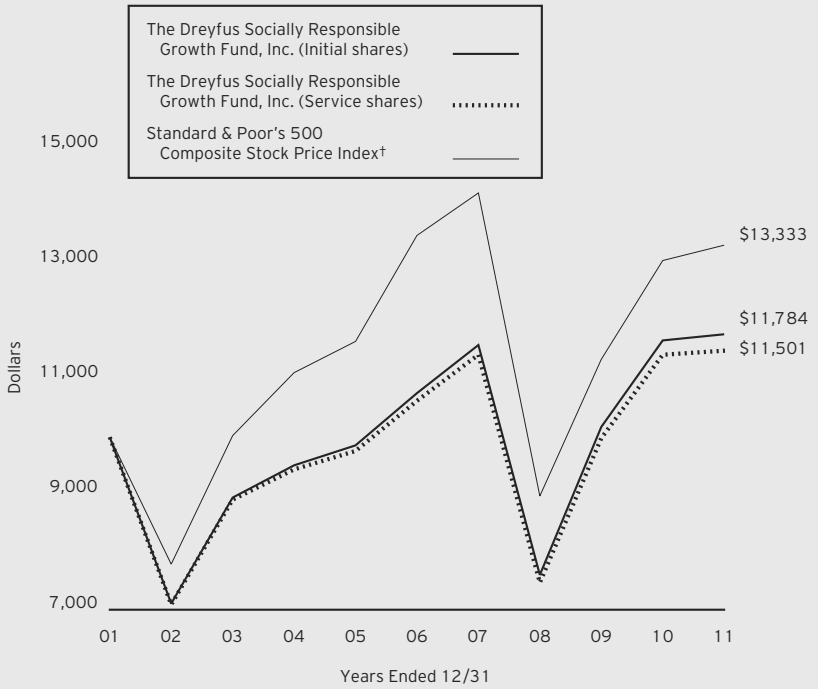
The fund's socially responsible investment criteria may limit the number of investment opportunities available to the fund, and as a result, at times, the fund may produce more modest gains than funds that are not subject to such special investment considerations.

The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: LIPPER INC. — Reflects reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. Initial shares and Service shares and the Standard & Poor's 500 Composite Stock Price Index

Average Annual Total Returns *as of 12/31/11*

	1 Year	5 Years	10 Years
Initial shares	**0.90%**	**1.84%**	**1.66%**
Service shares	**0.65%**	**1.59%**	**1.41%**
Standard & Poor's 500 Composite Stock Price Index	**2.09%**	**-0.25%**	**2.92%**

† *Source: Lipper Inc.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. ***The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.***

The above graph compares a $10,000 investment made in Initial and Service shares of The Dreyfus Socially Responsible Growth Fund, Inc. on 12/31/01 to a $10,000 investment made in the Standard & Poor's 500 Composite Stock Price Index (the "Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses. The Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the Index is not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in The Dreyfus Socially Responsible Growth Fund, Inc. from July 1, 2011 to December 31, 2011. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.22	$ 5.44
Ending value (after expenses)	$945.60	$944.70

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.38	$ 5.65
Ending value (after expenses)	$1,020.87	$1,019.61

† *Expenses are equal to the fund's annualized expense ratio of .86% for Initial Shares and 1.11% for Service Shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2011

Common Stocks—99.3%	Shares		Value ($)
Consumer Discretionary—8.7%			
Best Buy	65,100		1,521,387
Discovery Communications, Cl. A	84,600	a	3,466,062
Kohl's	68,200		3,365,670
Marriott International, Cl. A	88,200		2,572,794
Marriott Vacations Worldwide	8,820	a,b	151,351
Nordstrom	49,400		2,455,674
O'Reilly Automotive	19,200	a	1,535,040
Staples	148,100		2,057,109
Weight Watchers International	27,275	b	1,500,398
			18,625,485
Consumer Staples—10.6%			
Campbell Soup	66,200	b	2,200,488
Clorox	48,300		3,214,848
Coca-Cola Enterprises	84,100		2,168,098
Costco Wholesale	56,300		4,690,916
Estee Lauder, Cl. A	14,900		1,673,568
Hormel Foods	109,500		3,207,255
Procter & Gamble	23,825		1,589,366
Whole Foods Market	55,450		3,858,211
			22,602,750
Energy—7.7%			
Denbury Resources	199,300	a	3,009,430
Devon Energy	47,850		2,966,700
EnCana	90,100		1,669,553
ION Geophysical	315,500	a	1,934,015
Lone Pine Resources	205,054		1,437,428
Nexen	141,725		2,254,845
Noble Energy	28,200		2,661,798
Venoco	77,523	a	524,831
			16,458,600
Financial—10.7%			
Aflac	62,600		2,708,076
Comerica	133,900		3,454,620
Discover Financial Services	91,100		2,186,400
First Horizon National	172,120		1,376,960

Common Stocks (continued)	Shares	Value ($)
Financial (continued)		
KeyCorp	528,100	4,061,089
NASDAQ OMX Group	74,200 [a]	1,818,642
Northern Trust	59,800	2,371,668
People's United Financial	86,100	1,106,385
PNC Financial Services Group	44,150	2,546,130
Waddell & Reed Financial, Cl. A	50,450	1,249,646
		22,879,616
Health Care–14.0%		
Agilent Technologies	61,600 [a]	2,151,688
Amgen	30,875	1,982,484
AstraZeneca, ADR	41,050 [b]	1,900,204
Becton Dickinson & Co.	30,275	2,262,148
Biogen Idec	20,900 [a]	2,300,045
Bristol-Myers Squibb	135,100	4,760,924
CareFusion	48,400 [a]	1,229,844
DaVita	41,000 [a]	3,108,210
Gilead Sciences	58,550 [a]	2,396,451
Humana	40,900	3,583,249
Life Technologies	79,000 [a]	3,073,890
Novartis, ADR	22,400	1,280,608
		30,029,745
Industrial–10.0%		
3M	26,200	2,141,326
Brink's	40,250	1,081,920
Caterpillar	34,100	3,089,460
Cummins	28,500	2,508,570
Donaldson	13,825 [b]	941,206
Eaton	45,600	1,984,968
Emerson Electric	37,525	1,748,290
Fluor	21,800	1,095,450
General Electric	152,700	2,734,857
Pitney Bowes	107,000 [b]	1,983,780
United Technologies	29,175	2,132,401
		21,442,228
Information Technology–25.7%		
Accenture, Cl. A	19,800	1,053,954

Common Stocks (continued)	Shares		Value ($)
Information Technology (continued)			
Advanced Micro Devices	193,600	a	1,045,440
Apple	13,650	a	5,528,250
Applied Materials	189,400		2,028,474
Avnet	43,975	a	1,367,183
CA	73,250		1,480,749
Cisco Systems	206,275		3,729,452
Dell	248,900	a	3,641,407
EMC	115,625	a	2,490,563
Intel	166,050		4,026,713
International Business Machines	40,775		7,497,707
Intuit	29,800		1,567,182
Microsoft	311,900		8,096,924
Motorola Solutions	34,000		1,573,860
Oracle	104,475		2,679,784
QUALCOMM	19,925		1,089,897
Symantec	139,050	a	2,176,132
VistaPrint	76,500	a,b	2,340,900
Western Union	88,425	b	1,614,640
			55,029,211
Materials–5.2%			
Alcoa	283,100		2,448,815
Ball	73,500		2,624,685
Domtar	28,300		2,262,868
Ecolab	41,200		2,381,772
Sigma-Aldrich	24,000		1,499,040
			11,217,180
Telecommunications–2.8%			
Verizon Communications	151,900		**6,094,228**
Utilities–3.9%			
Consolidated Edison	35,100		2,177,253
NSTAR	47,300		2,221,208
Sempra Energy	28,350		1,559,250
Xcel Energy	83,500		2,307,940
			8,265,651
Total Common Stocks (cost $200,932,174)			**212,644,694**

Other Investment–.7%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,532,244)	1,532,244 [c]	**1,532,244**
Investment of Cash Collateral for Securities Loaned–4.1%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $8,730,754)	8,730,754 [c]	**8,730,754**
Total Investments (cost $211,195,172)	**104.1%**	**222,907,692**
Liabilities, Less Cash and Receivables	**(4.1%)**	**(8,727,171)**
Net Assets	**100.0%**	**214,180,521**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2011, the value of the fund's securities on loan was $8,457,668 and the value of the collateral held by the fund was $8,730,754.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Information Technology	25.7	Energy	7.7
Health Care	14.0	Materials	5.2
Financial	10.7	Money Market Investments	4.8
Consumer Staples	10.6	Utilities	3.9
Industrial	10.0	Telecommunications	2.8
Consumer Discretionary	8.7		**104.1**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2011

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $8,457,668)—Note 1(b):		
Unaffiliated issuers	200,932,174	212,644,694
Affiliated issuers	10,262,998	10,262,998
Cash		41,927
Dividends and securities lending income receivable		250,034
Receivable for shares of Common Stock subscribed		8,293
Prepaid expenses		10,363
		223,218,309
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		153,198
Liability for securities on loan—Note 1(b)		8,730,754
Payable for shares of Common Stock redeemed		94,250
Accrued expenses		59,586
		9,037,788
Net Assets ($)		**214,180,521**
Composition of Net Assets ($):		
Paid-in capital		211,582,321
Accumulated undistributed investment income—net		1,808,402
Accumulated net realized gain (loss) on investments		(10,922,722)
Accumulated net unrealized appreciation (depreciation) on investments		11,712,520
Net Assets ($)		**214,180,521**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	208,013,113	6,167,408
Shares Outstanding	6,955,222	207,622
Net Asset Value Per Share ($)	**29.91**	**29.70**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2011

Investment Income ($):	
Income:	
Cash dividends (net of $19,792 foreign taxes withheld at source):	
Unaffiliated issuers	3,721,791
Affiliated issuers	1,612
Income from securities lending—Note 1(b)	37,499
Total Income	**3,760,902**
Expenses:	
Management fee—Note 3(a)	1,705,952
Professional fees	86,095
Prospectus and shareholders' reports	68,397
Shareholder servicing costs—Note 3(c)	27,057
Custodian fees—Note 3(c)	16,250
Distribution fees—Note 3(b)	16,152
Directors' fees and expenses—Note 3(d)	7,208
Loan commitment fees—Note 2	2,768
Miscellaneous	21,898
Total Expenses	**1,951,777**
Less—reduction in fees due to earnings credits—Note 3(c)	(6)
Net Expenses	**1,951,771**
Investment Income—Net	**1,809,131**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	25,953,466
Net unrealized appreciation (depreciation) on investments	(25,448,830)
Net Realized and Unrealized Gain (Loss) on Investments	**504,636**
Net Increase in Net Assets Resulting from Operations	**2,313,767**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2011	2010
Operations ($):		
Investment income–net	1,809,131	2,035,275
Net realized gain (loss) on investments	25,953,466	9,806,504
Net unrealized appreciation (depreciation) on investments	(25,448,830)	18,869,439
Net Increase (Decrease) in Net Assets Resulting from Operations	**2,313,767**	**30,711,218**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(1,991,777)	(1,883,935)
Service Shares	(43,526)	(39,024)
Total Dividends	**(2,035,303)**	**(1,922,959)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	11,511,549	7,813,132
Service Shares	769,413	926,055
Dividends reinvested:		
Initial Shares	1,991,777	1,883,935
Service Shares	43,526	39,024
Cost of shares redeemed:		
Initial Shares	(33,671,498)	(32,411,083)
Service Shares	(1,130,073)	(1,322,352)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(20,485,306)**	**(23,071,289)**
Total Increase (Decrease) in Net Assets	**(20,206,842)**	**5,716,970**
Net Assets ($):		
Beginning of Period	234,387,363	228,670,393
End of Period	**214,180,521**	**234,387,363**
Undistributed investment income–net	1,808,402	2,034,574

	Year Ended December 31,	
	2011	2010
Capital Share Transactions:		
Initial Shares		
Shares sold	379,277	291,119
Shares issued for dividends reinvested	64,396	69,518
Shares redeemed	(1,109,212)	(1,215,789)
Net Increase (Decrease) in Shares Outstanding	**(665,539)**	**(855,152)**
Service Shares		
Shares sold	25,572	35,315
Shares issued for dividends reinvested	1,415	1,447
Shares redeemed	(37,964)	(50,731)
Net Increase (Decrease) in Shares Outstanding	**(10,977)**	**(13,969)**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
Initial Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	29.90	26.26	19.86	30.50	28.45
Investment Operations:					
Investment income–net[a]	.24	.25	.21	.19	.17
Net realized and unrealized gain (loss) on investments	.04	3.62	6.40	(10.64)	2.04
Total from Investment Operations	.28	3.87	6.61	(10.45)	2.21
Distributions:					
Dividends from investment income–net	(.27)	(.23)	(.21)	(.19)	(.16)
Net asset value, end of period	29.91	29.90	26.26	19.86	30.50
Total Return (%)	.90	14.82	33.75	(34.42)	7.78
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.85	.89	.89	.85	.82
Ratio of net expenses to average net assets	.85	.89	.89	.85	.82
Ratio of net investment income to average net assets	.80	.93	.97	.72	.58
Portfolio Turnover Rate	67.88	32.75	34.00	31.74	22.71
Net Assets, end of period ($ x 1,000)	208,013	227,893	222,600	184,813	331,313

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	29.71	26.10	19.71	30.25	28.21
Investment Operations:					
Investment income–net[a]	.17	.18	.16	.12	.10
Net realized and unrealized gain (loss) on investments	.02	3.60	6.37	(10.55)	2.02
Total from Investment Operations	.19	3.78	6.53	(10.43)	2.12
Distributions:					
Dividends from investment income–net	(.20)	(.17)	(.14)	(.11)	(.08)
Net asset value, end of period	29.70	29.71	26.10	19.71	30.25
Total Return (%)	.65	14.54	33.44	(34.58)	7.49
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.10	1.14	1.14	1.10	1.07
Ratio of net expenses to average net assets	1.10	1.14	1.14	1.10	1.07
Ratio of net investment income to average net assets	.55	.68	.72	.47	.33
Portfolio Turnover Rate	67.88	32.75	34.00	31.74	22.71
Net Assets, end of period ($ x 1,000)	6,167	6,494	6,070	5,008	8,924

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

The Dreyfus Socially Responsible Growth Fund, Inc. (the "fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified open-end management investment company. The fund's investment objective seeks to provide capital growth. The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Securities Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue 300 million shares of $.001 par value Common Stock. The fund currently offers two classes of shares: Initial shares (150 million shares authorized) and Service shares (150 million shares authorized). Initial shares are subject to a shareholder services fee and Service shares are subject to a distribution fee. Each class of shares has identical rights and privileges, except with respect to the distribution plan, shareholder services plan and the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The fund enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant ADRs and futures contracts. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Directors. Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration

of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2011 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities– Domestic†	201,761,156	–	–	**201,761,156**
Equity Securities– Foreign†	10,883,538	–	–	**10,883,538**
Mutual Funds	10,262,998	–	–	**10,262,998**

† *See Statement of Investments for additional detailed categorizations.*

In May 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS")" ("ASU 2011-04"). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships

between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2011, The Bank of New York Mellon earned $16,071 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" in the Act.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended December 31, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 12/31/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	772,000	25,441,969	24,681,725	1,532,244	.7
Dreyfus Institutional Cash Advantage Fund†	7,366,570	149,221,706	147,857,522	8,730,754	4.1
Total	**8,138,570**	**174,663,675**	**172,539,247**	**10,262,998**	**4.8**

† *On June 7, 2011, Dreyfus Institutional Cash Advantage Plus Fund was acquired by Dreyfus Institutional Cash Advantage Fund, resulting in a transfer of shares.*

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable provisions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended December 31, 2011, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2011, the components of accumulated earnings on a tax basis were as follows: ordinary income $1,808,402, accumulated capital losses $9,706,774 and unrealized appreciation $11,706,021. In addition, the fund had $1,209,449 of capital losses realized after October 31, 2011 which were deferred for tax purposes to the first day of the following fiscal year.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses rather than be considered short-term as they were under previous statute. However, the 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The accumulated capital loss carryover is available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2011. If not applied, the carryover expires in fiscal 2017.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2011 and December 31, 2010 were as follows: ordinary income $2,035,303 and $1,922,959, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York

Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended December 31, 2011, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2011, Service shares were charged $16,152 pursuant to the Plan.

(c) Under the Shareholder Services Plan, Initial shares reimburse the Distributor an amount not to exceed an annual rate of .25% of the value of the Initial shares average daily net assets for certain allocated expenses with respect to servicing and/or maintaining Initial shares shareholder accounts. During the period ended December 31, 2011, Initial shares were charged $14,234 pursuant to the Shareholder Services Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing

personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2011, the fund was charged $1,505 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates The Bank of New York Mellon under cash management agreements for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2011, the fund was charged $204 pursuant to the cash management agreements, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $6.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2011, the fund was charged $16,250 pursuant to the custody agreement.

During the period ended December 31, 2011, the fund was charged $6,402 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $136,746, shareholder services plan fees $2,000, Rule 12b-1 distribution plan fees $1,313, custodian fees $7,514, chief compliance officer fees $5,295 and transfer agency per account fees $330.

(d) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4–Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2011, amounted to $154,918,900 and $176,543,879, respectively.

At December 31, 2011, the cost of investments for federal income tax purposes was $211,201,671; accordingly, accumulated net unrealized appreciation on investments was $11,706,021, consisting of $27,322,715 gross unrealized appreciation and $15,616,694 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
The Dreyfus Socially Responsible Growth Fund, Inc.

We have audited the accompanying statement of assets and liabilities of The Dreyfus Socially Responsible Growth Fund, Inc., including the statement of investments, as of December 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011 by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Dreyfus Socially Responsible Growth Fund, Inc., at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 10, 2012

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby designates 100% of the ordinary dividends paid during the fiscal year ended December 31, 2011 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2012 of the percentage applicable to the preparation of their 2011 income tax returns.

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Directors held on July 13 and 14, 2011, the Board considered the renewal of the fund's Management Agreement pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"). The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus. In considering the renewal of the Agreement, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in presentations from representatives of Dreyfus regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and representatives of Dreyfus confirmed that there had been no material changes in this information. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

The Board members also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that Dreyfus also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also

considered Dreyfus' extensive administrative, accounting, and compliance infrastructures. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board members reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group 1") and with a broader group of funds ("Performance Universe 1"), with each group consisting of funds from the same Lipper Category as that of the fund, for the period ended May 31, 2011, (2) the fund's performance with the performance of a group of social criteria funds from different Lipper categories included at the request of Dreyfus ("Performance Group 2") and with a broader group of funds ("Performance Universe 2"), for the period ended May 31, 2011, and (3) the fund's actual and contractual management fees and total expenses with those of groups of comparable funds identical to Performance Group 1 ("Expense Group 1") and Performance Group 2 ("Expense Group 2") and with broader groups of funds that included the Performance Group 1 funds and Performance Group 2 funds, respectively ("Expense Universe 1" and "Expense Universe 2", respectively), the information for which was derived in part from fund financial statements available to Lipper as of December 31, 2010. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Groups, the Performance Universes, the Expense Groups and the Expense Universes.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board members discussed the results of the comparisons and noted that the fund's total return performance was above the median for Performance Group 1 and Performance Universe 1 for all

periods except the ten-year period, and variously above and below the median for Performance Group 2 and Performance Universe 2. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board members also reviewed the range of actual and contractual management fees and total expenses of the funds in each Expense Group and each Expense Universe and discussed the results of the comparisons. They noted that the fund's contractual management fee was at the Expense Group 1 median, below the Expense Group 2 median, the fund's actual management fee was above the Expense Group 1, Expense Universe 1 and Expense Universe 2 medians and below the Expense Group 2 median, the fund's total expenses were above the Expense Group 1, Expense Universe 1, Expense Group 2 and Expense Universe 2 medians. Representatives of Dreyfus reviewed with the Board members the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Dreyfus-affiliated primary employer of the fund's primary portfolio manager for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board members considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

Analysis of Profitability and Economies of Scale. Dreyfus' representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The

Board previously had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board members should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. They also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is disproportionate to, or even in the opposite direction from, changes in the fund's asset level. The Board members also considered potential benefits to Dreyfus from acting as investment adviser and noted the soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreement. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board generally was satisfied with the fund's overall performance.
- The Board concluded that the fee paid to Dreyfus was reasonable in light of the considerations described above.

- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board members and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board members' conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board members determined that renewal of the Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (68)
Chairman of the Board (1995)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)

No. of Portfolios for which Board Member Serves: 164

Clifford L. Alexander, Jr. (78)
Board Member (1992)

Principal Occupation During Past 5 Years:
• President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)

No. of Portfolios for which Board Member Serves: 45

David W. Burke (75)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

No. of Portfolios for which Board Member Serves: 81

Whitney I. Gerard (77)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 25

Nathan Leventhal (68)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Commissioner, NYC Planning Commission (March 2007-present)
• Chairman of the Avery-Fisher Artist Program (November 1997-present)

Other Public Company Board Memberships During Past 5 Years:
• Movado Group, Inc., Director

No. of Portfolios for which Board Member Serves: 43

George L. Perry (77)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 25

Benaree Pratt Wiley (65)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (2008-present)

No. of Portfolios for which Board Member Serves: 66

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

Lucy Wilson Benson, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 75 investment companies (comprised of 163 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since February 1988.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 49 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 38 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 56 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 37 years old and has been an employee of the Manager since February 2001.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (76 investment companies, comprised of 189 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 54 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

STEPHEN J. STOREN, Anti-Money Laundering Compliance Officer since May 2011.

Chief Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 72 investment companies (comprised of 185 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Distributor since October 1999.

NOTES

For More Information

The Dreyfus Socially Responsible Growth Fund, Inc.
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
200 Park Avenue
New York, NY 10166

Custodian

The Bank of New York Mellon
One Wall Street
New York, NY 10286

Transfer Agent & Dividend Disbursing Agent

Dreyfus Transfer, Inc.
200 Park Avenue
New York, NY 10166

Distributor

MBSC Securities Corporation
200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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Dreyfus Investment Portfolios, Technology Growth Portfolio

ANNUAL REPORT December 31, 2011

BNY MELLON
ASSET MANAGEMENT

Dreyfus

The views expressed in this report reflect those of the portfolio manager only through the end of the period covered and do not necessarily represent the views of Dreyfus or any other person in the Dreyfus organization. Any such views are subject to change at any time based upon market or other conditions and Dreyfus disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Dreyfus fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Dreyfus fund.

Not FDIC-Insured • Not Bank-Guaranteed • May Lose Value

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The Fund

A LETTER FROM THE CHAIRMAN AND CEO

Dear Shareholder:

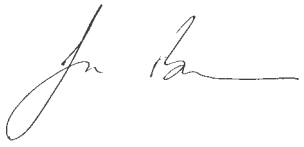
We present to you this annual report for Dreyfus Investment Portfolios, Technology Growth Portfolio, covering the 12-month period from January 1, 2011, through December 31, 2011. For information about how the fund performed during the reporting period, as well as general market perspectives, we provide a Discussion of Fund Performance on the pages that follow.

The generally mild returns produced by the U.S. stock market in 2011 belie the pronounced volatility affecting equities over much of the year. Day-to-day market movements were often tumultuous, driven by macroeconomic developments ranging from catastrophic natural disasters in Japan to an unprecedented downgrade of long-term U.S. debt securities and the resurgence of a sovereign debt crisis in Europe. Still, U.S. corporations achieved record-setting profits, on average, even as market valuations dropped below historical norms. A fundamentals-based investment approach proved relatively ineffective in a market fueled mainly by emotion, causing most active portfolio managers to lag market averages.

We are hopeful that equity investors will adopt a more rational perspective in 2012. Our economic forecast calls for a mild acceleration of the U.S. recovery as the domestic banking system regains strength, credit conditions loosen and housing markets begin a long-awaited convalescence. Of course, we encourage you to talk with your financial adviser to help ensure that your investment objectives are properly aligned with your risk tolerance in pursuing potential market opportunities in 2012.

Thank you for your continued confidence and support.

Sincerely,



Jonathan R. Baum
Chairman and Chief Executive Officer
The Dreyfus Corporation
January 17, 2012

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2011, through December 31, 2011, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended December 31, 2011, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of –7.78%, and its Service shares produced a total return of –8.05%.[1] The fund's benchmarks, the Morgan Stanley High Technology 35 Index ("MS High Tech 35 Index") and the Standard & Poor's 500 Composite Stock Price Index ("S&P 500 Index"), produced total returns of –10.28% and 2.09%, respectively, over the same period.[2,3]

Macroeconomic disappointments throughout the world weighed on equity markets during much of 2011, but rallies in the first and fourth quarters enabled the S&P 500 Index to end the year in positive territory. However, the MS High Tech 35 Index lost value as investors shifted their focus to more defensive market sectors. The fund produced higher returns than the MS High Tech 35 Index, mainly due to its focus on companies benefiting from new technological trends. The fund produced returns that were lower than the S&P 500 Index due in large part to technology stocks, which generally lagged market averages as investors shifted their focus to more defensive areas.

The Fund's Investment Approach

The fund seeks capital appreciation. To pursue this goal the fund normally invests at least 80% of its net assets in the stocks of growth companies of any size that Dreyfus believes to be leading producers or beneficiaries of technological innovation. In choosing stocks, the fund looks for technology companies with the potential for strong earnings or revenue growth rates, although some of the fund's investments may currently be experiencing losses. The fund's investment process centers on a multi-dimensional approach that looks for opportunities across emerging growth, cyclical or stable growth companies. The fund's investment approach seeks companies that appear to have strong earnings momentum, positive earnings revisions, favorable growth, product or market cycles and/or favorable valuations.

Global Economic Developments Roiled Equity Markets

Improvements in U.S. economic data supported stock prices at the start of 2011, but political unrest in the Middle East and catastrophic natural and nuclear disasters in Japan soon interrupted the rally. Nonetheless, investors continued to look forward to better business conditions, and stocks rebounded from these unexpected shocks by the end of the first quarter.

Investors' hopes for a more robust recovery were dashed in late April, when Greece appeared headed for default on its sovereign debt and the crisis spread to other European nations. In addition, U.S. economic data proved more disappointing than expected, and investors reacted cautiously to a contentious political debate regarding U.S. government spending and borrowing. Consequently, newly risk-averse investors shifted their focus away from more speculative investments, including those in the information technology sector, and toward traditionally defensive industries and companies. Market declines were particularly severe in August and September, after a major credit-rating agency downgraded its assessment of long-term U.S. government debt. In contrast, the market rebounded from October through December when U.S. economic data improved and European policymakers made some progress in addressing the region's problems.

Strong Security Selections Buoyed Fund Performance

Although we are never satisfied with negative absolute performance, we are nonetheless pleased that the fund outpaced the MS High Tech 35 Index in an unusually volatile investment environment. We attribute the fund's relative success to our focus on several secular technological trends, including the growth of "cloud computing," in which businesses access data and applications over the Internet, and the rising popularity of mobile devices, such as tablet computers and smartphones. In addition, our efforts to monitor supply-and-demand forces in the industry group proved beneficial, especially after Japan's earthquake and tsunami disrupted the supply chain in March. Finally, we avoided some of the sector's weaker performers, including former high-fliers that have struggled to remain relevant in a changing marketplace.

Top performers during the reporting period included mobile communications specialist *Motorola*, which was acquired by Google for its attractive patent portfolio. Videogame maker Electronic Arts executed a turnaround by focusing on fewer, higher-quality titles. Data warehousing specialist Teradata participated in the trend toward cloud computing.

Hardware manufacturer SanDisk benefited from the increasing use of flash memory in various devices.

Several holdings detracted from the fund's results due to company-specific issues. Riverbed Technology encountered trouble executing its business plan, especially in European markets. LED maker *Cree* misjudged demand, and the resulting oversupply weighed on earnings. The fund also did not own a few of the market sector's better performers, including payroll processor Automatic Data Processing and financial software developer Intuit.

Maintaining a Focus on Technology Leaders

We expect the macroeconomic concerns of 2011 to persist over the first half of 2012, but conditions in the information technology sector should begin to improve later in the year as pent-up demand for productivity-enhancing technologies sparks greater spending on hardware, software and technology services. In our judgment, the fund is well positioned for this environment, as we have continued to focus on companies in the vanguard of emerging industry trends, including those with "game changing" technologies.

January 17, 2012

Please note, the position in any security highlighted in italicized typeface was sold during the reporting period.

The fund's share price is likely to be more volatile than that of other funds that do not concentrate in one sector. The technology sector involves special risks, such as the faster rate of change and obsolescence of technological advances, and has been among the most volatile sectors of the stock market.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.

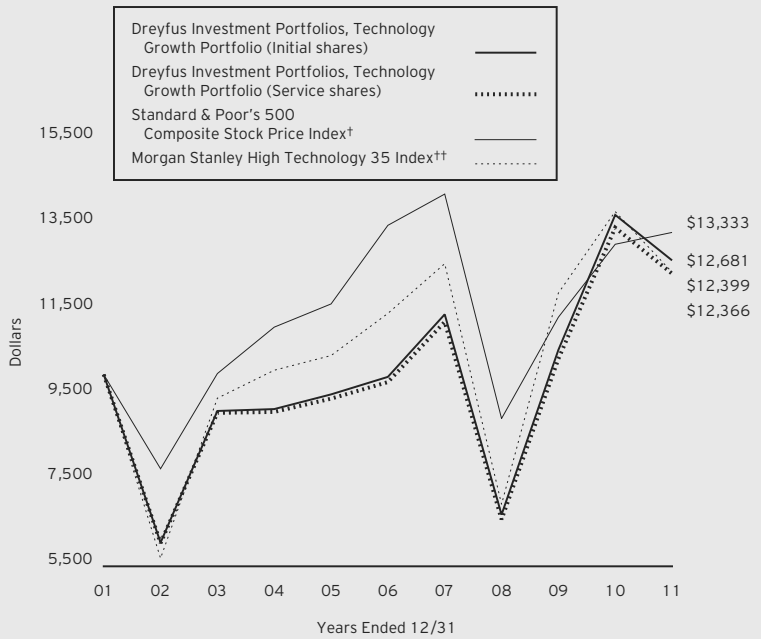
The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals.

1 *Total return includes reinvestment of dividends and any capital gains paid. Past performance is no guarantee of future results. Share price and investment return fluctuate such that upon redemption, fund shares may be worth more or less than their original cost. The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts, which will reduce returns.*

2 *SOURCE: BLOOMBERG L.P. — Reflects reinvestment of net dividends and, where applicable, capital gain distributions. The Morgan Stanley High Technology 35 Index is an unmanaged, equal dollar-weighted index of 35 stocks from the electronics-based subsectors. Investors cannot invest directly in any index.*

3 *SOURCE: LIPPER INC. — Reflects monthly reinvestment of dividends and, where applicable, capital gain distributions. The Standard & Poor's 500 Composite Stock Price Index is a widely accepted, unmanaged index of U.S. stock market performance. Investors cannot invest directly in any index.*

FUND PERFORMANCE



Comparison of change in value of $10,000 investment in Dreyfus Investment Portfolios, Technology Growth Portfolio Initial shares and Service shares with the Standard & Poor's 500 Composite Stock Price Index and the Morgan Stanley High Technology 35 Index

Average Annual Total Returns *as of 12/31/11*

	1 Year	5 Years	10 Years
Initial shares	**-7.78%**	**4.98%**	**2.40%**
Service shares	**-8.05%**	**4.72%**	**2.15%**
Standard & Poor's 500 Composite Stock Price Index	**2.09%**	**-0.25%**	**2.92%**
Morgan Stanley High Technology 35 Index	**-10.28%**	**1.64%**	**2.17%**

† *Source: Lipper Inc.*

†† *Source: Bloomberg L.P.*

Past performance is not predictive of future performance. The fund's performance shown in the graph and table does not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The fund's performance does not reflect the deduction of additional charges and expenses imposed in connection with investing in variable insurance contracts which will reduce returns.

The above graph compares a $10,000 investment made in Initial and Service shares of Dreyfus Investment Portfolios, Technology Growth Portfolio on 12/31/01 to a $10,000 investment made in the Morgan Stanley High Technology 35 Index (the "MS High Tech 35 Index") and the Standard & Poor's 500 Composite Stock Price Index (the "S&P 500 Index") on that date.

The fund's Initial shares are not subject to a Rule 12b-1 fee. The fund's Service shares are subject to a 0.25% annual Rule 12b-1 fee. All dividends and capital gain distributions are reinvested.

The fund's performance shown in the line graph above takes into account all applicable fund fees and expenses. The MS High Tech 35 Index is an unmanaged, equal dollar-weighted index of 35 stocks from the electronics-based subsectors. The S&P 500 Index is a widely accepted, unmanaged index of U.S. stock market performance. Unlike a mutual fund, the indices are not subject to charges, fees and other expenses. Investors cannot invest directly in any index. Further information relating to fund performance, including expense reimbursements, if applicable, is contained in the Financial Highlights section of the prospectus and elsewhere in this report.

UNDERSTANDING YOUR FUND'S EXPENSES (Unaudited)

As a mutual fund investor, you pay ongoing expenses, such as management fees and other expenses. Using the information below, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You also may pay one-time transaction expenses, including sales charges (loads), redemption fees and expenses associated with variable annuity or insurance contracts, which are not shown in this section and would have resulted in higher total expenses. For more information, see your fund's prospectus or talk to your financial adviser.

Review your fund's expenses

The table below shows the expenses you would have paid on a $1,000 investment in Dreyfus Investment Portfolios, Technology Growth Portfolio from July 1, 2011 to December 31, 2011. It also shows how much a $1,000 investment would be worth at the close of the period, assuming actual returns and expenses.

Expenses and Value of a $1,000 Investment
assuming actual returns for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 3.98	$ 5.16
Ending value (after expenses)	$880.10	$878.70

COMPARING YOUR FUND'S EXPENSES WITH THOSE OF OTHER FUNDS (Unaudited)

Using the SEC's method to compare expenses

The Securities and Exchange Commission (SEC) has established guidelines to help investors assess fund expenses. Per these guidelines, the table below shows your fund's expenses based on a $1,000 investment, assuming a hypothetical 5% annualized return. You can use this information to compare the ongoing expenses (but not transaction expenses or total cost) of investing in the fund with those of other funds. All mutual fund shareholder reports will provide this information to help you make this comparison. Please note that you cannot use this information to estimate your actual ending account balance and expenses paid during the period.

Expenses and Value of a $1,000 Investment
assuming a hypothetical 5% annualized return for the six months ended December 31, 2011

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.28	$ 5.55
Ending value (after expenses)	$1,020.97	$1,019.71

† *Expenses are equal to the fund's annualized expense ratio of .84% for Initial Shares and 1.09% for Service Shares, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2011

Common Stocks—98.0%	Shares	Value ($)
Consumer Discretionary—7.1%		
Amazon.com	54,100 [a]	9,364,710
Priceline.com	10,230 [a]	4,784,673
		14,149,383
Information Technology—90.9%		
Akamai Technologies	305,440 [a]	9,859,603
Analog Devices	176,940	6,330,913
Apple	29,261 [a]	11,850,705
Broadcom, Cl. A	112,670 [a]	3,307,991
Citrix Systems	63,090 [a]	3,830,825
Cognizant Technology Solutions, Cl. A	75,035 [a]	4,825,501
Cypress Semiconductor	250,110 [a]	4,224,358
Dell	264,740 [a]	3,873,146
Electronic Arts	287,302 [a]	5,918,421
EMC	279,290 [a]	6,015,907
F5 Networks	102,690 [a]	10,897,463
Fortinet	114,420 [a]	2,495,500
Google, Cl. A	15,380 [a]	9,933,942
Informatica	111,510 [a]	4,118,064
International Business Machines	24,060	4,424,153
LogMeIn	65,230 [a,b]	2,514,616
MasterCard, Cl. A	10,870	4,052,553
NetApp	125,130 [a]	4,538,465
Oracle	260,883	6,691,649
Paychex	159,550	4,804,051
QUALCOMM	199,510	10,913,197
Red Hat	114,660 [a]	4,734,312
Riverbed Technology	386,620 [a]	9,085,570
Salesforce.com	59,690 [a]	6,056,148
SanDisk	185,940 [a]	9,150,107
Taleo, Cl. A	110,610 [a,b]	4,279,501
Teradata	113,210 [a]	5,491,817
Texas Instruments	280,030	8,151,673

Common Stocks (continued)	Shares	Value ($)
Information Technology (continued)		
VMware, Cl. A	56,780 [a]	4,723,528
Western Digital	149,660 [a]	4,631,977
		181,725,656
Total Common Stocks (cost $178,190,048)		**195,875,039**
Other Investment–2.1%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $4,277,772)	4,277,772 [c]	**4,277,772**
Investment of Cash Collateral for Securities Loaned–.0%		
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $66,944)	66,944 [c]	**66,944**
Total Investments (cost $182,534,764)	**100.1%**	**200,219,755**
Liabilities, Less Cash and Receivables	**(.1%)**	**(284,821)**
Net Assets	**100.0%**	**199,934,934**

[a] *Non-income producing security.*
[b] *Security, or portion thereof, on loan. At December 31, 2011, the value of the fund's securities on loan was $64,795 and the value of the collateral held by the fund was $66,944.*
[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Information Technology	90.9	Money Market Investments	2.1
Consumer Discretionary	7.1		**100.1**

† *Based on net assets.*
See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2011

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $64,795)—Note 1(b):		
Unaffiliated issuers	178,190,048	195,875,039
Affiliated issuers	4,344,716	4,344,716
Cash		5,914
Receivable for investment securities sold		43,905
Receivable for shares of Beneficial Interest subscribed		41,495
Dividends and securities lending income receivable		436
Prepaid expenses		3,836
		200,315,341
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		170,774
Payable for shares of Beneficial Interest redeemed		100,362
Liability for securities on loan—Note 1(b)		66,944
Accrued expenses		42,327
		380,407
Net Assets ($)		**199,934,934**
Composition of Net Assets ($):		
Paid-in capital		212,649,345
Accumulated net realized gain (loss) on investments		(30,399,402)
Accumulated net unrealized appreciation (depreciation) on investments		17,684,991
Net Assets ($)		**199,934,934**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	74,929,276	125,005,658
Shares Outstanding	6,261,020	10,718,699
Net Asset Value Per Share ($)	**11.97**	**11.66**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2011

Investment Income ($):	
Income:	
Cash dividends:	
Unaffiliated issuers	1,305,425
Affiliated issuers	10,947
Income from securities lending—Note 1(b)	29,336
Total Income	**1,345,708**
Expenses:	
Management fee—Note 3(a)	1,727,531
Distribution fees—Note 3(b)	359,725
Professional fees	82,642
Prospectus and shareholders' reports	59,628
Custodian fees—Note 3(b)	19,033
Trustees' fees and expenses—Note 3(c)	6,803
Shareholder servicing costs—Note 3(b)	5,691
Loan commitment fees—Note 2	3,548
Miscellaneous	14,036
Total Expenses	**2,278,637**
Less—reduction in fees due to earnings credits—Note 3(b)	(2)
Net Expenses	**2,278,635**
Investment (Loss)—Net	**(932,927)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	10,066,680
Net unrealized appreciation (depreciation) on investments	(27,944,303)
Net Realized and Unrealized Gain (Loss) on Investments	**(17,877,623)**
Net (Decrease) in Net Assets Resulting from Operations	**(18,810,550)**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2011	2010
Operations ($):		
Investment (loss)–net	(932,927)	(910,683)
Net realized gain (loss) on investments	10,066,680	34,488,027
Net unrealized appreciation (depreciation) on investments	(27,944,303)	18,001,843
Net Increase (Decrease) in Net Assets Resulting from Operations	**(18,810,550)**	**51,579,187**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	10,719,132	10,426,733
Service Shares	34,172,366	38,389,344
Cost of shares redeemed:		
Initial Shares	(21,000,679)	(12,591,028)
Service Shares	(42,189,252)	(31,305,771)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**(18,298,433)**	**4,919,278**
Total Increase (Decrease) in Net Assets	**(37,108,983)**	**56,498,465**
Net Assets ($):		
Beginning of Period	237,043,917	180,545,452
End of Period	**199,934,934**	**237,043,917**
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	831,404	925,297
Shares redeemed	(1,643,642)	(1,204,769)
Net Increase (Decrease) in Shares Outstanding	**(812,238)**	**(279,472)**
Service Shares		
Shares sold	2,677,951	3,514,363
Shares redeemed	(3,414,028)	(3,013,568)
Net Increase (Decrease) in Shares Outstanding	**(736,077)**	**500,795**

See notes to financial statements.

FINANCIAL HIGHLIGHTS

The following tables describe the performance for each share class for the fiscal periods indicated. All information (except portfolio turnover rate) reflects financial results for a single fund share. Total return shows how much your investment in the fund would have increased (or decreased) during each period, assuming you had reinvested all dividends and distributions. The fund's total returns do not reflect expenses associated with variable annuity or insurance contracts. These figures have been derived from the fund's financial statements.

	Year Ended December 31,				
Initial Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	12.98	9.99	6.37	10.83	9.44
Investment Operations:					
Investment income (loss)—net[a]	(.03)	(.03)	(.01)	.03	(.01)
Net realized and unrealized gain (loss) on investments	(.98)	3.02	3.67	(4.49)	1.40
Total from Investment Operations	(1.01)	2.99	3.66	(4.46)	1.39
Distributions:					
Dividends from investment income—net	–	–	(.04)	–	–
Net asset value, end of period	11.97	12.98	9.99	6.37	10.83
Total Return (%)	(7.78)	29.93	57.67	(41.18)	14.72
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.83	.81	.86	.85	.84
Ratio of net expenses to average net assets	.83	.81	.75	.65	.77
Ratio of net investment income (loss) to average net assets	(.25)	(.33)	(.15)	.39	(.08)
Portfolio Turnover Rate	79.60	103.90	141.37	118.50	104.97
Net Assets, end of period ($ x 1,000)	74,929	91,806	73,422	45,890	88,083

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2011	2010	2009	2008	2007
Per Share Data ($):					
Net asset value, beginning of period	12.68	9.78	6.24	10.62	9.28
Investment Operations:					
Investment income (loss)—net[a]	(.06)	(.06)	(.03)	.01	(.03)
Net realized and unrealized gain (loss) on investments	(.96)	2.96	3.58	(4.39)	1.37
Total from Investment Operations	(1.02)	2.90	3.55	(4.38)	1.34
Distributions:					
Dividends from investment income—net	–	–	(.01)	–	–
Net asset value, end of period	11.66	12.68	9.78	6.24	10.62
Total Return (%)	(8.05)	29.65	57.07	(41.24)	14.44
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.08	1.06	1.11	1.10	1.09
Ratio of net expenses to average net assets	1.08	1.06	1.00	.90	1.02
Ratio of net investment income (loss) to average net assets	(.50)	(.58)	(.42)	.15	(.33)
Portfolio Turnover Rate	79.60	103.90	141.37	118.50	104.97
Net Assets, end of period ($ x 1,000)	125,006	145,238	107,123	54,523	83,793

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

NOTE 1—Significant Accounting Policies:

Dreyfus Investment Portfolios (the "Company") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company, operating as a series company, currently offering four series, including the Technology Growth Portfolio (the "fund"). The fund is only offered to separate accounts established by insurance companies to fund variable annuity contracts and variable life insurance policies. The fund is a diversified series. The fund's investment objective is to seek capital appreciation. The Dreyfus Corporation (the "Manager" or "Dreyfus"), a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"), serves as the fund's investment adviser.

MBSC Service Corporation (the "Distributor"), a wholly-owned subsidiary of the Manager, is the distributor of the fund's shares, which are sold without a sales charge. The fund is authorized to issue an unlimited number of $.001 par value shares of Beneficial Interest in each of the following classes of shares: Initial and Service. Each class of shares has identical rights and privileges, except with respect to the distribution plan, the expenses borne by each class, the allocation of certain transfer agency costs and certain voting rights. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of shares based on its relative net assets.

The Company accounts separately for the assets, liabilities and operations of each series. Expenses directly attributable to each series are charged to that series' operations; expenses which are applicable to all series are allocated among them on a pro rata basis.

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") is the exclusive reference of authoritative U.S. generally accepted accounting principles ("GAAP") recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal laws are also sources of authoritative GAAP for

SEC registrants. The fund's financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. Actual results could differ from those estimates.

The Company enters into contracts that contain a variety of indemnifications. The fund's maximum exposure under these arrangements is unknown. The fund does not anticipate recognizing any loss related to these arrangements.

(a) Portfolio valuation: The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price). GAAP establishes a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Additionally, GAAP provides guidance on determining whether the volume and activity in a market has decreased significantly and whether such a decrease in activity results in transactions that are not orderly. GAAP requires enhanced disclosures around valuation inputs and techniques used during annual and interim periods.

Various inputs are used in determining the value of the fund's investments relating to fair value measurements. These inputs are summarized in the three broad levels listed below:

Level 1—unadjusted quoted prices in active markets for identical investments.

Level 2—other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3—significant unobservable inputs (including the fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. Valuation techniques used to value the fund's investments are as follows:

Investments in securities are valued at the last sales price on the securities exchange or national securities market on which such securities are primarily traded. Securities listed on the National Market System for which market quotations are available are valued at the official closing price or, if there is no official closing price that day, at the last sales price. Securities not listed on an exchange or the national securities market, or securities for which there were no transactions, are valued at the average of the most recent bid and asked prices, except for open short positions, where the asked price is used for valuation purposes. Bid price is used when no asked price is available. Registered investment companies that are not traded on an exchange are valued at their net asset value. All preceding securities are categorized within Level 1 of the fair value hierarchy.

Fair valuing of securities may be determined with the assistance of a pricing service using calculations based on indices of domestic securities and other appropriate indicators, such as prices of relevant American Depository Receipts and futures contracts. Utilizing these techniques may result in transfers between Level 1 and Level 2 of the fair value hierarchy.

When market quotations or official closing prices are not readily available, or are determined not to reflect accurately fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded (for example, a foreign exchange or market), but before the fund calculates its net asset value, the fund may value these investments at fair value as determined in accordance with the procedures approved by the Board of Trustees. Certain factors may be considered when fair valuing

investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evaluation of the forces that influence the market in which the securities are purchased and sold, and public trading in similar securities of the issuer or comparable issuers. These securities are either categorized as Level 2 or 3 depending on the relevant inputs used.

For restricted securities where observable inputs are limited, assumptions about market activity and risk are used and are categorized within Level 3 of the fair value hierarchy.

The following is a summary of the inputs used as of December 31, 2011 in valuing the fund's investments:

	Level 1– Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3– Significant Unobservable Inputs	Total
Assets ($)				
Investments in Securities:				
Equity Securities–				
Domestic†	195,875,039	–	–	**195,875,039**
Mutual Funds	4,344,716	–	–	**4,344,716**

† *See Statement of Investments for additional detailed categorizations.*

In May 2011, FASB issued Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in GAAP and International Financial Reporting Standards ("IFRS")" ("ASU 2011-04"). ASU 2011-04 includes common requirements for measurement of and disclosure about fair value between GAAP and IFRS. ASU 2011-04 will require reporting entities to disclose the following information for fair value measurements categorized within Level 3 of the fair value hierarchy: quantitative information about the unobservable inputs used in the fair value measurement, the valuation processes used by the reporting entity and a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs and the interrelationships

between those unobservable inputs. In addition, ASU 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU 2011-04 and its impact on the financial statements.

(b) Securities transactions and investment income: Securities transactions are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the identified cost basis. Dividend income is recognized on the ex-dividend date and interest income, including, where applicable, accretion of discount and amortization of premium on investments, is recognized on the accrual basis.

Pursuant to a securities lending agreement with The Bank of New York Mellon, a subsidiary of BNY Mellon and an affiliate of Dreyfus, the fund may lend securities to qualified institutions. It is the fund's policy that, at origination, all loans are secured by collateral of at least 102% of the value of U.S. securities loaned and 105% of the value of foreign securities loaned. Collateral equivalent to at least 100% of the market value of securities on loan is maintained at all times. Collateral is either in the form of cash, which can be invested in certain money market mutual funds managed by the Manager, U.S. Government and Agency securities or letters of credit. The fund is entitled to receive all income on securities loaned, in addition to income earned as a result of the lending transaction. Although each security loaned is fully collateralized, the fund bears the risk of delay in recovery of, or loss of rights in, the securities loaned should a borrower fail to return the securities in a timely manner. During the period ended December 31, 2011, The Bank of New York Mellon earned $9,779 from lending portfolio securities, pursuant to the securities lending agreement.

(c) Affiliated issuers: Investments in other investment companies advised by Dreyfus are defined as "affiliated" in the Act.

The fund may invest in shares of certain affiliated investment companies also advised or managed by Dreyfus. Investments in affiliated investment companies for the period ended December 31, 2011 were as follows:

Affiliated Investment Company	Value 12/31/2010 ($)	Purchases ($)	Sales ($)	Value 12/31/2011 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	14,576,000	86,172,127	96,470,355	4,277,772	2.1
Dreyfus Institutional Cash Advantage Fund	5,390,181	291,175,251	296,498,488	66,944	.0
Total	**19,966,181**	**377,347,378**	**392,968,843**	**4,344,716**	**2.1**

(d) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Dividends from investment income-net and dividends from net realized capital gains, if any, are normally declared and paid annually, but the fund may make distributions on a more frequent basis to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent that net realized capital gains can be offset by capital loss carryovers, it is the policy of the fund not to distribute such gains. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

(e) Federal income taxes: It is the policy of the fund to continue to qualify as a regulated investment company, if such qualification is in the best interests of its shareholders, by complying with the applicable pro-

visions of the Code, and to make distributions of taxable income sufficient to relieve it from substantially all federal income and excise taxes.

As of and during the period ended December 31, 2011, the fund did not have any liabilities for any uncertain tax positions. The fund recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense in the Statement of Operations. During the period, the fund did not incur any interest or penalties.

Each of the tax years in the four-year period ended December 31, 2011 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2011, the components of accumulated earnings on a tax basis were as follows: accumulated capital losses $21,178,618 and unrealized appreciation $15,848,249. In addition, the fund had $7,384,042 of capital losses realized after October 31, 2011, which were deferred for tax purposes to the first day of the following fiscal year.

Under the Regulated Investment Company Modernization Act of 2010 (the "2010 Act"), the fund will be permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Post-enactment capital loss carryovers will retain their character as either short-term or long-term capital losses rather than be considered short-term as they were under previous statute. However, the 2010 Act requires post-enactment losses to be utilized before the utilization of losses incurred in taxable years prior to the effective date of the 2010 Act ("pre-enactment losses"). As a result of this ordering rule, pre-enactment losses may be more likely to expire unused.

The accumulated capital loss carryover is available for federal income tax purposes to be applied against future net securities profits, if any, realized subsequent to December 31, 2011. If not applied $6,076,376 of the carryover expires in fiscal 2016 and $15,102,242 expires in fiscal 2017.

During the period ended December 31, 2011, as a result of permanent book to tax differences, primarily due to the tax treatment for net

operating losses, the fund increased accumulated undistributed investment income-net by $932,927 and decreased paid-in capital by the same amount. Net assets and net asset value per share were not affected by this reclassification.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $225 million unsecured credit facility led by Citibank, N.A. and a $300 million unsecured credit facility provided by The Bank of New York Mellon (each, a "Facility"), each to be utilized primarily for temporary or emergency purposes, including the financing of redemptions. In connection therewith, the fund has agreed to pay its pro rata portion of commitment fees for each Facility. Interest is charged to the fund based on rates determined pursuant to the terms of the respective Facility at the time of borrowing. During the period ended December 31, 2011, the fund did not borrow under the Facilities.

NOTE 3—Management Fee and Other Transactions With Affiliates:

(a) Pursuant to an management agreement with the Manager, the management fee is computed at the annual rate of .75% of the value of the fund's average daily net assets and is payable monthly.

(b) Under the Distribution Plan (the "Plan") adopted pursuant to Rule 12b-1 under the Act, Service shares pay the Distributor for distributing its shares, for servicing and/or maintaining Service shares' shareholder accounts and for advertising and marketing for Service shares'. The Plan provides for payments to be made at an annual rate of .25% of the value of the Service shares' average daily net assets. The Distributor may make payments to Participating Insurance Companies and to brokers and dealers acting as principal underwriter for their variable insurance products. The fees payable under the Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2011, Service shares were charged $359,725 pursuant to the Plan.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing personnel and facilities to perform transfer agency services for the fund. During the period ended December 31, 2011, the fund was charged $523 pursuant to the transfer agency agreement, which is included in Shareholder servicing costs in the Statement of Operations.

The fund has arrangements with the custodian and cash management bank whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset custody and cash management fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates The Bank of New York Mellon under cash management agreements for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2011, the fund was charged $85 pursuant to the cash management agreements, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $2.

The fund also compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2011, the fund was charged $19,033 pursuant to the custody agreement.

During the period ended December 31, 2011, the fund was charged $6,402 for services performed by the Chief Compliance Officer.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $131,076, Rule 12b-1 distribution plan fees $27,321, custodian fees $7,000, chief compliance officer fees $5,295 and transfer agency per account fees $82.

(c) Each Board member also serves as a Board member of other funds within the Dreyfus complex. Annual retainer fees and attendance fees are allocated to each fund based on net assets.

NOTE 4—Securities Transactions:

The aggregate amount of purchases and sales of investment securities, excluding short-term securities, during the period ended December 31, 2011, amounted to $176,073,387 and $184,257,571, respectively.

At December 31, 2011, the cost of investments for federal income tax purposes was $184,371,506; accordingly, accumulated net unrealized appreciation on investments was $15,848,249, consisting of $26,397,535 gross unrealized appreciation and $10,549,286 gross unrealized depreciation.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Trustees
Dreyfus Investment Portfolios, Technology Growth Portfolio

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Dreyfus Investment Portfolios, Technology Growth Portfolio (one of the series comprising Dreyfus Investment Portfolios) as of December 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011 by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Dreyfus Investment Portfolios, Technology Growth Portfolio at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the indicated years, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

New York, New York
February 10, 2012

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Trustees held on July 13 and 14, 2011, the Board considered the renewal of the fund's Management Agreement pursuant to which Dreyfus provides the fund with investment advisory and administrative services (the "Agreement"). The Board members, none of whom are "interested persons" (as defined in the Investment Company Act of 1940, as amended) of the fund, were assisted in their review by independent legal counsel and met with counsel in executive session separate from representatives of Dreyfus. In considering the renewal of the Agreement, the Board considered all factors that it believed to be relevant, including those discussed below. The Board did not identify any one factor as dispositive, and each Board member may have attributed different weights to the factors considered.

Analysis of Nature, Extent, and Quality of Services Provided to the Fund. The Board members considered information previously provided to them in presentations from representatives of Dreyfus regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and representatives of Dreyfus confirmed that there had been no material changes in this information. Dreyfus provided the number of open accounts in the fund, the fund's asset size and the allocation of fund assets among distribution channels. Dreyfus also had previously provided information regarding the diverse intermediary relationships and distribution channels of funds in the Dreyfus fund complex and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each distribution channel, including the distribution channel(s) for the fund.

The Board members also considered research support available to, and portfolio management capabilities of, the fund's portfolio management personnel and that Dreyfus also provides oversight of day-to-day fund operations, including fund accounting and administration and assistance in meeting legal and regulatory requirements. The Board members also considered Dreyfus' extensive administrative, accounting, and compliance infrastructures. The Board also considered portfolio management's brokerage policies and practices (including policies and practices regarding soft dollars) and the standards applied in seeking best execution.

Comparative Analysis of the Fund's Performance and Management Fee and Expense Ratio. The Board members reviewed reports prepared by Lipper, Inc. ("Lipper"), an independent provider of investment company data, which included information comparing (1) the fund's performance with the performance of a group of comparable funds (the "Performance Group") and with a broader group of funds (the "Performance Universe"), all for various periods ended May 31, 2011, and (2) the fund's actual and contractual management fees and total expenses with those of a group of comparable funds (the "Expense Group") and with a broader group of funds (the "Expense Universe"), the information for which was derived in part from fund financial statements available to Lipper as of December 31, 2010. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Group and Performance Universe and the Expense Group and Expense Universe.

Dreyfus representatives stated that the usefulness of performance comparisons may be affected by a number of factors, including different investment limitations that may be applicable to the fund and comparison funds. The Board members discussed the results of the comparisons and noted that the fund's total return performance was variously above and at the Performance Group median and was above the Performance Universe median. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board members also reviewed the range of actual and contractual management fees and total expenses of the Expense Group and Expense Universe funds and discussed the results of the comparisons. They noted that the fund's contractual management fee was below the Expense Group median and the fund's actual management fee and total expenses were below the Expense Group and Expense Universe medians.

Representatives of Dreyfus reviewed with the Board members the management or investment advisory fees (1) paid by funds advised or administered by Dreyfus that are in the same Lipper category as the fund and (2) paid to Dreyfus or the Dreyfus-affiliated primary employer of

the fund's primary portfolio manager for advising any separate accounts and/or other types of client portfolios that are considered to have similar investment strategies and policies as the fund (the "Similar Clients"), and explained the nature of the Similar Clients. They discussed differences in fees paid and the relationship of the fees paid in light of any differences in the services provided and other relevant factors. The Board members considered the relevance of the fee information provided for the Similar Clients to evaluate the appropriateness and reasonableness of the fund's management fee.

Analysis of Profitability and Economies of Scale. Dreyfus' representatives reviewed the expenses allocated and profit received by Dreyfus and the resulting profitability percentage for managing the fund, and the method used to determine the expenses and profit. The Board concluded that the profitability results were not unreasonable, given the services rendered and service levels provided by Dreyfus. The Board previously had been provided with information prepared by an independent consulting firm regarding Dreyfus' approach to allocating costs to, and determining the profitability of, individual funds and the entire Dreyfus fund complex. The consulting firm also had analyzed where any economies of scale might emerge in connection with the management of a fund.

The Board's counsel stated that the Board members should consider the profitability analysis (1) as part of their evaluation of whether the fees under the Agreement bear a reasonable relationship to the mix of services provided by Dreyfus, including the nature, extent and quality of such services, and (2) in light of the relevant circumstances for the fund and the extent to which economies of scale would be realized if the fund grows and whether fee levels reflect these economies of scale for the benefit of fund shareholders. They also noted that, as a result of shared and allocated costs among funds in the Dreyfus fund complex, the extent of economies of scale could depend substantially on the level of assets in the complex as a whole, so that increases and decreases in complex-wide assets can affect potential economies of scale in a manner that is dispro-

portionate to, or even in the opposite direction from, changes in the fund's asset level. The Board members also considered potential benefits to Dreyfus from acting as investment adviser and noted the soft dollar arrangements in effect for trading the fund's investments.

At the conclusion of these discussions, the Board agreed that it had been furnished with sufficient information to make an informed business decision with respect to the renewal of the Agreement. Based on the discussions and considerations as described above, the Board concluded and determined as follows.

- The Board concluded that the nature, extent and quality of the services provided by Dreyfus are adequate and appropriate.
- The Board was satisfied with the fund's performance.
- The Board concluded that the fee paid to Dreyfus was reasonable in light of the considerations described above.
- The Board determined that the economies of scale which may accrue to Dreyfus and its affiliates in connection with the management of the fund had been adequately considered by Dreyfus in connection with the fee rate charged to the fund pursuant to the Agreement and that, to the extent in the future it were determined that material economies of scale had not been shared with the fund, the Board would seek to have those economies of scale shared with the fund.

The Board members considered these conclusions and determinations, along with information received on a routine and regular basis throughout the year. In addition, it should be noted that the Board's consideration of the contractual fee arrangements for this fund had the benefit of a number of years of reviews of prior or similar agreements during which lengthy discussions took place between the Board members and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board members' conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board members determined that renewal of the Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (68)
Chairman of the Board (1998)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (1997-present)
• Sunair Services Corporation, a provider of certain outdoor-related services to homes and businesses, Director (2005-2009)
• The Newark Group, a provider of a national market of paper recovery facilities, paperboard mills and paperboard converting plants, Director (2000-2010)

No. of Portfolios for which Board Member Serves: 164

Clifford L. Alexander, Jr. (78)
Board Member (1998)

Principal Occupation During Past 5 Years:
• President of Alexander & Associates, Inc., a management consulting firm (January 1981-present)

No. of Portfolios for which Board Member Serves: 45

David W. Burke (75)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Corporate Director and Trustee

No. of Portfolios for which Board Member Serves: 81

Whitney I. Gerard (77)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 25

Nathan Leventhal (68)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Commissioner, NYC Planning Commission (March 2007-present)
• Chairman of the Avery-Fisher Artist Program (November 1997-present)

Other Public Company Board Memberships During Past 5 Years:
• Movado Group, Inc., Director

No. of Portfolios for which Board Member Serves: 43

George L. Perry (77)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 25

Benaree Pratt Wiley (65)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Principal, The Wiley Group, a firm specializing in strategy and business development (2005-present)

Other Public Company Board Memberships During Past 5 Years:
• CBIZ (formerly, Century Business Services, Inc.), a provider of outsourcing functions for small and medium size companies, Director (2008-present)

No. of Portfolios for which Board Member Serves: 66

Once elected all Board Members serve for an indefinite term, but achieve Emeritus status upon reaching age 80. The address of the Board Members and Officers is in c/o The Dreyfus Corporation, 200 Park Avenue, New York, New York 10166. Additional information about the Board Members is available in the fund's Statement of Additional Information which can be obtained from Dreyfus free of charge by calling this toll free number: 1-800-DREYFUS.

Lucy Wilson Benson, Emeritus Board Member
Arthur A. Hartman, Emeritus Board Member

OFFICERS OF THE FUND (Unaudited)

BRADLEY J. SKAPYAK, President since January 2010.

Chief Operating Officer and a director of the Manager since June 2009. From April 2003 to June 2009, Mr. Skapyak was the head of the Investment Accounting and Support Department of the Manager. He is an officer of 75 investment companies (comprised of 163 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since February 1988.

JANETTE E. FARRAGHER, Vice President and Secretary since December 2011.

Assistant General Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 49 years old and has been an employee of the Manager since February 1984.

KIESHA ASTWOOD, Vice President and Assistant Secretary since January 2010.

Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 38 years old and has been an employee of the Manager since July 1995.

JAMES BITETTO, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon and Secretary of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 45 years old and has been an employee of the Manager since December 1996.

JONI LACKS CHARATAN, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 56 years old and has been an employee of the Manager since October 1988.

JOSEPH M. CHIOFFI, Vice President and Assistant Secretary since August 2005.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 50 years old and has been an employee of the Manager since June 2000.

KATHLEEN DENICHOLAS, Vice President and Assistant Secretary since January 2010.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 37 years old and has been an employee of the Manager since February 2001.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 48 years old and has been an employee of the Manager since February 1991.

M. CRISTINA MEISER, Vice President and Assistant Secretary since January 2010.

Senior Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. She is 41 years old and has been an employee of the Manager since August 2001.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 59 years old and has been an employee of the Manager since May 1986.

JEFF PRUSNOFSKY, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 46 years old and has been an employee of the Manager since October 1990.

JAMES WINDELS, Treasurer since November 2001.

Director – Mutual Fund Accounting of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 53 years old and has been an employee of the Manager since April 1985.

RICHARD CASSARO, Assistant Treasurer since January 2008.

Senior Accounting Manager – Money Market and Municipal Bond Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 52 years old and has been an employee of the Manager since September 1982.

GAVIN C. REILLY, Assistant Treasurer since December 2005.

Tax Manager of the Investment Accounting and Support Department of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 43 years old and has been an employee of the Manager since April 1991.

ROBERT S. ROBOL, Assistant Treasurer since August 2005.

Senior Accounting Manager – Fixed Income Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 47 years old and has been an employee of the Manager since October 1988.

ROBERT SALVIOLO, Assistant Treasurer since July 2007.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since June 1989.

ROBERT SVAGNA, Assistant Treasurer since December 2002.

Senior Accounting Manager – Equity Funds of the Manager, and an officer of 76 investment companies (comprised of 189 portfolios) managed by the Manager. He is 44 years old and has been an employee of the Manager since November 1990.

JOSEPH W. CONNOLLY, Chief Compliance Officer since October 2004.

Chief Compliance Officer of the Manager and The Dreyfus Family of Funds (76 investment companies, comprised of 189 portfolios). From November 2001 through March 2004, Mr. Connolly was first Vice-President, Mutual Fund Servicing for Mellon Global Securities Services. In that capacity, Mr. Connolly was responsible for managing Mellon's Custody, Fund Accounting and Fund Administration services to third-party mutual fund clients. He is 54 years old and has served in various capacities with the Manager since 1980, including manager of the firm's Fund Accounting Department from 1997 through October 2001.

STEPHEN J. STOREN, Anti-Money Laundering Compliance Officer since May 2011.

Chief Compliance Officer of the Distributor, and the Anti-Money Laundering Compliance Officer of 72 investment companies (comprised of 185 portfolios) managed by the Manager. He is 57 years old and has been an employee of the Distributor since October 1999.

NOTES

For More Information

Dreyfus Investment Portfolios, Technology Growth Portfolio
200 Park Avenue
New York, NY 10166

Manager

The Dreyfus Corporation
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Custodian

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200 Park Avenue
New York, NY 10166

Telephone 1-800-554-4611 or 1-516-338-3300

Mail The Dreyfus Family of Funds, 144 Glenn Curtiss Boulevard, Uniondale, NY 11556-0144
Attn: Investments Division

The fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The fund's Forms N-Q are available on the SEC's website at http://www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

A description of the policies and procedures that the fund uses to determine how to vote proxies relating to portfolio securities, and information regarding how the fund voted these proxies for the most recent 12-month period ended June 30 is available at http://www.dreyfus.com and on the SEC's website at http://www.sec.gov. The description of the policies and procedures is also available without charge, upon request, by calling 1-800-DREYFUS.

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DECEMBER 31, 2011

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

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*Not part of the annual report

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts, or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

SUPPLEMENT DATED JANUARY 3, 2012
TO THE PROSPECTUS
DATED MAY 1, 2011
(Franklin Templeton Variable Insurance Products Trust)

In the section titled "Additional Information, All Funds" the following replaces all text under the heading "Market Timing Trading Policy":

The board of trustees has adopted the following policies and procedures with respect to market timing (Market Timing Trading Policy):

Market timing generally. The Fund discourages and does not intend to accommodate short-term or frequent purchases and redemptions of fund shares, often referred to as "market timing," and asks its Fund of Fund investors and participating Insurers for their cooperation in trying to discourage such activity in their separate accounts by Contract Owners and their financial advisors. The Fund intends to seek to restrict or reject such trading or take other action, as described below, if in the judgment of the Fund manager or transfer agent such trading may interfere with the efficient management of the Fund's portfolio, may materially increase the Fund's transaction costs, administrative costs or taxes, or may otherwise be detrimental to the interests of the Fund and its shareholders.

Market timing consequences. If information regarding trading activity in the Fund or in any other Franklin Templeton fund or non-Franklin Templeton fund is brought to the attention of the Fund's manager or transfer agent and based on that information the Fund or its manager or transfer agent in their sole discretion conclude that such trading may be detrimental to the Fund as described in this Market Timing Trading Policy, the Fund may temporarily or permanently bar future purchases into the Fund or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which an Insurer or a Fund of Funds may request future purchases and redemptions (including purchases and/or redemptions by an exchange or transfer between the Fund and any other mutual fund). In determining what actions should be taken, the Fund's transfer agent may consider a variety of factors, including the potential impact of such remedial actions on the Fund and its shareholders. If the Fund is a "fund of funds," the Fund's transfer agent may take into account the impact of the trading activity and of any proposed remedial action on both the Fund and the underlying funds in which the Fund invests.

In considering trading activity, the Fund may consider, among other factors, trading history both directly and, if known, through financial intermediaries, in the Fund, in other Franklin Templeton funds, in non-Franklin Templeton mutual funds, or in accounts under common control or ownership.

Market timing through Insurers. *As a Contract Owner you are also subject to this policy*. An Insurer's order for purchases and/or redemptions pursuant to a Contract Owner's instructions (including purchases and/or redemptions by an exchange or transfer between the Fund and any mutual fund) are submitted pursuant to aggregated orders (Aggregated Orders). A fund of fund's order for purchases and/or redemptions pursuant to its investors' instructions are also submitted pursuant to Aggregated Orders. While the Fund will encourage Insurers and funds of funds to apply the Fund's Market Timing Trading Policy to their investors, the Fund is limited in its ability to monitor the trading activity or enforce the Fund's Market Timing

Trading Policy because Insurers and funds of funds have the relationships with, and are responsible for maintaining the account records of, the individual investors. For example, should it occur, the Fund may not be able to detect market timing that may be facilitated by financial intermediaries or made difficult to identify in the Aggregated Orders used by Insurers and Fund of Fund investors.

Therefore, the Fund or its agent selectively monitor the Aggregated Orders used by Insurers and Fund of Fund investors for purchases, exchange and redemptions in respect of all their investors and seek the cooperation of Insurers and Fund of Fund investors to apply the Fund's Market Timing Trading Policy. There may be legal and technological limitations on the ability of an Insurer or Fund of Fund to impose trading restrictions and to apply the Fund's Market Timing Trading Policy to their investors through such methods as implementing short-term trading limitations or restrictions, assessing the Fund's redemption fee (if applicable) and monitoring trading activity for what might be market timing. As a result, the Fund may not be able to determine whether trading by Insurers or funds of funds in respect of their investors is contrary to the Fund's Market Timing Trading Policy.

Risks from market timers. Depending on various factors, including the size of the Fund, the amount of assets the portfolio manager typically maintains in cash or cash equivalents and the dollar amount and number and frequency of trades and the types of securities in which the Fund typically invests, short-term or frequent trading may interfere with the efficient management of the Fund's portfolio, increase the Fund's transaction costs, administrative costs and taxes and/or impact Fund performance.

In addition, if the nature of the Fund's portfolio holdings exposes the Fund to "arbitrage market timers," the value of the Fund's shares may be diluted if redeeming shareholders receive proceeds (and buying shareholders receive shares) based upon net asset values which do not reflect appropriate fair value prices. Arbitrage market timing occurs when an investor seeks to take advantage of the possible delay between the change in the value of a mutual fund's portfolio holdings and the reflection of the change in the fund's net asset value per share. A fund that invests significantly in foreign securities may be particularly vulnerable to arbitrage market timing. Arbitrage market timing in foreign investments may occur because of time zone differences between the foreign markets on which the Fund's international portfolio securities trade and the time as of which the Fund's NAV is calculated. Arbitrage market timers may purchase shares of the Fund based on events occurring after foreign market closing prices are established, but before calculation of the Fund's NAV. One of the objectives of the Trust's fair value pricing procedures is to minimize the possibilities of this type of arbitrage market timing (please see "Valuation – Foreign Securities – Potential Impact of Time Zones and Market Holidays").

Since the Fund may invest significantly in securities that are, or may be, restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid (relatively illiquid securities), the Fund may be particularly vulnerable to arbitrage market timing. An arbitrage market timer may seek to take advantage of a possible differential between the last available market prices for one or more of these relatively illiquid securities that are used to calculate the Fund's net asset value and the latest indications of market values for those securities. One of the objectives of the Fund's fair value pricing procedures is to minimize the possibilities of this type of arbitrage market timing (please see "Fair Valuation – Individual Securities" under the heading "Fund Account Policies", below).

The Fund is currently using several methods to reduce the risk of market timing. These methods include:

- seeking the cooperation of Insurers and funds of funds to assist the Fund in identifying potential market timing activity;
- committing staff to selectively review on a continuing basis recent trading activity in order to identify trading activity that may be contrary to the Fund's Market Timing Trading Policy;
- monitoring potential price differentials following the close of trading in foreign markets to determine whether the application of fair value pricing procedures is warranted; and
- seeking the cooperation of financial intermediaries to assist the Fund in identifying market timing activity.

Though these methods involve judgments that are inherently subjective and involve some selectivity in their application, the Fund seeks to make judgments and applications that are consistent with the interests of the Fund's shareholders. There is no assurance that the Fund or its agents will gain access to any or all information necessary to detect market timing in Insurers' separate accounts. While the Fund will seek to take actions (directly and with the assistance of Insurers) that will detect market timing, it cannot represent that such trading activity can be minimized or completely eliminated.

Revocation of market timing trades. Transactions placed in violation of a Fund's Market Timing Trading Policy or exchange limit guidelines are not necessarily deemed accepted by the Fund and may be cancelled or revoked by the Fund, in full or in part, as soon as practicable following receipt by the Fund and prompt inquiry of the intermediary.

Please keep this supplement for future reference.

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SUPPLEMENT DATED JANUARY 3, 2012
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2011
(Franklin Templeton Variable Insurance Products Trust)

The Statement of Additional Information is amended as follows:

I. The section entitled "*Glossary of Investments, Techniques, Strategies and Their Risks* – Derivative instruments – Credit default swaps" is revised to read as follows:

Credit default swaps. The "buyer" of protection in a credit default swap agreement is obligated to pay the "seller" a periodic stream of payments over the term of the agreement in return for a payment by the "seller" that is contingent upon the occurrence of a credit event with respect to a specific underlying reference debt obligation (whether as a single debt instrument or as part of an index of debt instruments). The contingent payment by the seller generally is the face amount of the debt obligation, in return for the buyer's obligation to make periodic cash payments and deliver in physical form the reference debt obligation or a cash payment equal to the then-current market value of that debt obligation at the time of the credit event. If no credit event occurs, the seller would receive a fixed rate of income throughout the term of the contract, while the buyer would lose the amount of its payments and recover nothing. The buyer is also subject to the risk that the seller will not satisfy its contingent payment obligation, if and when due.

Purchasing protection through a credit default swap may be used to attempt to hedge against a decline in the value of debt security or securities due to a credit event. The seller of protection under a credit default swap receives periodic payments from the buyer but is exposed to the risk that the value of the reference debt obligation declines due to a credit event and that it will have to pay the face amount of the reference obligation to the buyer. Selling protection under a credit default swap may also permit the seller to gain exposure that is similar to owning the reference debt obligation directly. As the seller of protection, the Fund would effectively add leverage to its portfolio because, in addition to its total assets, the Fund would be subject to the risk that there would be a credit event and the Fund would have to make a substantial payment in the future.

Generally, a credit event means bankruptcy, failure to timely pay interest or principal, obligation acceleration, or modified restructuring of the reference debt obligation. There may be disputes between the buyer or seller of a credit default swap agreement or within the swaps market as a whole as to whether or not a credit event has occurred or what the payout should be which could result in litigation. In some instances where there is a dispute in the credit default swap market, a regional Determinations Committee set up by ISDA may make an official binding determination regarding the existence of credit events under the terms of the ISDA Master Agreement.

ISDA's Determination Committees are comprised principally of dealers in the OTC derivatives markets which may have a conflicting interest in the determination regarding the existence of a particular credit event. In addition, in the sovereign debt market, a credit default swap agreement may not provide the protection generally anticipated because the government issuer of the sovereign debt instruments may be able to restructure or renegotiate the debt in such a manner as to avoid triggering a credit event.

Moreover, (1) sovereign debt obligations may not incorporate common, commercially acceptable provisions, such as collective action clauses, or (2) the negotiated restructuring of the sovereign debt may be deemed non-mandatory on all holders. As a result, the determination committee might then not be able to determine, or may be able to avoid having to determine, that a credit event under the credit default agreement has occurred.

For these and other reasons, the buyer of protection in a credit default swap agreement is subject to the risk that certain occurrences, such as particular restructuring events affecting the value of the underlying reference debt obligation, or the restructuring of sovereign debt, may not be deemed credit events under the credit default swap agreement. Therefore, if the credit default swap was purchased as a hedge or to take advantage of an anticipated increase in the value of credit protection for the underlying reference obligation, it may not provide any hedging benefit or otherwise increase in value as anticipated. Similarly, the seller of protection in a credit default swap agreement is subject to the risk that certain occurrences may be deemed to be credit events under the credit default swap agreement, even if these occurrences do not adversely impact the value or creditworthiness of the underlying reference debt obligation.

Please keep this supplement for future reference.

We are pleased to bring you Franklin Growth and Income Securities Fund's annual report for the fiscal year ended December 31, 2011.

Franklin Growth and Income Securities Fund Class 2

Performance Summary as of 12/31/11

Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/11

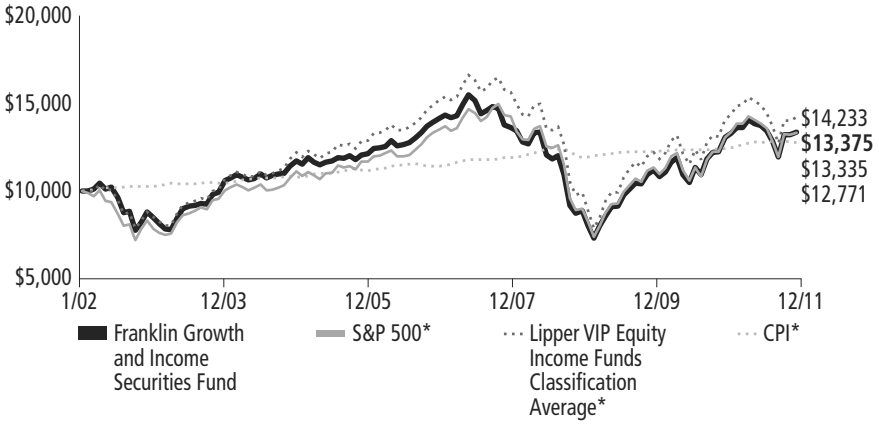
	1-Year	5-Year	10-Year
Average Annual Total Return	+2.41%	-1.14%	+2.95%

Performance reflects the Fund's Class 2 operating expenses, but does *not* include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/02–12/31/11)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's 500® Index (S&P 500®), the Lipper VIP Equity Income Funds Classification Average and the Consumer Price Index (CPI). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



* Source: © 2012 Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. The Fund may have significant investments in particular sectors from time to time, such as financial services, energy, health care/ pharmaceuticals, technology and telecommunications, and industrials, and may be at greater risk of adverse developments in a sector than a fund that invests more broadly. Changes in the financial strength of a debt issuer or in the rating of its securities may affect the securities' value and, as a result, impact Fund performance. Investments in high yield, lower rated (junk) bonds, generally have greater price swings and higher risk of default and loss of principal than investment-grade bonds. Foreign investing, especially in developing markets, involves additional risks, including currency fluctuations, economic instability, market volatility, and political and social instability. Derivative instruments may be volatile and illiquid, may give rise to leverage and may involve a small investment relative to the risk assumed. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goals and Main Investments: Franklin Growth and Income Securities Fund seeks capital appreciation with current income as a secondary goal. The Fund normally invests predominantly in equity securities, including securities convertible into common stock.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. The Fund outperformed its benchmark, the S&P 500, which produced a +2.11% total return.[1] The Fund also outperformed its peers as measured by the Lipper VIP Equity Income Funds Classification Average, which posted a +1.23% return for the same period.[2] Please note that the Fund invests primarily in stocks with above average dividend yields. As a result, its holdings and returns may differ from those of the S&P 500, which include nondividend-paying stocks and do not focus on dividend yield.

Economic and Market Overview

The U.S. economy improved steadily but modestly in 2011 despite geopolitical, employment and housing pressures. The U.S. manufacturing sector helped power the domestic economy and led global manufacturing output heading into 2012. Although manufacturing growth slowed in the second half of the year as high commodity prices reduced purchasing power and demand ebbed, the trend began to reverse near year-end. U.S. gross domestic product (GDP) growth advanced each quarter, and the nation's unemployment rate fell from 9.4% to 8.5%.[3]

The U.S. financial system and household balance sheets continued to improve, but the country still faced persistently high unemployment, a prolonged housing market slump and massive national debt. The U.S. Federal Reserve Board (Fed) cut the country's growth forecast partly due to the heightened potential for recession in Europe and cooling GDP trends across much of Asia. Inflation rose for much of the world but stayed relatively contained in the U.S., even slowing toward year-end amid declining energy and food prices. The Fed sought to boost economic growth by maintaining its accommodative monetary policy and undertook a second round of quantitative easing that ended on June 30. Subsequently, the Fed continued to purchase Treasuries with proceeds from maturing debt in an effort to support economic growth.

1. Source: © 2012 Morningstar.
2. Source: Lipper Inc.
One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
3. Source: Bureau of Labor Statistics.

Although U.S. stock markets rallied in the spring, worrisome global events and slowing global growth dampened investor sentiment and market volatility surged. Risk-averse investors sought perceived safe havens and seemed to ignore that many U.S. companies generated record profits. Despite large swings, U.S. stocks as measured by the S&P 500 Index gained 2.11% in 2011.[1] The Dow Jones Industrial Average rose 8.38%, reflecting investors' general preference for large, established U.S. companies.[1] Notably, the U.S. was a global market leader in 2011 as the country continued to be a relative haven. During the year, sector performance varied widely. Noncyclical, income-producing sectors such as utilities, consumer staples and health care led the market, while economically sensitive sectors such as materials and industrials lagged. Financials in the S&P 500 experienced the worst sector decline, as U.S. bank stocks generally tracked their European peers. Against this backdrop, growth stocks fared better than their value counterparts; large-capitalization stocks advanced slightly as a group, with modestly negative results for most small- and mid-sized company stocks, as measured by Russell capitalization-based indexes.

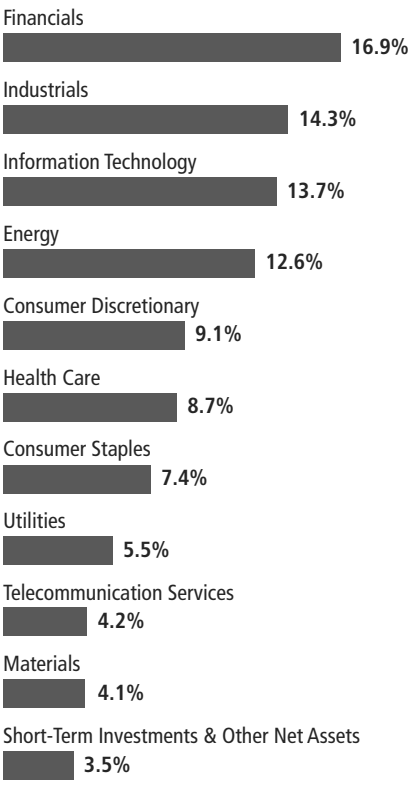
Investment Strategy

We invest in a broadly diversified portfolio of equity securities that we consider to be financially strong. To help identify such companies, we use a current relative yield analysis that focuses on a company's dividend yield (calculated by dividing a stock's annual per share dividends by its per share market price). This results in a relative yield range for each company that can assist us in determining whether we believe a stock is attractively priced for purchase or sale. A higher relative dividend yield is frequently accompanied by a lower stock price. Therefore, we seek to buy a stock when its relative dividend yield is high and to sell a stock when its relative dividend yield is low, which may be caused by an increase in the price of the stock.

Manager's Discussion

The Fund's absolute performance during 2011 was aided primarily by its investments in the health care, energy and utilities sectors. Within the health care sector, pharmaceuticals giants Pfizer and Roche Holding were key contributors, driven in part by strong free cash flow and dividend yields we found attractive. Natural gas infrastructure company Spectra Energy supported the Fund's strong results within the energy sector, as did major oil conglomerates Chevron and Exxon Mobil. Among utilities stocks, the Fund benefited from positions in Southern

Portfolio Breakdown
Franklin Growth and Income Securities Fund
Based on Total Net Assets as of 12/31/11



Top 10 Holdings
Franklin Growth and Income Securities Fund
12/31/11

Company Sector/Industry	% of Total Net Assets
Verizon Communications Inc. *Telecommunication Services*	2.6%
Wells Fargo & Co. *Financials*	2.5%
Intel Corp. *Information Technology*	2.3%
NIKE Inc. *Consumer Discretionary*	2.3%
Merck & Co. Inc. *Health Care*	2.1%
International Business Machines Corp. *Information Technology*	2.1%
General Electric Co. *Industrials*	2.1%
Chevron Corp. *Energy*	2.1%
PepsiCo Inc. *Consumer Staples*	2.0%
Microchip Technology Inc. *Information Technology*	1.9%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

Company, one of the U.S.'s largest electricity distributors serving more than 4.4 million electricity customers in the southeast, and Progress Energy, a utility serving the Carolinas and Florida that agreed to be acquired by Duke Energy in 2011.

The Fund also had some disappointments, most notably within the economically sensitive financials and materials sectors. Financials stocks were key Fund detractors and included large institutions such as Bank of America and JPMorgan Chase & Co., as well as insurers such as MetLife, QBE Insurance Group and Aflac. Among the large detractors in the materials sector was Freeport-McMoRan Copper & Gold. Even though gold bullion prices rose considerably, shares of related mining stocks fared poorly. The gulf between the fortunes of physical gold and mining companies such as Freeport-McMoRan was primarily the result of rising mining costs, investor concerns over more aggressive government taxation of resources companies, and broad-based selling of stocks during a turbulent year for equities. The Fund's position in Anglogold Ashanti Holdings also declined for similar reasons. With softening global growth forecast for 2012, these companies' share prices also suffered generally from a perceived weakening in demand for copper and gold following all-time highs for both metals earlier in 2011. Furthermore, with a slowing global economy and reduced orders for steel — especially out of China where manufacturing and construction activity was ebbing toward year-end — the metal's price retreated along with those of copper and other industrial metals, causing the Fund's shares of steelmakers such as ArcelorMittal to fall in value and detract from our overall results.

Thank you for your participation in Franklin Growth and Income Securities Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2011, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, redemption fees, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Franklin Growth and Income Securities Fund Class 2

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/11	Ending Account Value 12/31/11	Fund-Level Expenses Incurred During Period* 7/1/11–12/31/11
Actual	$1,000	$ 975.30	$4.18
Hypothetical (5% return before expenses)	$1,000	$1,020.97	$4.28

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.84%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Growth and Income Securities Fund

	Year Ended December 31,				
Class 1	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.76	$ 10.47	$ 8.72	$ 15.07	$ 16.83
Income from investment operations[a]:					
Net investment income[b]	0.33	0.38	0.31	0.39	0.41
Net realized and unrealized gains (losses)	(0.03)	1.32	1.92	(5.17)	(0.82)
Total from investment operations	0.30	1.70	2.23	(4.78)	(0.41)
Less distributions from:					
Net investment income	(0.46)	(0.41)	(0.48)	(0.45)	(0.42)
Net realized gains	—	—	—	(1.12)	(0.93)
Total distributions	(0.46)	(0.41)	(0.48)	(1.57)	(1.35)
Net asset value, end of year	$ 11.60	$ 11.76	$ 10.47	$ 8.72	$ 15.07
Total return[c]	2.64%	16.93%	26.82%	(34.95)%	(3.46)%
Ratios to average net assets					
Expenses	0.59%	0.59%	0.60%[d]	0.55%[d]	0.52%[d]
Net investment income	2.80%	3.62%	3.46%	3.17%	2.47%
Supplemental data					
Net assets, end of year (000's)	$156,830	$176,590	$174,403	$ 162,936	$306,691
Portfolio turnover rate	32.93%	26.83%	51.05%	30.66%	36.66%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Growth and Income Securities Fund

	Year Ended December 31,				
Class 2	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.60	$ 10.33	$ 8.59	$ 14.86	$ 16.62
Income from investment operations[a]:					
Net investment income[b]	0.29	0.35	0.28	0.35	0.37
Net realized and unrealized gains (losses)	(0.02)	1.31	1.90	(5.10)	(0.82)
Total from investment operations	0.27	1.66	2.18	(4.75)	(0.45)
Less distributions from:					
Net investment income	(0.43)	(0.39)	(0.44)	(0.40)	(0.38)
Net realized gains	—	—	—	(1.12)	(0.93)
Total distributions	(0.43)	(0.39)	(0.44)	(1.52)	(1.31)
Net asset value, end of year	$ 11.44	$ 11.60	$ 10.33	$ 8.59	$ 14.86
Total return[c]	2.41%	16.68%	26.55%	(35.14)%	(3.71)%
Ratios to average net assets					
Expenses	0.84%	0.84%	0.85%[d]	0.80%[d]	0.77%[d]
Net investment income	2.55%	3.37%	3.21%	2.92%	2.22%
Supplemental data					
Net assets, end of year (000's)	$129,309	$151,481	$152,077	$ 141,359	$312,692
Portfolio turnover rate	32.93%	26.83%	51.05%	30.66%	36.66%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks 82.9%			
Consumer Discretionary 8.2%			
Comcast Corp., A	United States	139,080	$ 3,297,587
Limited Brands Inc.	United States	110,200	4,446,570
Lowe's Cos. Inc.	United States	142,100	3,606,498
NIKE Inc., B	United States	68,500	6,601,345
Target Corp.	United States	105,000	5,378,100
			23,330,100
Consumer Staples 7.4%			
The Coca-Cola Co.	United States	46,500	3,253,605
Diageo PLC, ADR	United Kingdom	53,400	4,668,228
PepsiCo Inc.	United States	85,200	5,653,020
The Procter & Gamble Co.	United States	53,400	3,562,314
Unilever NV, N.Y. shs.	Netherlands	114,700	3,942,239
			21,079,406
Energy 10.0%			
Chevron Corp.	United States	55,200	5,873,280
ConocoPhillips	United States	65,000	4,736,550
Exxon Mobil Corp.	United States	54,544	4,623,150
Royal Dutch Shell PLC, A, ADR	Netherlands	75,000	5,481,750
Schlumberger Ltd.	United States	48,900	3,340,359
Spectra Energy Corp.	United States	150,500	4,627,875
			28,682,964
Financials 12.4%			
Aflac Inc.	United States	122,900	5,316,654
Bank of America Corp.	United States	228,400	1,269,904
BlackRock Inc.	United States	26,700	4,759,008
JPMorgan Chase & Co.	United States	139,770	4,647,352
Marsh & McLennan Cos. Inc.	United States	117,500	3,715,350
People's United Financial Inc.	United States	250,000	3,212,500
QBE Insurance Group Ltd.	Australia	275,000	3,643,337
T. Rowe Price Group Inc.	United States	81,100	4,618,645
Wells Fargo & Co.	United States	161,000	4,437,160
			35,619,910
Health Care 8.1%			
Abbott Laboratories	United States	65,200	3,666,196
Johnson & Johnson	United States	77,800	5,102,124
Merck & Co. Inc.	United States	161,261	6,079,540
Pfizer Inc.	United States	209,900	4,542,236
Roche Holding AG	Switzerland	22,300	3,783,407
			23,173,503
Industrials 14.3%			
3M Co.	United States	55,500	4,536,015
The Boeing Co.	United States	35,800	2,625,930
Caterpillar Inc.	United States	36,600	3,315,960
Emerson Electric Co.	United States	114,600	5,339,214
General Dynamics Corp.	United States	63,600	4,223,676
General Electric Co.	United States	330,000	5,910,300
Honeywell International Inc.	United States	60,000	3,261,000
J.B. Hunt Transport Services Inc.	United States	64,500	2,907,015
Republic Services Inc.	United States	135,200	3,724,760

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
United Parcel Service Inc., B	United States	70,800	$ 5,181,852
			41,025,722
Information Technology 11.1%			
Intel Corp.	United States	273,000	6,620,250
International Business Machines Corp.	United States	32,900	6,049,652
Microchip Technology Inc.	United States	151,800	5,560,434
Microsoft Corp.	United States	172,400	4,475,504
Paychex Inc.	United States	143,000	4,305,730
Xerox Corp.	United States	587,400	4,675,704
			31,687,274
Materials 2.6%			
E. I. du Pont de Nemours and Co.	United States	101,800	4,660,404
Freeport-McMoRan Copper & Gold Inc., B	United States	80,738	2,970,351
			7,630,755
Telecommunication Services 4.2%			
AT&T Inc.	United States	146,497	4,430,069
Verizon Communications Inc.	United States	185,200	7,430,224
			11,860,293
Utilities 4.6%			
Progress Energy Inc.	United States	65,000	3,641,300
Sempra Energy	United States	92,242	5,073,310
The Southern Co.	United States	96,700	4,476,243
			13,190,853
Total Common Stocks (Cost $193,973,682)			237,280,780
[a]**Equity-Linked Securities 4.0%**			
Energy 1.4%			
Credit Suisse AG into Halliburton Co., 8.00%	United States	110,000	4,038,650
Information Technology 2.6%			
[b]Goldman Sachs Group Inc. into Cisco Systems Inc., 5.00%, 144A	United States	300,000	5,461,200
[b]Morgan Stanley into Apple Inc., 7.50%, 144A	United States	5,000	1,911,820
			7,373,020
Total Equity-Linked Securities (Cost $14,295,900)			11,411,670
Convertible Preferred Stocks 9.0%			
Consumer Discretionary 0.9%			
General Motors Co., 4.75%, cvt. pfd., B	United States	77,000	2,637,250
Energy 1.2%			
[b]Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	3,500	3,534,265
Financials 4.3%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	4,100	3,230,882
Hartford Financial Services Group Inc., 7.25%, cvt. pfd.	United States	97,000	1,821,660
MetLife Inc., 5.00%, cvt. pfd.	United States	71,100	4,381,182
Wells Fargo & Co., 7.50%, cvt. pfd., A	United States	2,700	2,851,200
			12,284,924

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Health Care 0.6%			
Tenet Healthcare Corp., 7.00%, cvt. pfd.	United States	1,900	$ 1,624,500
Materials 1.1%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	65,000	3,102,450
Utilities 0.9%			
Great Plains Energy Inc., 12.00%, cvt. pfd.	United States	40,000	2,664,400
Total Convertible Preferred Stocks (Cost $27,209,036)			25,847,789
Preferred Stocks (Cost $8,133,100) 0.2%			
Financials 0.2%			
[c]Fannie Mae, 8.25%, pfd.	United States	325,000	448,500
		Principal Amount*	
Convertible Bonds (Cost $1,000,000) 0.4%			
Materials 0.4%			
ArcelorMittal, cvt., senior note, 5.00%, 5/15/14	Luxembourg	$ 1,000,000	1,056,250
Total Investments before Short Term Investments (Cost $244,611,718)			276,044,989
Short Term Investments (Cost $10,099,486) 3.5%			
Repurchase Agreements 3.5%			
[d]Joint Repurchase Agreement, 0.011%, 1/03/12 (Maturity Value $10,099,498)	United States	10,099,486	10,099,486
BNP Paribas Securities Corp. (Maturity Value $1,222,039)			
Credit Suisse Securities (USA) LLC (Maturity Value $1,466,346)			
Deutsche Bank Securities Inc. (Maturity Value $1,545,526)			
HSBC Securities (USA) Inc. (Maturity Value $2,444,079)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $1,466,346)			
Morgan Stanley & Co. LLC (Maturity Value $488,816)			
UBS Securities LLC (Maturity Value $1,466,346)			
Collateralized by U.S. Government Agency Securities, 0.16% - 5.25%, 6/07/12 - 2/05/14; [e]U.S. Treasury Bills, 1/12/12 - 9/20/12; U.S. Treasury Bonds, 0.50% -11.25%, 5/31/13 - 2/15/16; and U.S. Treasury Notes, 0.125% - 4.875%, 12/31/11 - 5/15/19 (valued at $10,306,814)			
Total Investments (Cost $254,711,204) 100.0%			286,144,475
Other Assets, less Liabilities (0.0)%†			(5,807)
Net Assets 100.0%			$286,138,668

See Abbreviations on page FGI-22.

†Rounds to less than 0.1% of net assets.
*The principal amount is stated in U.S. dollars unless otherwise indicated.
[a]See Note 1(d) regarding equity-linked securities.
[b]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2011, the aggregate value of these securities was $10,907,285, representing 3.81% of net assets.
[c]Non-income producing.
[d]See Note 1(c) regarding joint repurchase agreement.
[e]The security is traded on a discount basis with no stated coupon rate.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2011

	Franklin Growth and Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$244,611,718
Cost - Repurchase agreements	10,099,486
Total cost of investments	$254,711,204
Value - Unaffiliated issuers	$276,044,989
Value - Repurchase agreements	10,099,486
Total value of investments	286,144,475
Receivables:	
Capital shares sold	118,373
Dividends and interest	650,683
Other assets	9
Total assets	286,913,540
Liabilities:	
Payables:	
Capital shares redeemed	495,054
Affiliates	183,093
Reports to shareholders	59,750
Accrued expenses and other liabilities	36,975
Total liabilities	774,872
Net assets, at value	$286,138,668
Net assets consist of:	
Paid-in capital	$304,716,090
Undistributed net investment income	8,605,551
Net unrealized appreciation (depreciation)	31,436,192
Accumulated net realized gain (loss)	(58,619,165)
Net assets, at value	$286,138,668
Class 1:	
Net assets, at value	$156,830,095
Shares outstanding	13,519,588
Net asset value and maximum offering price per share	$ 11.60
Class 2:	
Net assets, at value	$129,308,573
Shares outstanding	11,308,095
Net asset value and maximum offering price per share	$ 11.44

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2011

	Franklin Growth and Income Securities Fund
Investment income:	
Dividends	$ 10,179,500
Interest	153,488
Total investment income	10,332,988
Expenses:	
Management fees (Note 3a)	1,622,410
Distribution fees: (Note 3c)	
Class 2	346,320
Class 4	2
Unaffiliated transfer agent fees	197
Custodian fees (Note 4)	6,540
Reports to shareholders	101,226
Professional fees	40,738
Trustees' fees and expenses	1,172
Other	17,076
Total expenses	2,135,681
Net investment income	8,197,307
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	24,188,456
Foreign currency transactions	2,471
Net realized gain (loss)	24,190,927
Net change in unrealized appreciation (depreciation) on:	
Investments	(24,900,763)
Translation of other assets and liabilities denominated in foreign currencies	12
Net change in unrealized appreciation (depreciation)	(24,900,751)
Net realized and unrealized gain (loss)	(709,824)
Net increase (decrease) in net assets resulting from operations	$ 7,487,483

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Growth and Income Securities Fund	
	Year Ended December 31, 2011	2010
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 8,197,307	$ 10,986,035
Net realized gain (loss) from investments and foreign currency transactions	24,190,927	12,697,955
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(24,900,751)	25,059,009
Net increase (decrease) in net assets resulting from operations	7,487,483	48,742,999
Distributions to shareholders from:		
Net investment income:		
Class 1	(6,502,022)	(6,417,296)
Class 2	(5,102,769)	(5,249,987)
Class 4	—	(134)
Total distributions to shareholders	(11,604,791)	(11,667,417)
Capital share transactions: (Note 2)		
Class 1	(17,555,780)	(17,785,745)
Class 2	(20,259,007)	(17,698,877)
Class 4	(4,301)	—
Total capital share transactions	(37,819,088)	(35,484,622)
Net increase (decrease) in net assets	(41,936,396)	1,590,960
Net assets:		
Beginning of year	328,075,064	326,484,104
End of year	$286,138,668	$328,075,064
Undistributed net investment income included in net assets:		
End of year	$ 8,605,551	$ 11,818,534

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

Franklin Growth and Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Growth and Income Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2011, 75.64% of the Fund's shares were held through one insurance company. The Fund offers two classes of shares: Class 1 and Class 2. On March 4, 2011, the Fund liquidated Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in securities and other financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees, the Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt and certain preferred securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined. Repurchase agreements are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. The Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result,

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Trust's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. The joint repurchase agreement held by the Fund at year end had been entered into on December 30, 2011.

d. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Equity-Linked Securities (continued)

principal with equity linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

e. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2011, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

g. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2011, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2011[a]		2010[b]	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	187,427	$ 2,361,235	71,404	$ 762,743
Shares issued in reinvestment of distributions	570,854	6,502,022	641,089	6,417,296
Shares redeemed	(2,250,738)	(26,419,037)	(2,352,373)	(24,965,784)
Net increase (decrease)	(1,492,457)	$(17,555,780)	(1,639,880)	$(17,785,745)
Class 2 Shares:				
Shares sold	624,568	$ 7,137,921	846,978	$ 8,699,858
Shares issued in reinvestment of distributions	453,579	5,102,769	530,838	5,249,987
Shares redeemed	(2,828,839)	(32,499,697)	(3,035,560)	(31,648,722)
Net increase (decrease)	(1,750,692)	$(20,259,007)	(1,657,744)	$(17,698,877)
Class 4 Shares:				
Shares redeemed	(353)	$ (4,301)		
Net increase (decrease)	(353)	$ (4,301)		

[a]Effective March 4, 2011, Class 4 was liquidated.
[b]During the year Class 4 did not report any share transactions.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

3. TRANSACTIONS WITH AFFILIATES (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Fund's Board of Trustees has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board of Trustees has agreed to limit the current rate to 0.25% per year for Class 2.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2011, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund in taxable years beginning after December 22, 2010 are not subject to expiration and such losses retain their character as either short-term or long-term, rather than being considered short-term as under previous law. Post-enactment capital losses must be fully utilized prior to utilizing any losses incurred in pre-enactment tax years.

At December 31, 2011, the Fund had capital loss carryforwards of $58,122,192 expiring in 2017. During the year ended December 31, 2011, the Fund utilized $24,108,895 of capital loss carryforwards.

5. INCOME TAXES (continued)

The tax character of distributions paid during the years ended December 31, 2011 and 2010, was as follows:

	2011	2010
Distributions paid from ordinary income	$11,604,791	$11,667,417

At December 31, 2011, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$255,261,073
Unrealized appreciation	$ 52,490,725
Unrealized depreciation	(21,607,323)
Net unrealized appreciation (depreciation)	$ 30,883,402
Distributable earnings – undistributed ordinary income	$ 8,792,149

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of bond discounts and premiums, and wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2011, aggregated $98,347,520 and $141,755,009, respectively.

7. CREDIT RISK

At December 31, 2011, the Fund had 10.65% of its portfolio invested in high yield or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $750 million (Global Credit Facility) which matured on January 20, 2012. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective January 20, 2012, the Borrowers renewed the Global Credit Facility for a total of $1.5 billion, maturing January 18, 2013.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the year ended December 31, 2011, the Fund did not use the Global Credit Facility.

9. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

The following is a summary of the inputs used as of December 31, 2011, in valuing the Fund's assets and liabilities carried at fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$ 28,682,964	$ 3,534,265	$ —	$ 32,217,229
Financials	45,502,134	2,851,200	—	48,353,334
Health Care	23,173,503	1,624,500	—	24,798,003
Utilities	13,190,853	2,664,400	—	15,855,253
All Other Equity Investments[b]	142,353,250	—	—	142,353,250
Equity-Linked Securities	—	11,411,670	—	11,411,670
Convertible Bonds	—	1,056,250	—	1,056,250
Short Term Investments	—	10,099,486	—	10,099,486
Total Investments in Securities	$252,902,704	$33,241,771	$ —	$286,144,475

[a]Includes common, preferred and convertible preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

10. NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in the ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards) and include new guidance for certain fair value measurement principles and disclosure requirements. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

11. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Franklin Growth and Income Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Growth and Income Securities Fund (the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2012

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Growth and Income Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 68.24% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2011.

This annual report for Franklin Large Cap Growth Securities Fund covers the fiscal year ended December 31, 2011.

Franklin Large Cap Growth Securities Fund Class 2

Performance Summary as of 12/31/11

Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/11

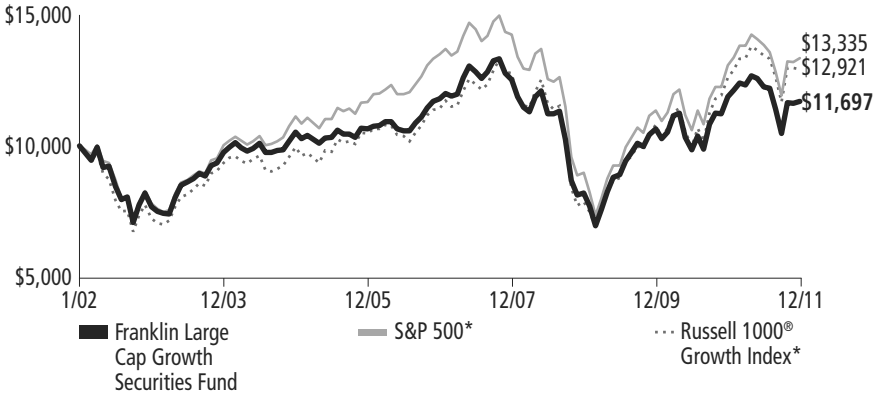
	1-Year	5-Year	10-Year
Average Annual Total Return	-1.51%	-0.17%	+1.58%

Performance reflects the Fund's Class 2 operating expenses, but does *not* include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/02–12/31/11)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®) and the Russell 1000® Growth Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



Source: © 2012 Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund may have substantial investments in particular sectors from time to time, such as the technology sector (including health care technology, electronic technology and technology services), which has been among the most volatile sectors in the market, as well as the communications and financial services sectors, and may be at greater risk from adverse developments in a sector than a fund that invests more broadly. Smaller and midsize company securities can increase the risk of greater price fluctuations, particularly over the short term. Foreign investing involves additional risks, including currency fluctuations, economic instability, market volatility, and political and social instability. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goal and Main Investments: Franklin Large Cap Growth Securities Fund seeks capital appreciation. The Fund normally invests at least 80% of its net assets in investments of large-capitalization companies. For this Fund, large-capitalization companies are those with market capitalization values within those of the top 50% of companies in the Russell 1000® Index at the time of purchase.[1]

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. The Fund underperformed its primary benchmark, the S&P 500, which posted a +2.11% total return.[2] The Fund also underperformed its secondary benchmark, the Russell 1000® Growth Index, which delivered a +2.64% total return for the same period.[2]

Economic and Market Overview

The U.S. economy improved steadily but modestly in 2011 despite geopolitical, employment and housing pressures. The U.S. manufacturing sector helped power the domestic economy and led global manufacturing output heading into 2012. Although manufacturing growth slowed in the second half of the year as high commodity prices reduced purchasing power and demand ebbed, the trend began to reverse near year-end. U.S. gross domestic product (GDP) growth advanced each quarter, and the nation's unemployment rate fell from 9.4% to 8.5%.[3]

The U.S. financial system and household balance sheets continued to improve, but the country still faced persistently high unemployment, a prolonged housing market slump and massive national debt. The U.S. Federal Reserve Board (Fed) cut the country's growth forecast partly due to the heightened potential for recession in Europe and cooling GDP trends across much of Asia. Inflation rose for much of the world but stayed relatively contained in the U.S., even slowing toward year-end amid declining energy and food prices. The Fed sought to boost economic growth by maintaining its accommodative monetary policy and undertook a second round of quantitative easing that ended on June 30. Subsequently, the Fed continued to purchase Treasuries with proceeds from maturing debt in an effort to support economic growth.

1. Please see Index Descriptions following the Fund Summaries.
2. Source: © 2012 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.
3. Source: Bureau of Labor Statistics.

Although U.S. stock markets rallied in the spring, worrisome global events and slowing global growth dampened investor sentiment and market volatility surged. Risk-averse investors sought perceived safe havens and seemed to ignore that many U.S. companies generated record profits. Despite large swings, U.S. stocks as measured by the S&P 500 gained 2.11% in 2011.[2] The Dow Jones Industrial Average rose 8.38%, reflecting investors' general preference for large, established U.S. companies.[2] Notably, the U.S. was a global market leader in 2011 as the country continued to be a relative haven. During the year, sector performance varied widely. Noncyclical, income-producing sectors such as utilities, consumer staples and health care led the market, while economically sensitive sectors such as materials and industrials lagged. Financials in the S&P 500 experienced the worst sector decline, as U.S. bank stocks generally tracked their European peers. Against this backdrop, growth stocks fared better than their value counterparts; large-capitalization stocks advanced slightly as a group, with modestly negative results for most small- and mid-sized company stocks, as measured by Russell capitalization-based indexes.

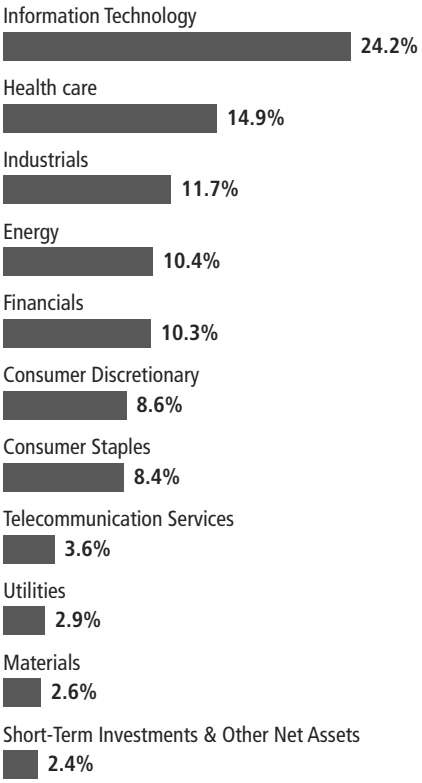
Investment Strategy

We employ our long-held strategy: bottom-up, individual-company, fundamental research aimed at opportunistically finding what we believe to be outstanding large-cap companies across all sectors, at valuations we believe understate their fair worth, with future growth potential being a key driver of estimated worth. In doing so, we work hard seeking to ensure we are being adequately compensated for the risks that are inherent to all forecasting efforts, aiming to own those stocks that make the most sense from a risk/return perspective. We believe this disciplined, bottom-up analysis of future growth potential, current valuation and other risks on a stock-by-stock basis best supports our efforts to maintain a portfolio with superior risk/return characteristics and thus affords us the best prospects for strong performance over the long term.

Manager's Discussion

Looking back on the key factors impacting the Fund's returns during the year under review, we would like to remind shareholders that our investment strategy is primarily bottom-up and driven by individual stock selection. However, we recognize that a sector-based discussion can be a helpful way to organize a portfolio review of key performance drivers.

Portfolio Breakdown
Franklin Large Cap Growth Securities Fund
Based on Total Net Assets as of 12/31/11



Top 10 Holdings
Franklin Large Cap Growth Securities Fund
12/31/11

Company *Sector/Industry*	% of Total Net Assets
Apple Inc. *Information Technology*	3.8%
Wells Fargo & Co. *Financials*	3.2%
Google Inc. *Information Technology*	2.7%
U.S. Bancorp *Financials*	2.4%
JPMorgan Chase & Co. *Financials*	2.2%
AT&T Inc. *Telecommunication Services*	2.1%
The Boeing Co. *Industrials*	2.1%
General Electric Co. *Industrials*	2.1%
Anadarko Petroleum Corp. *Energy*	2.0%
PepsiCo Inc. *Consumer Staples*	2.0%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

From a sector perspective, our underweighted allocation and stock selection in the materials sector helped the Fund's performance relative to the S&P 500. In particular, our position in precious metals producer Freeport-McMoRan Copper & Gold boosted performance.[4] Our decision to avoid several poor-performing telecommunication services stocks also aided relative results. Stock selection in the energy sector aided performance, largely due to our holding in independent oil and natural gas company Petrohawk Energy.[4, 5] Petrohawk shares rose as the company was acquired by BHP Billiton during the year.

Other key contributors to relative Fund returns included health insurer Aetna, credit services company MasterCard and investment bank Goldman Sachs Group.[4]

In contrast, the Fund's holdings in the consumer discretionary area detracted from performance relative to the S&P 500, particularly our position in hotel operator Marriott International.[4]

The Fund's holdings in the information technology sector also detracted from relative returns. In particular, the shares of mobile phone manufacturer Research in Motion[5] and electronic equipment manufacturer Hewlett-Packard both lost value in part due to disappointing results related to declines in their market share.

Thank you for your participation in Franklin Large Cap Growth Securities Fund. We look forward to serving your future investment needs.

4. Sold by period-end.
5. This holding is not an index component.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2011, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, redemption fees, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Franklin Large Cap Growth Securities Fund Class 2

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/11	Ending Account Value 12/31/11	Fund-Level Expenses Incurred During Period* 7/1/11–12/31/11
Actual	$1,000	$ 954.70	$5.17
Hypothetical (5% return before expenses)	$1,000	$1,019.91	$5.35

*Expenses are calculated using the most recent six-month annualized expense ratio, for the Fund's Class 2 shares (1.05%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Large Cap Growth Securities Fund

	Year Ended December 31,				
Class 1	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 15.07	$ 13.62	$ 10.66	$ 17.51	$ 16.70
Income from investment operations[a]:					
Net investment income[b]	0.15	0.12	0.12	0.17	0.21
Net realized and unrealized gains (losses)	(0.33)	1.48	3.04	(5.82)	0.89
Total from investment operations	(0.18)	1.60	3.16	(5.65)	1.10
Less distributions from:					
Net investment income	(0.14)	(0.15)	(0.20)	(0.24)	(0.16)
Net realized gains	—	—	—	(0.96)	(0.13)
Total distributions	(0.14)	(0.15)	(0.20)	(1.20)	(0.29)
Net asset value, end of year	$ 14.75	$ 15.07	$ 13.62	$ 10.66	$ 17.51
Total return[c]	(1.22)%	11.85%	30.04%	(34.39)%	6.53%
Ratios to average net assets					
Expenses	0.80%	0.79%	0.81%[d]	0.77%[d]	0.74%[d]
Net investment income	0.99%	0.86%	1.03%	1.19%	1.21%
Supplemental data					
Net assets, end of year (000's)	$ 48,666	$ 58,265	$ 58,287	$ 51,651	$ 96,920
Portfolio turnover rate	56.61%	46.75%	71.95%	66.04%	50.67%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Large Cap Growth Securities Fund

	Year Ended December 31,				
Class 2	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 14.86	$ 13.43	$ 10.50	$ 17.25	$ 16.47
Income from investment operations[a]:					
Net investment income[b]	0.11	0.08	0.09	0.13	0.17
Net realized and unrealized gains (losses)	(0.33)	1.46	3.00	(5.73)	0.87
Total from investment operations	(0.22)	1.54	3.09	(5.60)	1.04
Less distributions from:					
Net investment income	(0.10)	(0.11)	(0.16)	(0.19)	(0.13)
Net realized gains	—	—	—	(0.96)	(0.13)
Total distributions	(0.10)	(0.11)	(0.16)	(1.15)	(0.26)
Net asset value, end of year	$ 14.54	$ 14.86	$ 13.43	$ 10.50	$ 17.25
Total return[c]	(1.51)%	11.59%	29.73%	(34.53)%	6.23%
Ratios to average net assets					
Expenses	1.05%	1.04%	1.06%[d]	1.02%[d]	0.99%[d]
Net investment income	0.74%	0.61%	0.78%	0.94%	0.96%
Supplemental data					
Net assets, end of year (000's)	$293,226	$357,405	$373,821	$ 328,597	$642,351
Portfolio turnover rate	56.61%	46.75%	71.95%	66.04%	50.67%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks 97.6%			
Consumer Discretionary 8.6%			
Abercrombie & Fitch Co., A	United States	53,800	$ 2,627,592
[a]Amazon.com Inc.	United States	8,600	1,488,660
[a]BorgWarner Inc.	United States	76,300	4,863,362
Comcast Corp., A	United States	225,300	5,341,863
[a]Ford Motor Co.	United States	134,900	1,451,524
Kohl's Corp.	United States	72,900	3,597,615
NIKE Inc., B	United States	19,100	1,840,667
Target Corp.	United States	55,100	2,822,222
The Walt Disney Co.	United States	139,400	5,227,500
			29,261,005
Consumer Staples 8.4%			
Altria Group Inc.	United States	57,400	1,701,910
Costco Wholesale Corp.	United States	16,900	1,408,108
CVS Caremark Corp.	United States	114,500	4,669,310
PepsiCo Inc.	United States	104,400	6,926,940
Philip Morris International Inc.	United States	81,400	6,388,272
The Procter & Gamble Co.	United States	66,945	4,465,901
Wal-Mart Stores Inc.	United States	27,000	1,613,520
Walgreen Co.	United States	43,554	1,439,895
			28,613,856
Energy 10.4%			
Anadarko Petroleum Corp.	United States	91,050	6,949,846
Chevron Corp.	United States	50,700	5,394,480
ConocoPhillips	United States	64,700	4,714,689
Devon Energy Corp.	United States	56,700	3,515,400
Exxon Mobil Corp.	United States	57,700	4,890,652
Halliburton Co.	United States	114,800	3,961,748
Schlumberger Ltd.	United States	63,970	4,369,791
[a]Superior Energy Services Inc.	United States	64,600	1,837,224
			35,633,830
Financials 10.3%			
Aflac Inc.	United States	38,900	1,682,814
American Express Co.	United States	26,400	1,245,288
Bank of America Corp.	United States	140,700	782,292
BlackRock Inc.	United States	12,900	2,299,296
Citigroup Inc.	United States	34,990	920,587
Invesco Ltd.	United States	81,300	1,633,317
JPMorgan Chase & Co.	United States	227,145	7,552,571
U.S. Bancorp	United States	298,627	8,077,861
Wells Fargo & Co.	United States	393,700	10,850,372
			35,044,398
Health Care 14.9%			
Aetna Inc.	United States	157,000	6,623,830
[a]Agilent Technologies Inc.	United States	115,300	4,027,429
[a]Express Scripts Inc.	United States	148,900	6,654,341
[a]Gilead Sciences Inc.	United States	95,700	3,917,001
[a]Illumina Inc.	United States	45,800	1,395,984
Johnson & Johnson	United States	90,900	5,961,222
Medtronic Inc.	United States	56,500	2,161,125
Merck & Co. Inc.	United States	149,575	5,638,977

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Health Care (continued)			
Pfizer Inc.	United States	218,700	$ 4,732,668
Roche Holding AG, ADR	Switzerland	124,000	5,276,200
Teva Pharmaceutical Industries Ltd., ADR	Israel	51,416	2,075,150
[a]Thoratec Corp.	United States	77,200	2,590,832
			51,054,759
Industrials 11.7%			
The Boeing Co.	United States	98,100	7,195,635
Caterpillar Inc.	United States	32,300	2,926,380
Emerson Electric Co.	United States	95,600	4,454,004
Expeditors International of Washington Inc.	United States	94,090	3,853,926
FedEx Corp.	United States	47,100	3,933,321
General Electric Co.	United States	394,100	7,058,331
Precision Castparts Corp.	United States	19,200	3,163,968
Union Pacific Corp.	United States	29,200	3,093,448
United Technologies Corp.	United States	60,900	4,451,181
			40,130,194
Information Technology 24.2%			
[a]Apple Inc.	United States	32,200	13,041,000
Broadcom Corp., A	United States	39,600	1,162,656
Cisco Systems Inc.	United States	169,300	3,060,944
Corning Inc.	United States	153,600	1,993,728
[a]Dell Inc.	United States	269,600	3,944,248
[a]EMC Corp.	United States	237,400	5,113,596
FLIR Systems Inc.	United States	60,900	1,526,763
[a]Google Inc., A	United States	14,300	9,236,370
Hewlett-Packard Co.	United States	87,200	2,246,272
Intel Corp.	United States	98,100	2,378,925
International Business Machines Corp.	United States	35,000	6,435,800
[a]Lam Research Corp.	United States	88,900	3,291,078
MasterCard Inc., A	United States	6,330	2,359,951
Microsoft Corp.	United States	205,300	5,329,588
[a]NetApp Inc.	United States	78,170	2,835,226
Oracle Corp.	United States	98,500	2,526,525
[a]Polycom Inc.	United States	129,000	2,102,700
QUALCOMM Inc.	United States	107,990	5,907,053
[a]Research In Motion Ltd.	Canada	90,400	1,310,800
Visa Inc., A	United States	25,700	2,609,321
Xerox Corp.	United States	451,400	3,593,144
Xilinx Inc.	United States	24,800	795,088
			82,800,776
Materials 2.6%			
Celanese Corp., A	United States	147,800	6,543,106
E. I. du Pont de Nemours and Co.	United States	19,200	878,976
Randgold Resources Ltd., ADR	United Kingdom	15,600	1,592,760
			9,014,842
Telecommunication Services 3.6%			
AT&T Inc.	United States	241,562	7,304,835
[a]Sprint Nextel Corp.	United States	354,300	829,062
Vodafone Group PLC, ADR	United Kingdom	154,000	4,316,620
			12,450,517

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Utilities 2.9%			
MDU Resources Group Inc.	United States	39,300	$ 843,378
National Grid PLC, ADR	United Kingdom	42,800	2,074,944
PG&E Corp.	United States	65,850	2,714,337
Sempra Energy	United States	29,400	1,617,000
The Southern Co.	United States	57,100	2,643,159
			9,892,818
Total Common Stocks (Cost $251,539,736)			333,896,995
		Principal Amount	
Short Term Investments (Cost $9,441,757) 2.8%			
Repurchase Agreements 2.8%			
[b]Joint Repurchase Agreement, 0.011%, 1/03/12 (Maturity Value $9,441,768)	United States	$9,441,757	9,441,757
BNP Paribas Securities Corp. (Maturity Value $1,142,454)			
Credit Suisse Securities (USA) LLC (Maturity Value $1,370,850)			
Deutsche Bank Securities Inc. (Maturity Value $1,444,874)			
HSBC Securities (USA) Inc. (Maturity Value $2,284,908)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $1,370,850)			
Morgan Stanley & Co. LLC (Maturity Value $456,982)			
UBS Securities LLC (Maturity Value $1,370,850)			
Collateralized by U.S. Government Agency Securities, 0.16% - 5.25%, 6/07/12 - 2/05/14; [c]U.S. Treasury Bills, 1/12/12 - 9/20/12; U.S. Treasury Bonds, 0.50% - 11.25%, 5/31/13 - 2/15/16; and U.S. Treasury Notes, 0.125% - 4.875%, 12/31/11 - 5/15/19 (valued at $9,635,582)			
Total Investments (Cost $260,981,493) 100.4%			343,338,752
Other Assets, less Liabilities (0.4)%			(1,446,570)
Net Assets 100.0%			$341,892,182

See Abbreviations on page FLG-20.

[a]Non-income producing.
[b]See Note 1(b) regarding joint repurchase agreement.
[c]The security is traded on a discount basis with no stated coupon rate.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2011

	Franklin Large Cap Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$251,539,736
Cost - Repurchase agreements	9,441,757
Total cost of investments	$260,981,493
Value - Unaffiliated issuers	$333,896,995
Value - Repurchase agreements	9,441,757
Total value of investments	343,338,752
Receivables:	
Capital shares sold	23,103
Dividends	724,479
Other assets	11
Total assets	344,086,345
Liabilities:	
Payables:	
Capital shares redeemed	1,665,398
Affiliates	341,015
Reports to shareholders	154,996
Accrued expenses and other liabilities	32,754
Total liabilities	2,194,163
Net assets, at value	$341,892,182
Net assets consist of:	
Paid-in capital	$348,160,086
Undistributed net investment income	2,936,945
Net unrealized appreciation (depreciation)	82,357,259
Accumulated net realized gain (loss)	(91,562,108)
Net assets, at value	$341,892,182
Class 1:	
Net assets, at value	$ 48,666,054
Shares outstanding	3,299,787
Net asset value and maximum offering price per share	$ 14.75
Class 2:	
Net assets, at value	$293,226,128
Shares outstanding	20,167,425
Net asset value and maximum offering price per share	$ 14.54

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2011

	Franklin Large Cap Growth Securities Fund
Investment income:	
Dividends	$ 6,788,083
Interest	9,138
Total investment income	6,797,221
Expenses:	
Management fees (Note 3a)	2,859,788
Distribution fees: (Note 3c)	
Class 2	818,014
Class 4	3
Unaffiliated transfer agent fees	687
Custodian fees (Note 4)	5,411
Reports to shareholders	124,332
Professional fees	29,647
Trustees' fees and expenses	1,484
Other	20,455
Total expenses	3,859,821
Net investment income	2,937,400
Realized and unrealized gains (losses):	
Net realized gain (loss) from investments	20,697,833
Net change in unrealized appreciation (depreciation) on investments	(28,917,851)
Net realized and unrealized gain (loss)	(8,220,018)
Net increase (decrease) in net assets resulting from operations	$ (5,282,618)

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Large Cap Growth Securities Fund	
	Year Ended December 31, 2011	2010
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 2,937,400	$ 2,645,428
Net realized gain (loss) from investments	20,697,833	25,795,539
Net change in unrealized appreciation (depreciation) on investments	(28,917,851)	16,339,203
Net increase (decrease) in net assets resulting from operations	(5,282,618)	44,780,170
Distributions to shareholders from:		
Net investment income:		
Class 1	(492,852)	(595,893)
Class 2	(2,152,135)	(2,876,875)
Class 4	—	(33)
Total distributions to shareholders	(2,644,987)	(3,472,801)
Capital share transactions: (Note 2)		
Class 1	(8,419,530)	(5,756,855)
Class 2	(57,429,668)	(51,989,055)
Class 4	(4,876)	—
Total capital share transactions	(65,854,074)	(57,745,910)
Net increase (decrease) in net assets	(73,781,679)	(16,438,541)
Net assets:		
Beginning of year	415,673,861	432,112,402
End of year	$341,892,182	$415,673,861
Undistributed net investment income included in net assets:		
End of year	$ 2,936,945	$ 2,644,532

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

Franklin Large Cap Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Large Cap Growth Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers 2 classes of shares: Class 1 and Class 2. On March 4, 2011, the Fund liquidated Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in securities and other financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees, the Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Repurchase agreements are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. The Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. The joint repurchase agreement held by the Fund at year end had been entered into on December 30, 2011.

c. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2011, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2011, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2011[a]		2010[b]	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	99,760	$ 1,555,529	68,402	$ 948,510
Shares issued in reinvestment of distributions	33,122	492,852	44,470	595,893
Shares redeemed	(698,667)	(10,467,911)	(527,249)	(7,301,258)
Net increase (decrease)	(565,785)	$ (8,419,530)	(414,377)	$ (5,756,855)
Class 2 Shares:				
Shares sold	983,185	$ 14,361,125	1,051,169	$ 13,759,246
Shares issued in reinvestment of distributions	146,503	2,152,135	217,451	2,876,875
Shares redeemed	(5,015,686)	(73,942,928)	(5,055,225)	(68,625,176)
Net increase (decrease)	(3,885,998)	$(57,429,668)	(3,786,605)	$(51,989,055)
Class 4 Shares:				
Shares redeemed	(312)	$ (4,876)		
Net increase (decrease)	(312)	$ (4,876)		

[a]Effective March 4, 2011, Class 4 was liquidated.
[b]During the year Class 4 did not report any share transactions.

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

3. TRANSACTIONS WITH AFFILIATES (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including $500 million
0.625%	Over $500 million, up to and including $1 billion
0.500%	In excess of $1 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Fund's Board of Trustees has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board of Trustees has agreed to limit the current rate to 0.25% per year for Class 2.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2011, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund in taxable years beginning after December 22, 2010 are not subject to expiration and such losses retain their character as either short-term or long-term, rather than being considered short-term as under previous law. Post-enactment capital losses must be fully utilized prior to utilizing any losses incurred in pre-enactment tax years.

At December 31, 2011, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2016	$22,027,788
2017	62,499,598
	$84,527,386

During the year ended December 31, 2011, the Fund utilized $21,709,827 of capital loss carryforwards.

5. INCOME TAXES (continued)

The tax character of distributions paid during the years ended December 31, 2011 and 2010, was as follows:

	2011	2010
Distributions paid from ordinary income	$2,644,987	$3,472,801

At December 31, 2011, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$268,016,214
Unrealized appreciation	$ 85,125,792
Unrealized depreciation	(9,803,254)
Net unrealized appreciation (depreciation)	$ 75,322,538
Distributable earnings – undistributed ordinary income	$ 2,936,948

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2011, aggregated $209,323,130 and $268,047,015, respectively.

7. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $750 million (Global Credit Facility) which matured on January 20, 2012. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective January 20, 2012, the Borrowers renewed the Global Credit Facility for a total of $1.5 billion, maturing January 18, 2013.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the year ended December 31, 2011, the Fund did not use the Global Credit Facility.

8. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)

8. FAIR VALUE MEASUREMENTS (continued)

- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

The following is a summary of the inputs used as of December 31, 2011, in valuing the Fund's assets and liabilities carried at fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments[a]	$333,896,995	$ —	$ —	$333,896,995
Short Term Investments	—	9,441,757	—	9,441,757
Total Investments in Securities	$333,896,995	$9,441,757	$ —	$343,338,752

[a]For detailed categories, see the accompanying Statement of Investments.

9. NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in the ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards) and include new guidance for certain fair value measurement principles and disclosure requirements. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

10. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Selected Portfolio

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Franklin Large Cap Growth Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Large Cap Growth Securities Fund (the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2012

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Large Cap Growth Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 100% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2011.

This annual report for Franklin Strategic Income Securities Fund covers the fiscal year ended December 31, 2011.

Franklin Strategic Income Securities Fund – Class 2

Performance Summary as of 12/31/11

Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/11

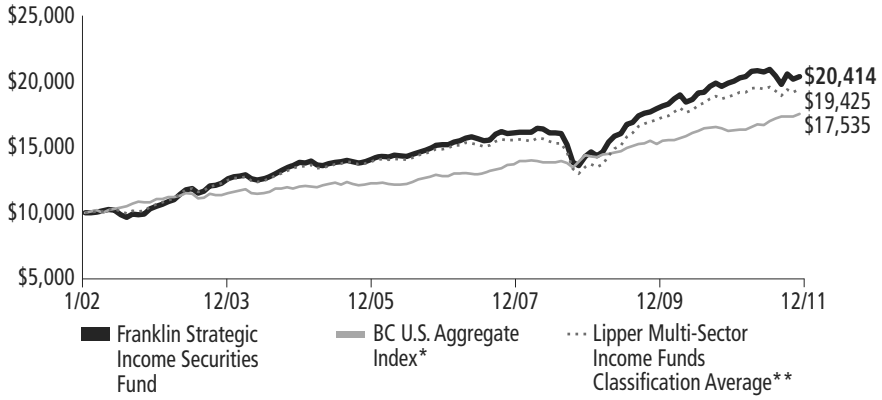
	1-Year	5-Year	10-Year
Average Annual Total Return	+2.57%	+6.11%	+7.40%

Performance reflects the Fund's Class 2 operating expenses, but does *not* include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/02–12/31/11)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Barclays Capital (BC) U.S. Aggregate Index and the Lipper Multi-Sector Income Funds Classification Average. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



*Source: © 2012 Morningstar. Please see Index Descriptions following the Fund Summaries.
**Source: Lipper Inc. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks. Because the Fund invests in bonds and other debt obligations, its share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. High yield, lower rated (junk) bonds generally have greater price swings and higher default risks than investment-grade bonds. Bank loans and loan participations involve credit, interest rate and illiquidity risks. Foreign investing, especially in developing markets, involves additional risks, including currency fluctuations, economic instability, market volatility, and political and social instability. Mortgage- and asset-backed securities are subject to prepayment and extension risks. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. The Fund may also use certain derivative instruments, which may be volatile and illiquid, may give rise to leverage and may involve a small investment relative to the risk assumed. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goals and Main Investments: Franklin Strategic Income Securities Fund seeks a high level of current income, with capital appreciation over the long term as a secondary goal. The Fund normally invests primarily to predominantly in U.S. and foreign debt securities, including those in emerging markets.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. The Fund underperformed the +7.84% total return of its benchmark, the BC U.S. Aggregate Index.[1] The Fund underperformed the +2.89% total return of its peers, as measured by the Lipper Multi-Sector Income Funds Classification Average.[2]

Economic and Market Overview

During the 12 months under review, Federal Reserve Board (Fed) policymakers maintained historically low interest rates while adopting a more restrained view of the economy largely because of the European sovereign debt crisis and signs the U.S. economic expansion lacked momentum. To promote a stronger recovery and help maintain inflation levels the Fed believed consistent with its dual mandate to foster maximum employment and price stability, the Fed undertook a second round of quantitative easing consisting of a $600 billion purchase of longer term U.S. Treasuries, which ended on June 30. Subsequently, the Fed continued to purchase U.S. Treasuries with proceeds from maturing debt in an effort to support economic growth. In September, the Fed announced plans designed to boost the economy by driving down long-term interest rates. The Fed intends to sell $400 billion in short-term securities over the next year and purchase an equal amount of long-term securities. The Fed also anticipated it would keep short-term rates near zero through mid-2013.

The economy grew more slowly than expected, and unemployment remained high. Home foreclosures increased, but federal lawmakers made efforts to strengthen the real estate market by removing some eligibility restrictions and charges associated with refinancing. After showing improvement early in the reporting period, manufacturing activity weakened partly because of global supply-chain disruptions following Japan's natural disasters. Geopolitical instability in some oil-producing regions drove up oil prices for much of the period.

1. Source: © 2012 Morningstar.
2. Lipper Inc.
One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

However, investor concerns over weak economic data contributed to a drop in crude oil prices from their 12-month high of $114 per barrel on April 29 to $99 at period-end. Storms and droughts in several states reduced crop yields, pushing up grain prices. As oil and food prices rose, the pace of inflation accelerated during the period. By year-end, various U.S. economic gauges began to show some improvement, leading some economists to express more optimism near year-end about the economy's prospects.

Outside the U.S., emerging markets led the global recovery while many developed economies had below trend growth rates. Where recoveries were strong, monetary authorities tightened policy, but G-3 (U.S., eurozone and Japan) policymakers sought to maintain historically accommodative monetary policy. Separately, concerns about the solvency of highly indebted eurozone governments resurfaced as policymakers struggled to develop a coordinated plan to address the significant fiscal challenges. As the sovereign debt crisis in Europe played out, investor risk aversion rose and contributed to depreciation of most currencies against those of the largest developed economies. The U.S. dollar, historically seen as a safe-haven asset, appreciated as a result of this trend.

During the 12 months under review, U.S. fixed income markets, as measured by the BC U.S. Aggregate Index, and the global government bond market, as measured by the JPMorgan Global Government Bond Index, posted moderate gains. Overall for the period, however, investors sought the perceived safety of U.S. Treasuries, which performed better than most other fixed income asset classes.

Investment Strategy

We allocate our investments among the various types of debt available based on our assessment of changing economic, global market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, seeking to take advantage of varying sector reactions to economic events. For example, we may evaluate business cycles, yield curves, country risk, and the relative interest rates among currencies, and values between and within markets. In selecting debt securities, we generally conduct our own analysis of the security's intrinsic value rather than simply relying on the coupon rate or rating. We may also enter into various transactions involving certain currency-, interest rate- or credit-related derivative instruments for hedging purposes, to enhance returns or to obtain exposure to various market sectors.

Manager's Discussion

During the 12 months under review, developments surrounding the eurozone debt crisis as well as the U.S. debt ceiling debate and the subsequent sovereign ratings downgrade drove financial markets. Although the markets reached what we believe was their "peak of pessimism" toward the end of the third quarter and experienced a moderate rebound during the fourth quarter, overall risk assets experienced pressure during 2011. For equity markets, the Standard & Poor's® 500 Index was relatively flat in 2011, delivering a 2.11% total return.[1] On the other hand, the safe-haven perception of U.S. Treasuries led to lower long-term rates in certain developed markets (the U.S., Germany, Japan and Canada), with the 10-year U.S. Treasury yield falling from 3.30% at the beginning of the year to 1.89% by year-end. Consequently, across global fixed income markets the non-government bond sectors tended to underperform, given their greater sensitivity to this perceived elevation of financial market risk compared to government-issued bonds. Similarly, currencies in many emerging and, to a lesser extent, developed markets weakened relative to the U.S. dollar.

The Fund posted a slightly positive total return in this environment, though lagging the performance of the benchmark BC U.S. Aggregate Index and the Lipper Multi-Sector Income Funds Classification Average. The Fund's underweighting in longer duration, U.S. interest rate-sensitive fixed income sectors (Treasuries and agency bonds) weighed on performance compared to the BC U.S. Aggregate Index. Compared to the Lipper Average, the Fund's higher exposure to below-investment-grade sectors and non-dollar denominated holdings constrained returns.

The notable decline in longer-term U.S. Treasury yields drove healthy returns for the more interest-rate sensitive sectors of the U.S. fixed income market, with the longest maturity bonds generally delivering the highest total returns. Given their shorter effective maturities and potential prepayment risk, agency mortgage-backed securities underperformed longer-dated Treasuries but still posted positive total returns for the year. Although we believe the slack in the U.S. economy is likely to keep inflationary pressures subdued, we did not find compelling value in fixed income U.S. government securities at recent yield levels. Consequently, we maintained a relatively low weighting in these sectors while favoring agency mortgages' higher current yield relative to Treasuries. Given what we perceived as an increase in risk aversion during the period, the commercial mortgage-backed securities (CMBS) sector

Portfolio Breakdown
Franklin Strategic Income Securities Fund
Based on Total Net Assets

	12/31/11	12/31/10
High Yield Corporate Bonds & Preferred Securities	30.8%	29.6%
International Government & Agency Bonds (non-$US)	25.0%	21.9%
Floating Rate Bank Loans	16.1%	15.7%
Investment Grade Corporate Bonds & Preferred Securities	5.0%	7.1%
Mortgage-Backed Securities	5.0%	6.9%
Municipal Bonds	3.5%	5.8%
International Government & Agency Bonds ($US)	3.1%	3.2%
Commercial Mortgage-Backed Securities	2.4%	3.6%
U.S. Treasury Securities	1.5%	1.3%
Asset-Backed Securities	1.0%	1.9%
Common Stocks	0.5%	0.2%
Convertible Securities	0.2%	0.0%*
Short-Term Investments & Other Net Assets**	5.9%	2.8%

*Rounds to less than 0.1% of total net assets.
**Includes unrealized gains/losses on forward currency contracts. Does not include short-term foreign government securities.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments.

experienced downward pricing pressure but rebounded by year-end. Commercial real estate fundamentals remained weak in our view, although asset valuations supported recoveries for many CMBS securities. The municipal bond sector experienced a healthy bounce-back during the period, as investors realized the municipal bond default rate would fall well below the bearish levels expressed in previous headlines. In addition, the longer duration of many of the Fund's municipal bond holdings allowed these securities to benefit given the decline in long-term interest rates. The Fund built up its municipal bond position early in 2011, but we began reducing exposure to the sector in the latter part of the period following strong performance.

Corporate credit fundamentals remained supportive in 2011, with companies generally reporting year-over-year earnings gains, albeit with a slowdown in growth rates anticipated for the fourth quarter. Investment-grade, non-financial balance sheets generally remained in solid condition, in our view, with high liquidity levels and relatively low interest burdens, while below-investment-grade default rates remained near cycle lows. With headline news keeping market volatility high in our view, many senior management teams kept fairly defensive

postures toward spending, supporting our outlook for credit fundamentals. However, eurozone crisis concerns combined with U.S. deficit issues led corporate credit sectors overall to underperform Treasuries. Volatile stock markets along with worry of impaired access to debt capital markets contributed to widening yield spreads across the investment-grade, high yield and floating rate bank loan sectors. The Fund sought to take advantage of this volatility and increased high yield exposure, as valuations materially fell in the late summer despite a still supportive fundamental backdrop. Our exposure to bank loans and high yield corporate bonds included some positions in derivative instruments.

Similarly, the flight to quality across financial markets led many non-dollar currencies, particularly in certain developing markets, to depreciate relative to the U.S. dollar in 2011. This weakness detracted from performance of the Fund's holdings in foreign currency government bonds and other non-dollar denominated securities. In particular, the Fund's non-dollar denominated holdings in Poland, Brazil, Mexico and Hungary experienced currency weakness, as did Fund bond holdings in India and other parts of Asia. The Fund's short position in the Japanese yen also weighed on performance, given the yen's perceived safe-haven status at times during the period. However, we believe the relatively stronger economic outlook for the countries and currencies of Fund holdings should support longer term performance for those currencies relative to the U.S. dollar, euro and yen. Conversely, we maintained only a modest weighting in U.S. dollar-denominated emerging market sovereign bonds, as we believe valuations remained somewhat rich relative to longer term averages.

Thank you for your participation in Franklin Strategic Income Securities Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2011, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, redemption fees, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Franklin Strategic Income Securities Fund – Class 2

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/11	Ending Account Value 12/31/11	Fund-Level Expenses Incurred During Period* 7/1/11–12/31/11
Actual	$1,000	$ 984.00	$4.35
Hypothetical (5% return before expenses)	$1,000	$1,020.82	$4.43

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.87%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Strategic Income Securities Fund

	Year Ended December 31,				
Class 1	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.99	$ 12.28	$ 10.58	$ 12.78	$ 12.73
Income from investment operations[a]:					
Net investment income[b]	0.69	0.72	0.70	0.69	0.73
Net realized and unrealized gains (losses)	(0.32)	0.61	1.95	(1.99)	0.04
Total from investment operations	0.37	1.33	2.65	(1.30)	0.77
Less distributions from:					
Net investment income and net foreign currency gains	(0.81)	(0.62)	(0.95)	(0.87)	(0.68)
Net realized gains	—	—	—	(0.03)	(0.04)
Total distributions	(0.81)	(0.62)	(0.95)	(0.90)	(0.72)
Net asset value, end of year	$ 12.55	$ 12.99	$ 12.28	$ 10.58	$ 12.78
Total return[c]	2.78%	11.21%	26.11%	(11.03)%	6.20%
Ratios to average net assets					
Expenses[d]	0.60%	0.59%	0.58%	0.61%	0.62%
Net investment income	5.36%	5.71%	6.13%	5.83%	5.72%
Supplemental data					
Net assets, end of year (000's)	$1,043,690	$1,195,149	$1,173,313	$ 903,358	$1,086,850
Portfolio turnover rate	55.65%	56.46%	56.19%	47.68%	46.88%
Portfolio turnover rate excluding mortgage dollar rolls[e]	55.65%	56.46%	56.19%	47.68%	46.43%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]See Note 1(f) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

	Year Ended December 31,				
Class 2	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.72	$ 12.05	$ 10.41	$ 12.60	$ 12.56
Income from investment operations[a]:					
Net investment income[b]	0.64	0.68	0.66	0.65	0.69
Net realized and unrealized gains (losses)	(0.30)	0.59	1.91	(1.96)	0.05
Total from investment operations	0.34	1.27	2.57	(1.31)	0.74
Less distributions from:					
Net investment income and net foreign currency gains	(0.79)	(0.60)	(0.93)	(0.85)	(0.66)
Net realized gains	—	—	—	(0.03)	(0.04)
Total distributions	(0.79)	(0.60)	(0.93)	(0.88)	(0.70)
Net asset value, end of year	$ 12.27	$ 12.72	$ 12.05	$ 10.41	$ 12.60
Total return[c]	2.57%	10.91%	25.75%	(11.24)%	5.91%
Ratios to average net assets					
Expenses[d]	0.85%	0.84%	0.83%	0.86%	0.87%
Net investment income	5.11%	5.46%	5.88%	5.58%	5.47%
Supplemental data					
Net assets, end of year (000's)	$123,749	$101,347	$ 68,240	$ 33,155	$ 24,613
Portfolio turnover rate	55.65%	56.46%	56.19%	47.68%	46.88%
Portfolio turnover rate excluding mortgage dollar rolls[e]	55.65%	56.46%	56.19%	47.68%	46.43%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]See Note 1(f) regarding mortgage dollar rolls.

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

Class 4	Year Ended December 31, 2011	2010	2009	2008[a]
Per share operating performance (for a share outstanding throughout the year)				
Net asset value, beginning of year	$ 12.88	$ 12.20	$ 10.54	$ 12.84
Income from investment operations[b]:				
Net investment income[c]	0.64	0.67	0.66	0.53
Net realized and unrealized gains (losses)	(0.31)	0.60	1.94	(1.93)
Total from investment operations	0.33	1.27	2.60	(1.40)
Less distributions from:				
Net investment income and net foreign currency gains	(0.77)	(0.59)	(0.94)	(0.87)
Net realized gains	—	—	—	(0.03)
Total distributions	(0.77)	(0.59)	(0.94)	(0.90)
Net asset value, end of year	$ 12.44	$ 12.88	$ 12.20	$ 10.54
Total return[d]	2.46%	10.88%	25.52%	(11.69)%
Ratios to average net assets[e]				
Expenses[f]	0.95%	0.94%	0.93%	0.96%
Net investment income	5.01%	5.36%	5.78%	5.48%
Supplemental data				
Net assets, end of year (000's)	$188,786	$188,178	$162,074	$ 59,766
Portfolio turnover rate	55.65%	56.46%	56.19%	47.68%

[a]For the period February 29, 2008 (effective date) to December 31, 2008.
[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[c]Based on average daily shares outstanding.
[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[e]Ratios are annualized for periods less than one year.
[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011

Franklin Strategic Income Securities Fund	Country	Shares	Value
Common Stocks 0.5%			
Consumer Durables & Apparel 0.0%†			
[a,b,c]Comfort Co. Inc.	United States	13,427	$ 343,060
Consumer Services 0.1%			
[a,d,e]Turtle Bay Resort	United States	1,901,449	1,948,985
Media 0.4%			
[a,d]Dex One Corp.	United States	40,000	66,400
[a]MGM Holdings Inc., A	United States	240,995	5,040,820
			5,107,220
Total Common Stocks (Cost $10,679,525)			7,399,265
Preferred Stocks (Cost $865,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	34,600	669,164
		Principal Amount*	
Convertible Bonds 0.2%			
Materials 0.2%			
[f]Cemex SAB de CV, cvt., sub. note, 144A,			
3.25%, 3/15/16	Mexico	2,000,000	1,312,500
3.75%, 3/15/18	Mexico	2,000,000	1,307,500
Total Convertible Bonds (Cost $3,994,611)			2,620,000
Corporate Bonds 36.2%			
Automobiles & Components 1.1%			
Exide Technologies, senior secured note, 8.625%, 2/01/18	United States	1,200,000	930,000
Ford Motor Credit Co. LLC, senior note,			
7.00%, 4/15/15	United States	2,000,000	2,155,000
6.625%, 8/15/17	United States	1,000,000	1,090,098
5.00%, 5/15/18	United States	1,000,000	1,004,822
8.125%, 1/15/20	United States	1,200,000	1,416,553
5.75%, 2/01/21	United States	1,000,000	1,044,263
5.875%, 8/02/21	United States	1,000,000	1,043,735
The Goodyear Tire & Rubber Co., senior note, 8.25%, 8/15/20	United States	3,500,000	3,832,500
[f]TRW Automotive Inc., senior note, 144A, 7.25%, 3/15/17	United States	2,500,000	2,687,500
			15,204,471
Banks 1.0%			
[f]Banco do Brasil SA, sub. note, 144A, 5.875%, 1/26/22	Brazil	3,000,000	3,024,435
HSBC USA Inc., sub. note, 5.00%, 9/27/20	United States	4,000,000	3,785,268
Regions Bank, sub. note, 7.50%, 5/15/18	United States	1,000,000	997,500
Regions Financial Corp., senior note,			
7.75%, 11/10/14	United States	2,500,000	2,537,500
5.75%, 6/15/15	United States	300,000	289,500
UBS AG Stamford, senior note, 5.875%, 12/20/17	United States	2,400,000	2,502,276
			13,136,479
Capital Goods 1.4%			
[f]Abengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	4,000,000	3,840,000
The Manitowoc Co. Inc., senior note,			
9.50%, 2/15/18	United States	2,500,000	2,675,000
8.50%, 11/01/20	United States	1,500,000	1,588,125

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Capital Goods (continued)			
Meritor Inc., senior note, 10.625%, 3/15/18	United States	3,000,000	$ 2,835,000
RBS Global & Rexnord Corp., senior note, 8.50%, 5/01/18	United States	3,500,000	3,727,500
United Rentals North America Inc., senior sub. note, 8.375%, 9/15/20	United States	4,000,000	3,920,000
			18,585,625
Consumer Durables & Apparel 1.0%			
Jarden Corp., senior sub. note, 7.50%,			
5/01/17	United States	2,500,000	2,662,500
1/15/20	United States	500,000	535,000
KB Home, senior note, 6.25%, 6/15/15	United States	2,400,000	2,220,000
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	2,500,000	2,225,000
[f]Shea Homes LP/Funding Corp., senior secured note, 144A, 8.625%, 5/15/19	United States	2,000,000	1,875,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	4,000,000	3,680,000
			13,197,500
Consumer Services 2.1%			
[f]CityCenter Holdings/Finance, senior secured note, 144A, 7.625%, 1/15/16	United States	300,000	309,000
CKE Restaurants Inc., senior secured note, 11.375%, 7/15/18	United States	2,000,000	2,190,000
ClubCorp Club Operations Inc., senior note, 10.00%, 12/01/18	United States	2,900,000	2,798,500
[f,g]Fontainebleau Las Vegas, 144A, 11.00%, 6/15/15	United States	2,500,000	1,563
[f]Gala Group Finance Ltd, senior secured bond, 144A, 8.875%, 9/01/18	United Kingdom	2,500,000 GBP	2,834,778
Harrah's Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	5,500,000	5,864,375
MGM Resorts International, senior note, 6.625%, 7/15/15	United States	4,500,000	4,297,500
Pinnacle Entertainment Inc.,			
senior note, 8.625%, 8/01/17	United States	1,500,000	1,593,750
senior sub. note, 7.50%, 6/15/15	United States	1,000,000	995,000
Royal Caribbean Cruises Ltd., senior deb., 7.25%, 3/15/18	United States	2,100,000	2,210,250
[f]Shingle Springs Tribal Gaming Authority, senior note, 144A, 9.375%, 6/15/15	United States	2,000,000	1,140,000
Starwood Hotels & Resorts Worldwide Inc., senior note,			
6.75%, 5/15/18	United States	2,000,000	2,270,000
7.15%, 12/01/19	United States	500,000	574,375
Universal City Development,			
senior note, 8.875%, 11/15/15	United States	1,286,000	1,430,675
senior sub. note, 10.875%, 11/15/16	United States	284,000	345,060
			28,854,826
Diversified Financials 4.2%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	2,500,000	2,534,375
Bank of America Corp.,			
[h]pfd., sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	5,000,000	4,493,750
senior note, 5.65%, 5/01/18	United States	1,500,000	1,430,619
Capital One Capital VI, pfd., junior sub. bond, 8.875%, 5/15/40	United States	3,000,000	3,124,398
[f]CIT Group Inc.,			
secured bond, 144A, 7.00%, 5/02/17	United States	5,500,000	5,500,000
secured note, 144A, 6.625%, 4/01/18	United States	500,000	520,000
Citigroup Inc.,			
senior note, 6.125%, 11/21/17	United States	1,500,000	1,603,221
senior note, 5.375%, 8/09/20	United States	500,000	514,841
sub. note, 5.00%, 9/15/14	United States	3,000,000	2,971,344
General Electric Capital Corp.,			
senior note, A, 8.50%, 4/06/18	United States	64,000,000 MXN	4,405,845
sub. note, 5.30%, 2/11/21	United States	1,800,000	1,926,905

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Diversified Financials (continued)			
GMAC Inc.,			
senior note, 6.875%, 8/28/12	United States	2,000,000	$ 2,030,000
sub. note, 8.00%, 12/31/18	United States	900,000	888,750
International Lease Finance Corp.,			
senior note, 8.25%, 12/15/20	United States	1,400,000	1,417,500
[f]senior secured note, 144A, 6.75%, 9/01/16	United States	4,000,000	4,120,000
JPMorgan Chase & Co.,			
6.00%, 1/15/18	United States	1,500,000	1,675,228
senior note, 4.25%, 10/15/20	United States	1,000,000	1,008,489
JPMorgan Chase Capital XXII, sub. bond, 6.45%, 2/02/37	United States	3,000,000	3,030,000
[f]KKR Group Finance Co., senior note, 144A, 6.375%, 9/29/20	United States	3,000,000	3,084,927
Merrill Lynch & Co. Inc., senior note, 6.40%, 8/28/17	United States	2,500,000	2,424,140
Moody's Corp., senior note, 5.50%, 9/01/20	United States	2,600,000	2,689,716
Morgan Stanley, senior note,			
6.00%, 4/28/15	United States	3,000,000	3,007,899
5.50%, 7/24/20	United States	1,000,000	910,434
5.50%, 7/28/21	United States	800,000	740,778
TransUnion LLC/TransUnion FICO, senior note, 11.375%, 6/15/18	United States	1,000,000	1,147,500
			57,200,659
Energy 6.4%			
Alpha Natural Resources Inc., senior note,			
6.00%, 6/01/19	United States	1,200,000	1,170,000
6.25%, 6/01/21	United States	1,500,000	1,462,500
Antero Resources Finance Corp., senior note,			
9.375%, 12/01/17	United States	2,500,000	2,712,500
[f]144A, 7.25%, 8/01/19	United States	300,000	309,000
[f]Arch Coal Inc., senior note, 144A,			
7.00%, 6/15/19	United States	800,000	820,000
7.25%, 6/15/21	United States	2,000,000	2,065,000
[f]Atlas Pipeline Partners LP/Finance Corp., senior note, 144A, 8.75%, 6/15/18	United States	1,800,000	1,890,000
Berry Petroleum Co., senior note, 6.75%, 11/01/20	United States	2,000,000	2,030,000
Chaparral Energy Inc., senior note,			
9.875%, 10/01/20	United States	2,000,000	2,170,000
8.25%, 9/01/21	United States	1,000,000	1,017,500
[f]CHC Helicopter SA, senior secured note, 144A, 9.25%, 10/15/20	Canada	4,000,000	3,620,000
Chesapeake Energy Corp., senior note,			
7.25%, 12/15/18	United States	300,000	333,000
6.625%, 8/15/20	United States	3,500,000	3,771,250
6.125%, 2/15/21	United States	1,500,000	1,548,750
Compagnie Generale de Geophysique-Veritas, senior note,			
9.50%, 5/15/16	France	100,000	108,500
7.75%, 5/15/17	France	2,100,000	2,136,750
6.50%, 6/01/21	France	2,000,000	1,950,000
CONSOL Energy Inc., senior note,			
8.00%, 4/01/17	United States	1,500,000	1,650,000
8.25%, 4/01/20	United States	800,000	888,000
[f]144A, 6.375%, 3/01/21	United States	200,000	203,000
Crosstex Energy LP/Crosstex Energy Finance Corp., senior note, 8.875%, 2/15/18	United States	3,500,000	3,841,250
El Paso Corp.,			
senior bond, 6.50%, 9/15/20	United States	2,300,000	2,496,953
senior note, 7.00%, 6/15/17	United States	1,000,000	1,100,402

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	4,000,000	$ 4,390,000
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	3,500,000	3,815,000
[i]Enterprise Products Operating LLC, junior sub. note, FRN, 7.034%, 1/15/68	United States	2,000,000	2,082,544
[f]Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	4,000,000	3,540,000
[f]Gaz Capital SA, senior note, 144A, 5.092%, 11/29/15	Russia	3,000,000	3,043,575
[f]Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	3,500,000	3,578,750
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	3,000,000	3,270,000
7.75%, 2/01/21	United States	1,000,000	1,045,000
Martin Midstream Partners LP, senior note, 8.875%, 4/01/18	United States	1,500,000	1,552,500
Offshore Group Investment Ltd., senior secured note, 11.50%, 8/01/15	United States	2,100,000	2,281,125
Peabody Energy Corp., senior note,			
6.50%, 9/15/20	United States	2,500,000	2,637,500
[f]144A, 6.00%, 11/15/18	United States	700,000	717,500
Petrohawk Energy Corp., senior note,			
10.50%, 8/01/14	United States	1,500,000	1,676,250
7.25%, 8/15/18	United States	600,000	678,000
6.25%, 6/01/19	United States	500,000	552,500
[f]Petroplus Finance Ltd., senior note, 144A, 6.75%, 5/01/14	Switzerland	2,100,000	1,144,500
Plains Exploration & Production Co., senior note, 7.625%, 6/01/18	United States	3,200,000	3,408,000
Quicksilver Resources Inc., senior note,			
8.25%, 8/01/15	United States	3,000,000	3,120,000
9.125%, 8/15/19	United States	300,000	319,500
SandRidge Energy Inc., senior note,			
8.75%, 1/15/20	United States	500,000	518,750
[f]144A, 8.00%, 6/01/18	United States	3,000,000	3,045,000
[f]W&T Offshore Inc., senior note, 144A, 8.50%, 6/15/19	United States	1,500,000	1,560,000
			87,270,349
Food & Staples Retailing 0.3%			
Rite Aid Corp., senior secured note,			
9.75%, 6/12/16	United States	2,000,000	2,200,000
8.00%, 8/15/20	United States	1,500,000	1,665,000
			3,865,000
Food, Beverage & Tobacco 1.6%			
[f]Boparan Holdings Ltd., senior note, 144A, 9.75%, 4/30/18	United Kingdom	2,500,000 EUR	2,629,047
[f]Campofrio Food Group SA, senior note, 144A, 8.25%, 10/31/16	Spain	3,000,000 EUR	3,846,226
[f]CEDC Finance Corp. International Inc., senior secured note, 144A, 9.125%, 12/01/16	Poland	1,800,000	1,282,500
Dean Foods Co., senior note, 9.75%, 12/15/18	United States	3,400,000	3,638,000
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	4,000,000	3,860,000
JBS USA LLC/Finance Inc., senior note, 11.625%, 5/01/14	United States	1,500,000	1,704,375
Pinnacle Foods Finance LLC, senior note, 9.25%, 4/01/15	United States	2,500,000	2,578,125
[f]Refresco Group BV, senior secured sub. bond, 144A, 7.375%, 5/15/18	Netherlands	2,000,000 EUR	2,459,170
			21,997,443
Health Care Equipment & Services 1.5%			
Amerigroup Corp., senior note, 7.50%, 11/15/19	United States	2,000,000	2,070,000
Boston Scientific Corp., senior note, 6.00%, 1/15/20	United States	2,500,000	2,794,450
Community Health Systems Inc., senior note, 8.875%, 7/15/15	United States	2,289,000	2,369,115
DaVita Inc., senior note, 6.375%, 11/01/18	United States	1,000,000	1,026,250
Emergency Medical Services Corp., senior note, 8.125%, 6/01/19	United States	2,500,000	2,506,250
[f]Fresenius US Finance II, senior note, 144A, 9.00%, 7/15/15	Germany	700,000	788,375

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care Equipment & Services (continued)			
HCA Inc.,			
senior note, 6.50%, 2/15/16	United States	800,000	$ 816,000
senior note, 7.50%, 2/15/22	United States	2,000,000	2,050,000
senior secured bond, 7.25%, 9/15/20	United States	300,000	318,000
[f]Health Management Associates Inc., senior note, 144A, 7.375%, 1/15/20	United States	500,000	521,250
[j]United Surgical Partners International Inc., senior sub. note, PIK, 9.25%, 5/01/17	United States	3,000,000	3,030,000
Vanguard Health Holding Co. II LLC/Inc., senior note, 8.00%, 2/01/18	United States	2,500,000	2,493,750
Vanguard Health Systems Inc., senior note, zero cpn., 2/01/16	United States	30,000	18,900
			20,802,340
Insurance 0.1%			
[i]MetLife Inc., junior sub. note, FRN, 6.40%, 12/15/66	United States	2,000,000	1,899,546
Materials 3.3%			
ArcelorMittal, senior note, 5.50%, 3/01/21	Luxembourg	4,000,000	3,686,540
Atkore International Inc., senior secured note, 9.875%, 1/01/18	United States	1,000,000	962,500
[f]Cemex SAB de CV, senior secured note, 144A, 9.00%, 1/11/18	Mexico	3,000,000	2,412,495
[f]Euramax International Inc., senior secured note, 144A, 9.50%, 4/01/16	United States	2,500,000	1,962,500
[f]FMG Resources August 2006 Pty. Ltd., senior note, 144A,			
7.00%, 11/01/15	Australia	1,200,000	1,193,250
6.875%, 2/01/18	Australia	3,000,000	2,887,500
Huntsman International LLC, senior sub. note, 8.625%, 3/15/21	United States	2,600,000	2,769,000
[f]Ineos Finance PLC, senior secured note, 144A,			
9.00%, 5/15/15	United Kingdom	500,000	510,000
9.25%, 5/15/15	United Kingdom	100,000 EUR	128,136
[f]Ineos Group Holdings Ltd.,			
senior note, 144A, 7.875%, 2/15/16	United Kingdom	900,000 EUR	867,828
senior secured note, 144A, 8.50%, 2/15/16	United Kingdom	2,600,000	2,080,000
[f]Kerling PLC, senior secured note, 144A, 10.625%, 1/28/17	United Kingdom	3,000,000 EUR	3,449,316
[f]Kinove German Bondco GmbH, senior secured bond, 144A, 10.00%, 6/15/18	Germany	2,500,000 EUR	2,895,996
[f]MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17	United States	3,000,000	3,000,000
[g]NewPage Corp., senior secured note, 11.375%, 12/31/14	United States	3,500,000	2,408,438
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	1,500,000	1,601,250
8.75%, 12/15/20	Canada	1,600,000	1,724,000
[f]Reynolds Group Issuer Inc./LLC/SA,			
senior note, 144A, 9.00%, 5/15/18	United States	4,000,000	3,850,000
senior note, 144A, 9.875%, 8/15/19	United States	100,000	97,500
senior note, 144A, 8.25%, 2/15/21	United States	500,000	445,000
senior secured note, 144A, 7.125%, 4/15/19	United States	1,000,000	1,022,500
[f]Sealed Air Corp., senior note, 144A,			
8.125%, 9/15/19	United States	1,000,000	1,100,000
8.375%, 9/15/21	United States	500,000	555,000
Solo Cup Co., senior sub. note, 8.50%, 2/15/14	United States	1,500,000	1,387,500
[f]Xstrata Canada Financial Corp., senior note, 144A, 4.95%, 11/15/21	Canada	2,000,000	2,046,426
			45,042,675
Media 3.3%			
[f]AMC Networks Inc., senior note, 144A, 7.75%, 7/15/21	United States	1,300,000	1,420,250
Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	500,000	556,250
CCH II LLC/CCH II Capital Corp., senior note, 13.50%, 11/30/16	United States	1,500,000	1,740,000
CCO Holdings LLC/Capital Corp., senior note,			
8.125%, 4/30/20	United States	900,000	990,000
6.50%, 4/30/21	United States	2,500,000	2,543,750

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
Clear Channel Communications Inc., senior note, 9.00%, 3/01/21	United States	5,500,000	$ 4,661,250
CSC Holdings Inc.,			
senior deb., 7.625%, 7/15/18	United States	1,500,000	1,657,500
[f]senior note, 144A, 6.75%, 11/15/21	United States	2,000,000	2,115,000
DIRECTV Holdings LLC/DIRECTV Financing Co. Inc., senior note, 4.60%, 2/15/21	United States	2,000,000	2,082,592
DISH DBS Corp., senior note,			
7.75%, 5/31/15	United States	1,000,000	1,105,000
7.125%, 2/01/16	United States	4,000,000	4,330,000
6.75%, 6/01/21	United States	500,000	541,250
Media General Inc., senior secured note, 11.75%, 2/15/17	United States	2,000,000	1,920,000
[f]Musketeer GmbH, senior secured note, 144A, 9.50%, 3/15/21	Germany	1,500,000 EUR	1,931,917
[i]Radio One Inc., senior sub. note, PIK, 15.00%, 5/24/16	United States	2,181,355	1,547,329
[f]Seat Pagine Gialle SpA, senior secured note, 144A, 10.50%, 1/31/17	Italy	2,000,000 EUR	1,439,909
Time Warner Inc., 7.625%, 4/15/31	United States	2,500,000	3,231,535
[f]Univision Communications Inc., senior secured note, 144A,			
6.875%, 5/15/19	United States	400,000	388,000
7.875%, 11/01/20	United States	2,500,000	2,550,000
[f]UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Cayman Islands	2,000,000 EUR	2,420,341
WMG Acquisition Corp., senior secured note, 9.50%, 6/15/16	United States	2,500,000	2,725,000
[f]Ziggo Bond Co., senior bond, 144A, 8.00%, 5/15/18	Netherlands	2,500,000 EUR	3,268,108
			45,164,981
Pharmaceuticals, Biotechnology & Life Sciences 1.1%			
[f]Capsugel FinanceCo SCA, senior note, 144A, 9.875%, 8/01/19	United States	900,000 EUR	1,186,711
Endo Pharmaceuticals Holdings Inc., senior note, 7.00%, 7/15/19	United States	900,000	963,000
Giant Funding Corp., senior secured note, 8.25%, 2/01/18	Spain	2,100,000	2,215,500
Gilead Sciences Inc., senior note,			
4.50%, 4/01/21	United States	2,500,000	2,654,613
4.40%, 12/01/21	United States	1,500,000	1,590,543
[f]inVentiv Health Inc., senior note, 144A, 10.00%, 8/15/18	United States	2,300,000	2,116,000
[f]Mylan Inc., senior note, 144A, 7.875%, 7/15/20	United States	3,500,000	3,880,625
			14,606,992
Real Estate 0.2%			
Forest City Enterprises Inc., senior note, 7.625%, 6/01/15	United States	2,300,000	2,271,250
Retailing 1.1%			
[f]Academy Ltd./Finance Corp., senior note, 144A, 9.25%, 8/01/19	United States	2,000,000	1,985,000
[f,i]Edcon Pty. Ltd., senior secured note, 144A, FRN, 4.676%, 6/15/14	South Africa	3,000,000 EUR	2,883,053
[f]Matalan Finance Ltd., senior secured note, 144A, 8.875%, 4/29/16	United Kingdom	2,300,000 GBP	2,398,917
Michaels Stores Inc., senior note, 7.75%, 11/01/18	United States	4,000,000	4,060,000
[f]Petco Animal Supplies Inc., senior note, 144A, 9.25%, 12/01/18	United States	3,000,000	3,232,500
			14,559,470
Semiconductors & Semiconductor Equipment 0.8%			
Advanced Micro Devices Inc., senior note,			
8.125%, 12/15/17	United States	1,500,000	1,563,750
7.75%, 8/01/20	United States	2,000,000	2,065,000
Freescale Semiconductor Inc.,			
senior note, 8.875%, 12/15/14	United States	660,000	679,800
senior note, 10.125%, 12/15/16	United States	100,000	105,750
senior note, 8.05%, 2/01/20	United States	1,600,000	1,512,000

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Semiconductors & Semiconductor Equipment (continued)			
Freescale Semiconductor Inc., (continued)			
senior note, 10.75%, 8/01/20	United States	1,382,000	$ 1,447,645
[f]senior secured note, 144A, 9.25%, 4/15/18	United States	500,000	536,875
[f]NXP BV/NXP Funding LLC, senior secured note, 144A, 9.75%, 8/01/18	Netherlands	2,200,000	2,428,250
			10,339,070
Software & Services 0.9%			
[f]eAccess Ltd., senior note, 144A,			
8.25%, 4/01/18	Japan	1,800,000	1,710,000
8.375%, 4/01/18	Japan	200,000 EUR	224,776
[f]First Data Corp., senior secured bond, 144A, 8.25%, 1/15/21	United States	4,000,000	3,600,000
Sitel LLC/Finance Corp., senior note, 11.50%, 4/01/18	United States	2,500,000	1,856,250
[f]Sterling Merger Inc., senior note, 144A, 11.00%, 10/01/19	United States	700,000	686,000
SunGard Data Systems Inc.,			
senior note, 7.625%, 11/15/20	United States	3,000,000	3,097,500
senior sub. note, 10.25%, 8/15/15	United States	800,000	833,000
			12,007,526
Technology Hardware & Equipment 0.5%			
CDW LLC/Finance Corp., senior note, 8.50%, 4/01/19	United States	3,500,000	3,543,750
[f]CommScope Inc., senior note, 144A, 8.25%, 1/15/19	United States	3,000,000	3,015,000
			6,558,750
Telecommunication Services 2.7%			
CenturyLink Inc., senior note,			
6.00%, 4/01/17	United States	3,000,000	3,045,669
6.45%, 6/15/21	United States	1,000,000	1,003,246
Cricket Communications Inc., senior note, 7.75%, 10/15/20	United States	4,000,000	3,510,000
Crown Castle International Corp., senior bond, 7.125%, 11/01/19	United States	200,000	217,000
[f]Digicel Group Ltd., senior note, 144A,			
8.875%, 1/15/15	Jamaica	2,500,000	2,475,000
8.25%, 9/01/17	Jamaica	300,000	304,500
Frontier Communications Corp., senior note,			
8.50%, 4/15/20	United States	3,000,000	3,086,250
8.75%, 4/15/22	United States	1,500,000	1,492,500
[f]Integra Telecom Inc., senior secured note, 144A, 10.75%, 4/15/16	United States	2,700,000	2,214,000
Intelsat Jackson Holdings SA, senior note,			
11.25%, 6/15/16	Luxembourg	2,000,000	2,106,250
[f]144A, 7.50%, 4/01/21	Luxembourg	1,500,000	1,520,625
Intelsat Luxembourg SA, senior note, 11.25%, 2/04/17	Luxembourg	700,000	679,000
MetroPCS Wireless Inc., senior note, 7.875%, 9/01/18	United States	2,500,000	2,546,875
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	4,000,000	3,605,000
[f]144A, 9.00%, 11/15/18	United States	2,000,000	2,105,000
West Corp., senior note, 7.875%, 1/15/19	United States	4,000,000	3,990,000
[f]Wind Acquisition Finance SA, senior secured note, 144A, 11.75%, 7/15/17	Italy	3,500,000	3,117,187
[f,j]Wind Acquisition Holdings Finance SA, senior secured note, 144A, PIK, 12.25%, 7/15/17	Italy	603,365 EUR	538,679
			37,556,781

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Transportation 0.4%			
[f,g]American Airlines Inc., senior secured note, 144A, 7.50%, 3/15/16	United States	4,000,000	$ 2,880,000
[f]Ceva Group PLC, senior secured note, 144A,			
11.625%, 10/01/16	United Kingdom	300,000	299,250
8.375%, 12/01/17	United Kingdom	500,000	478,750
11.50%, 4/01/18	United Kingdom	2,000,000	1,847,202
			5,505,202
Utilities 1.2%			
[f]Calpine Corp., senior secured note, 144A,			
7.875%, 7/31/20	United States	1,100,000	1,190,750
7.50%, 2/15/21	United States	2,500,000	2,687,500
7.875%, 1/15/23	United States	500,000	540,000
CMS Energy Corp., senior note, 8.75%, 6/15/19	United States	2,000,000	2,378,822
[f]Infinis PLC, senior note, 144A, 9.125%, 12/15/14	United Kingdom	600,000 GBP	945,929
[f]Intergen NV, senior secured note, 144A, 9.00%, 6/30/17	Netherlands	3,000,000	3,172,500
Texas Competitive Electric Holdings Co. LLC, senior note, A, 10.25%, 11/01/15	United States	1,000,000	360,000
Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc., senior secured note,			
[f]144A, 11.50%, 10/01/20	United States	3,000,000	2,561,250
B, 15.00%, 4/01/21	United States	2,130,000	1,182,150
			15,018,901
Total Corporate Bonds (Cost $494,772,525)			490,645,836
[i,k]**Senior Floating Rate Interests 16.1%**			
Automobiles & Components 0.1%			
Key Safety Systems Inc., Term Loan B, 2.535% - 2.546%, 3/10/14	United States	1,595,723	1,507,958
Capital Goods 1.1%			
[b]Colfax Corp., Term Loan B, 5.75%, 1/01/19	United States	1,122,063	1,123,992
Goodman Global Inc., Initial Term Loan, 5.75%, 10/28/16	United States	2,758,572	2,761,582
RBS Global Inc. (Rexnord), Tranche B-1 Term B Loan, 2.813% - 2.938%, 7/22/13	United States	3,827,036	3,779,198
Sensus USA Inc., Second Lien Term Loan, 8.50%, 5/09/18	United States	1,913,988	1,885,278
Terex Corp., U.S. Term Loan, 5.50%, 4/28/17	United States	2,127,443	2,138,968
Tomkins LLC and Tomkins Inc., Term B-1 Loan, 4.25%, 9/29/16	United States	1,771,813	1,769,046
TransDigm Inc., Term Loan B, 4.00%, 2/14/17	United States	1,969,515	1,955,975
			15,414,039
Commercial & Professional Services 1.2%			
ARAMARK Corp.,			
Extended Synthetic L/C, 3.395%, 7/26/16	United States	186,538	182,264
Synthetic L/C, 2.02%, 1/26/14	United States	91,726	90,006
Term Loan B, 2.454%, 1/26/14	United States	1,138,629	1,117,281
Term Loan B Extended, 3.829%, 7/26/16	United States	2,834,838	2,769,875
Brock Holdings III Inc., Second Lien Term Loan, 10.00%, 3/16/18	United States	2,047,000	1,885,799
EnviroSolutions Real Property Holdings Inc., Second Lien Term Loan, 8.00%, 7/29/14	United States	628,673	619,242
Interactive Data Corp., Term B Loans, 4.50%, 2/11/18	United States	4,471,711	4,434,448
KAR Auction Services Inc. (Adesa), Term Loan, 5.00%, 5/19/17	United States	5,340,985	5,280,899
			16,379,814

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[i,k]**Senior Floating Rate Interests (continued)**			
Consumer Durables & Apparel 0.7%			
[b,c,j]Sleep Innovations Inc., Term Loan, PIK, 11.50%, 3/05/15	United States	1,341,906	$ 1,341,906
Visant Corp. (Jostens), Term Loan B, 5.25% - 6.25%, 12/22/16	United States	8,249,920	7,754,924
			9,096,830
Consumer Services 1.4%			
Ameristar Casinos Inc., B Term Loan, 4.00%, 4/14/18	United States	2,602,935	2,605,103
Burger King Holdings Inc., Tranche B Term Loan, 4.50%, 10/19/16	United States	8,507,975	8,378,586
DineEquity Inc., Term B-1 Loan, 4.25% - 5.25%, 10/19/17	United States	1,895,563	1,872,343
Revel AC Inc., Tranche B Term Loan, 9.00%, 2/17/17	United States	1,206,407	1,106,878
[d,j]Turtle Bay Holdings LLC,			
Term Loan A, PIK, 10.375%, 3/01/13	United States	2,011,261	1,950,923
Term Loan B, PIK, 3.125%, 2/09/15	United States	4,039,244	3,271,788
			19,185,621
Diversified Financials 0.7%			
Asurion LLC, Second Lien Term Loan, 9.00%, 5/24/19	United States	2,814,806	2,786,658
MoneyGram Payment Systems Worldwide Inc.,			
Term Loan, 4.50%, 11/18/17	United States	1,569,830	1,549,226
Tranche B-1 Loan, 4.50%, 11/18/17	United States	425,633	418,717
MSCI Inc., Term Loan B, 3.75%, 3/09/17	United States	1,315,007	1,325,691
TransUnion LLC/TransUnion FICO, Term Loan, 4.75%, 2/10/18	United States	2,757,359	2,755,636
			8,835,928
Food & Staples Retailing 0.5%			
BJ's Wholesale Club Inc.,			
Initial Loan, 7.00%, 9/30/18	United States	3,340,313	3,356,563
Second Lien Term Loan, 10.00%, 3/30/19	United States	3,940,000	3,979,400
			7,335,963
Food, Beverage & Tobacco 0.6%			
Del Monte Foods Co., Initial Term Loan, 4.50%, 3/08/18	United States	8,199,817	7,810,326
Health Care Equipment & Services 2.1%			
Bausch & Lomb Inc.,			
Delayed Draw Term Loan, 3.546%, 4/28/15	United States	1,105,377	1,082,579
Parent Term Loan, 3.546% - 3.829%, 4/28/15	United States	4,529,638	4,436,214
Community Health Systems Inc.,			
Delayed Draw Term Loan, 2.546%, 7/25/14	United States	161,022	156,623
Extended Term Loan, 3.796% - 4.023%, 1/25/17	United States	5,350,080	5,187,347
Term Loan, 2.546% - 2.773%, 7/25/14	United States	3,135,021	3,049,369
DaVita Inc., Tranche B Term Loan, 4.50%, 10/20/16	United States	1,983,910	1,984,902
HCA Inc., Tranche B-2 Term Loan, 3.829%, 3/31/17	United States	8,194,043	7,794,583
Kinetic Concepts Inc., Term B-2 Loan, 6.50%, 11/04/16	United States	380,201	380,042
Universal Health Services Inc., New Tranche B Term Loan, 3.75%, 11/15/16	United States	4,396,480	4,394,809
			28,466,468
Materials 2.2%			
[b]American Rock Salt Co. LLC, Initial Loan, 5.50%, 4/25/17	United States	3,647,019	3,610,549
Anchor Glass Container Corp., Second Lien Term Loan, 10.00%, 9/02/16	United States	5,813,900	5,799,365
Ashland Inc., Term B Loan, 3.75%, 8/23/18	United States	2,347,552	2,359,839
Consolidated Container Co. LLC, Second Lien Term Loan, 5.813%, 9/28/14	United States	2,114,283	1,797,141
[b]NewPage Corp., DIP Term Loan, 8.00%, 3/07/13	United States	4,115,982	4,172,576
Potters Holdings II LP, Second Lien Term Loan, 10.25%, 11/06/17	United States	247,452	246,627

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[i,k]**Senior Floating Rate Interests (continued)**			
Materials (continued)			
Reynolds Group Holdings Inc.,			
Tranche B Term Loan, 6.50%, 2/09/18	United States	2,869,112	$ 2,847,594
[b]Tranche C Term Loan, 6.50%, 8/09/18	United States	4,801,014	4,781,512
Rockwood Specialties Group Inc., Term Loan, 3.50%, 2/10/18	United States	1,550,428	1,557,858
[b]Walter Energy Inc., B Term Loan, 4.00%, 4/01/18	United States	2,254,511	2,240,654
			29,413,715
Media 2.5%			
Cinemark USA Inc., Extended Term Loan, 3.53% - 3.83%, 4/30/16	United States	1,580,795	1,574,696
Clear Channel Communications Inc.,			
Tranche A Term Loan, 3.696%, 5/13/14	United States	1,693,252	1,483,712
Tranche B Term Loan, 3.946%, 1/29/16	United States	5,094,789	3,780,048
CSC Holdings Inc. (Cablevision), Incremental Term Loan B-2, 2.044%, 3/29/16	United States	4,262,277	4,187,687
Cumulus Media Holdings Inc., Second Lien Term Loan, 7.50%, 9/16/19	United States	5,450,000	5,295,585
Hubbard Radio LLC, Second Lien Term Loan, 8.75%, 4/29/18	United States	1,192,409	1,186,446
R.H. Donnelley Inc., Term Loan B, 9.00%, 10/24/14	United States	6,392,486	2,314,080
[b]Regal Cinemas Corp., Term Loan, 3.579%, 8/23/17	United States	2,211,099	2,196,819
[b]Sinclair Television Group Inc, Incremental Term Loan B, 5.25%, 10/29/16	United States	2,484,000	2,483,938
Summit Entertainment LLC, Term Loan, 7.50%, 9/07/16	United States	3,778,254	3,740,472
TWCC Holding Corp., Term Loan, 4.25%, 2/11/17	United States	2,816,889	2,816,303
Univision Communications Inc., Extended First Lien Term Loan, 4.546%, 3/31/17	United States	2,141,315	1,917,147
UPC Financing Partnership, Term Loan T, 3.872%, 12/31/16	Netherlands	1,491,092	1,442,632
			34,419,565
Pharmaceuticals, Biotechnology & Life Sciences 0.4%			
Warner Chilcott Co. LLC, Term B-2 Loan, 4.25%, 3/15/18	Puerto Rico	1,316,779	1,302,788
Warner Chilcott Corp., Term B-1 Loan, 4.25%, 3/15/18	United States	2,633,558	2,605,577
WC Luxco S.A.R.L., Term B-3 Loan, 4.25%, 3/15/18	Luxembourg	1,810,571	1,791,334
			5,699,699
Software & Services 1.3%			
AVG Technologies NV, Term Loan, 7.50%, 3/15/16	Netherlands	6,763,438	6,357,631
[b]Fidelity National Information Services Inc.,			
Add-on Term Loan A-2, 4.50%, 7/18/14	United States	781,500	776,941
Term Loan B, 5.50%, 7/18/16	United States	1,794,153	1,791,928
First Data Corp.,			
Term Loan B-1, 3.044%, 9/24/14	United States	3,687,802	3,376,626
Term Loan B-2, 3.044%, 9/24/14	United States	328,445	300,731
Term Loan B-3, 3.044%, 9/24/14	United States	328,445	300,731
SunGard Data Systems Inc., Tranche B U.S. Term Loan, 3.969% - 4.063%, 2/28/16	United States	2,403,719	2,348,133
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	1,832,000	1,781,620
			17,034,341
Technology Hardware & Equipment 0.1%			
[b]Flextronics International USA Inc.,			
A-1-B Delayed Draw Term Loan, 4.50%, 10/01/14	United States	120,839	119,404
A-2 Delayed Draw Term Loan, 4.50%, 10/01/14	United States	424,460	419,420
A-3 Delayed Draw Term Loan, 4.50%, 10/01/14	United States	495,465	489,581
			1,028,405

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[i,k]**Senior Floating Rate Interests (continued)**			
Telecommunication Services 0.7%			
Intelsat Jackson Holdings SA, Tranche B Term Loan, 5.25%, 4/02/18	Luxembourg	8,342,888	$ 8,325,510
SBA Senior Finance II LLC, Term Loan, 3.75%, 6/30/18	United States	1,727,748	1,720,189
			10,045,699
Transportation 0.5%			
Evergreen International Aviation Inc., Term Loan, 12.25%, 6/30/15	United States	1,175,125	1,060,550
Hertz Corp.,			
Credit Linked Deposit, 3.75%, 3/11/18	United States	1,736,300	1,641,568
Tranche B Term Loan, 3.75%, 3/11/18	United States	3,880,675	3,818,421
YRCW Receivables LLC, Term B Loan, 11.25%, 9/30/14	United States	220,769	208,627
			6,729,166
Total Senior Floating Rate Interests (Cost $224,103,761)			218,403,537
Foreign Government and Agency Securities 24.0%			
[f]Arab Republic of Egypt, 144A, 5.75%, 4/29/20	Egypt	3,560,000	3,112,953
The Export-Import Bank of Korea, senior note, 8.125%, 1/21/14	South Korea	2,770,000	3,075,692
[i,l]Government of Argentina, senior bond, FRN, 0.439%, 8/03/12	Argentina	30,000,000	3,648,928
Government of Australia, senior bond, 5.75%, 4/15/12	Australia	20,350,000 AUD	20,924,163
Government of Hungary,			
5.50%, 2/12/14	Hungary	1,443,700,000 HUF	5,539,447
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	6,708,992
6.50%, 6/24/19	Hungary	206,000,000 HUF	705,735
7.50%, 11/12/20	Hungary	312,600,000 HUF	1,117,493
senior note, 6.25%, 1/29/20	Hungary	5,507,000	5,067,541
Government of Indonesia,			
FR19, 14.25%, 6/15/13	Indonesia	35,480,000,000 IDR	4,426,048
FR20, 14.275%, 12/15/13	Indonesia	23,637,000,000 IDR	3,050,861
FR26, 11.00%, 10/15/14	Indonesia	1,800,000,000 IDR	227,846
FR34, 12.80%, 6/15/21	Indonesia	49,955,000,000 IDR	8,169,701
FR42, 10.25%, 7/15/27	Indonesia	2,000,000,000 IDR	290,047
FR44, 10.00%, 9/15/24	Indonesia	9,300,000,000 IDR	1,326,821
Government of Ireland,			
4.00%, 1/15/14	Ireland	2,232,000 EUR	2,703,123
4.60%, 4/18/16	Ireland	466,000 EUR	545,013
5.90%, 10/18/19	Ireland	2,177,000 EUR	2,444,981
4.50%, 4/18/20	Ireland	1,234,000 EUR	1,237,804
5.00%, 10/18/20	Ireland	2,088,000 EUR	2,163,566
senior bond, 4.50%, 10/18/18	Ireland	748,000 EUR	789,757
senior bond, 4.40%, 6/18/19	Ireland	887,000 EUR	919,744
senior bond, 5.40%, 3/13/25	Ireland	1,488,000 EUR	1,524,509
Government of Israel,			
4.00%, 3/30/12	Israel	3,315,000 ILS	872,625
5.00%, 3/31/13	Israel	3,170,000 ILS	854,971
3.50%, 9/30/13	Israel	10,405,000 ILS	2,766,163
Government of Malaysia, senior bond,			
2.711%, 2/14/12	Malaysia	490,000 MYR	154,527
3.718%, 6/15/12	Malaysia	14,410,000 MYR	4,561,347
2.509%, 8/27/12	Malaysia	19,215,000 MYR	6,045,506
3.702%, 2/25/13	Malaysia	19,133,000 MYR	6,089,907
3.70%, 5/15/13	Malaysia	1,720,000 MYR	548,299
3.21%, 5/31/13	Malaysia	2,570,000 MYR	814,050
3.461%, 7/31/13	Malaysia	12,900,000 MYR	4,103,177

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Malaysia, senior bond, (continued)			
3.814%, 2/15/17	Malaysia	11,400,000 MYR	$ 3,671,343
4.24%, 2/07/18	Malaysia	600,000 MYR	197,602
Government of Mexico,			
M, 9.00%, 6/20/13	Mexico	514,800[m] MXN	3,904,854
M, 7.00%, 6/19/14	Mexico	120,000[m] MXN	899,791
M, 8.00%, 12/17/15	Mexico	140,000[m] MXN	1,097,290
MI, 9.00%, 12/20/12	Mexico	58,000[m] MXN	432,688
MI, 8.00%, 12/19/13	Mexico	1,062,700[m] MXN	8,058,493
Government of Poland,			
4.75%, 4/25/12	Poland	44,240,000 PLN	12,834,600
5.25%, 4/25/13	Poland	3,170,000 PLN	925,299
5.75%, 4/25/14	Poland	14,470,000 PLN	4,270,862
6.25%, 10/24/15	Poland	9,100,000 PLN	2,739,033
5.75%, 9/23/22	Poland	4,300,000 PLN	1,233,828
senior note, 6.375%, 7/15/19	Poland	4,000,000	4,455,720
Strip, 1/25/13	Poland	1,330,000 PLN	367,615
Strip, 7/25/13	Poland	9,270,000 PLN	2,500,187
[f]Government of Russia, 144A, 7.50%, 3/31/30	Russia	5,211,235	6,061,318
Government of Singapore, senior bond, 2.625%, 4/01/12	Singapore	3,660,000 SGD	2,836,360
Government of Sri Lanka,			
A, 6.90%, 8/01/12	Sri Lanka	1,900,000 LKR	16,507
A, 8.50%, 1/15/13	Sri Lanka	50,900,000 LKR	445,388
A, 13.50%, 2/01/13	Sri Lanka	59,500,000 LKR	544,621
A, 7.00%, 3/01/14	Sri Lanka	7,020,000 LKR	58,510
A, 11.25%, 7/15/14	Sri Lanka	176,100,000 LKR	1,599,279
A, 11.75%, 3/15/15	Sri Lanka	1,160,000 LKR	10,728
A, 6.50%, 7/15/15	Sri Lanka	28,980,000 LKR	230,096
A, 11.00%, 8/01/15	Sri Lanka	200,400,000 LKR	1,818,775
A, 6.40%, 8/01/16	Sri Lanka	19,500,000 LKR	149,238
B, 6.60%, 6/01/14	Sri Lanka	7,100,000 LKR	58,264
B, 6.40%, 10/01/16	Sri Lanka	16,000,000 LKR	122,371
Government of Sweden,			
5.50%, 10/08/12	Sweden	107,565,000 SEK	16,168,868
1.50%, 8/30/13	Sweden	80,270,000 SEK	11,823,194
Government of the Philippines,			
senior bond, 5.75%, 2/21/12	Philippines	19,830,000 PHP	454,226
senior bond, 8.75%, 3/03/13	Philippines	55,690,000 PHP	1,352,150
[b]senior note, 6.25%, 1/27/14	Philippines	80,300,000 PHP	1,944,914
[b,f]Government of Ukraine, 144A, 7.75%, 9/23/20	Ukraine	6,000,000	5,220,000
[n]Government of Uruguay, senior note,			
Index Linked, 4.375%, 12/15/28	Uruguay	119,300,000 UYU	6,039,937
Government of Venezuela, 10.75%, 9/19/13	Venezuela	2,500,000	2,534,437
[f]Government of Vietnam, 144A, 6.75%, 1/29/20	Vietnam	2,500,000	2,510,937
Korea Treasury Bond,			
5.25%, 9/10/12	South Korea	2,850,000,000 KRW	2,489,097
5.25%, 3/10/13	South Korea	346,570,000 KRW	305,257
senior bond, 4.00%, 6/10/12	South Korea	31,013,880,000 KRW	26,822,593
senior bond, 4.25%, 12/10/12	South Korea	3,560,000,000 KRW	3,094,073
senior bond, 5.00%, 3/26/13	South Korea	1,163,000,000 KRW	1,008,831
senior bond, 3.75%, 6/10/13	South Korea	5,340,340,000 KRW	4,629,641
senior bond, 3.00%, 12/10/13	South Korea	14,844,210,000 KRW	12,726,007
New South Wales Treasury Corp.,			
6.00%, 5/01/12	Australia	280,000 AUD	288,203

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
New South Wales Treasury Corp., (continued)			
5.50%, 8/01/13	Australia	860,000 AUD	$ 902,033
senior note, 5.50%, 3/01/17	Australia	3,540,000 AUD	3,845,079
Nota Do Tesouro Nacional,			
10.00%, 1/01/12	Brazil	6,910[o] BRL	3,708,506
10.00%, 1/01/14	Brazil	2,700[o] BRL	1,435,261
10.00%, 1/01/17	Brazil	7,400[o] BRL	3,821,346
[n]Index Linked, 6.00%, 5/15/15	Brazil	3,890[o] BRL	4,507,521
Queensland Treasury Corp.,			
6.00%, 8/14/13	Australia	600,000 AUD	634,829
6.00%, 9/14/17	Australia	1,200,000 AUD	1,329,229
senior note, 6.00%, 8/21/13	Australia	2,705,000 AUD	2,846,383
United Kingdom Treasury Bond, 5.00%, 3/07/12	United Kingdom	7,459,000 GBP	11,680,659
United Kingdom Treasury Note, 5.25%, 6/07/12	United Kingdom	7,977,000 GBP	12,650,780
Western Australia Treasury Corp.,			
5.50%, 7/17/12	Australia	9,065,000 AUD	9,344,737
8.00%, 6/15/13	Australia	1,000,000 AUD	1,082,778
Total Foreign Government and Agency Securities (Cost $325,983,558)			325,273,503
U.S. Government and Agency Securities 1.5%			
U.S. Treasury Bond,			
4.50%, 2/15/16	United States	3,000,000	3,469,689
7.875%, 2/15/21	United States	900,000	1,373,203
7.125%, 2/15/23	United States	1,980,000	2,993,821
U.S. Treasury Note,			
2.375%, 3/31/16	United States	3,500,000	3,749,102
4.625%, 2/15/17	United States	600,000	712,219
4.75%, 8/15/17	United States	2,900,000	3,493,140
[p]Index Linked, 0.125%, 4/15/16	United States	2,359,617	2,462,114
[p]Index Linked, 0.625%, 7/15/21	United States	2,511,840	2,688,256
Total U.S. Government and Agency Securities (Cost $18,928,394)			20,941,544
Asset-Backed Securities and Commercial Mortgage-Backed Securities 3.4%			
Banks 1.4%			
[f,i]Banc of America Large Loan, 2010-HLTN, 144A, FRN, 2.028%, 11/15/15	United States	4,298,961	3,893,442
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.21%, 3/25/34	United States	1,275,000	647,559
[i]GS Mortgage Securities Corp. II, 2006-GG6, A4, FRN, 5.553%, 4/10/38	United States	2,405,000	2,622,748
[i]Homebanc Mortgage Trust, 2005-4, A1, FRN, 0.564%, 10/25/35	United States	2,090,461	1,429,750
[f,i]Wachovia Bank Commercial Mortgage Trust, 2007-WHL8, A1, 144A, FRN, 0.358%, 6/15/20	United States	5,849,355	5,236,320
Wells Fargo Mortgage Backed Securities Trust,			
[i]2004-W, A9, FRN, 2.762%, 11/25/34	United States	2,169,236	2,061,851
2007-3, 3A1, 5.50%, 4/25/37	United States	2,548,623	2,631,935
			18,523,605
Diversified Financials 2.0%			
[f,i]ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.506%, 11/25/20	Cayman Islands	1,380,000	1,153,818
[f,i]Armstrong Loan Funding Ltd., 2008-1A, B, 144A, FRN, 1.429%, 8/01/16	Cayman Islands	3,570,093	3,458,314
[f,i]Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.88%, 3/11/21	Cayman Islands	1,251,000	1,011,115

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Diversified Financials (continued)			
Citigroup Commercial Mortgage Trust,			
[i]2007-C6, AM, FRN, 5.698%, 6/10/17	United States	1,700,000	$ 1,679,343
2008-C7, A4, 6.072%, 12/10/49	United States	8,700,000	9,702,866
[i]Citigroup/Deutsche Bank Commercial Mortgage Trust, 2005-CD1, AJ, FRN, 5.399%, 7/15/44	United States	2,230,000	2,001,406
[f,i]Columbus Nova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.403%, 10/15/21	Cayman Islands	860,000	723,329
[f,i]Commercial Industrial Finance Corp., 2007-3A, A1J, 144A, FRN, 0.82%, 7/26/21	Cayman Islands	960,000	784,267
[f,i]Credit Suisse Mortgage Capital Certificates, 2006-TF2A, A2, 144A, FRN, 0.448%, 10/15/21	United States	418,006	385,564
[f,i]Gleneagles CLO Ltd., 2005-1A, 144A, FRN, 0.829%, 11/01/17	Cayman Islands	1,000,000	800,005
JPMorgan Chase Commercial Mortgage Securities Corp., 2005-LDP2, AM, 4.78%, 7/15/42	United States	775,000	804,362
[f,i]MAPS CLO Fund LLC, 2005-1A, B, 144A, FRN, 1.067%, 12/21/17	United States	1,400,000	1,301,587
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	71,205	69,655
[f,i]Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 0.654%, 8/01/22	Cayman Islands	4,596,472	4,058,110
			27,933,741
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $44,943,830)			46,457,346
Mortgage-Backed Securities 5.0%			
[i]**Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%**†			
FHLMC, 2.473%, 1/01/33	United States	85,520	88,805
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 1.5%			
FHLMC Gold 15 Year, 4.50%, 10/01/18 - 6/01/19	United States	1,118,466	1,188,746
FHLMC Gold 15 Year, 5.00%, 12/01/17 - 9/01/19	United States	1,325,134	1,428,537
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	341,607	370,864
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	13,741	14,955
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	4,061	4,346
FHLMC Gold 30 Year, 4.00%, 9/01/40	United States	4,685,747	4,923,081
FHLMC Gold 30 Year, 4.50%, 10/01/40	United States	3,004,432	3,186,378
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	1,429,254	1,538,063
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 6/01/36	United States	3,674,145	4,018,056
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 6/01/37	United States	3,501,123	3,867,764
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	254,746	288,063
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	64,366	74,065
FHLMC Gold 30 Year, 7.50%, 3/01/30 - 7/01/31	United States	1,971	2,135
			20,905,053
[i]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%**†			
FNMA, 2.31%, 12/01/34	United States	291,904	305,590
FNMA, 2.419%, 4/01/20	United States	61,602	62,470
			368,060
Federal National Mortgage Association (FNMA) Fixed Rate 3.2%			
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	256,748	274,789
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	280,638	303,158
FNMA 15 Year, 5.50%, 11/01/13 - 11/01/18	United States	2,853,557	3,095,536
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	5,216	5,641
FNMA 15 Year, 7.00%, 5/01/12	United States	52	52
FNMA 30 Year, 4.00%, 1/01/41 - 10/01/41	United States	10,886,095	11,452,083
FNMA 30 Year, 4.50%, 7/01/40 - 12/01/40	United States	8,915,191	9,497,284
FNMA 30 Year, 5.00%, 4/01/34 - 9/01/39	United States	5,638,148	6,115,563

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Federal National Mortgage Association (FNMA) Fixed Rate (continued)			
FNMA 30 Year, 5.50%, 8/01/33 - 9/01/35	United States	2,062,144	$ 2,253,325
FNMA 30 Year, 6.00%, 6/01/34 - 5/01/38	United States	7,430,562	8,211,924
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	1,455,413	1,640,906
			42,850,261
Government National Mortgage Association (GNMA) Fixed Rate 0.3%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	1,025,283	1,142,179
GNMA I SF 30 Year, 5.50%, 12/15/32 - 6/15/36	United States	1,064,738	1,201,816
GNMA I SF 30 Year, 6.50%, 11/15/31 - 2/15/32	United States	6,693	7,761
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	63,249	73,791
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,986	2,379
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	283,537	315,629
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	315,748	358,630
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	118,711	135,877
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	31,997	38,222
			3,276,284
Total Mortgage-Backed Securities (Cost $65,024,638)			67,488,463
Municipal Bonds 3.5%			
Bay Area Toll Authority Toll Bridge Revenue, Build America Bonds, Series S1, 7.043%, 4/01/50	United States	5,000,000	6,583,700
California State GO,			
7.625%, 3/01/40	United States	1,500,000	1,847,025
5.25%, 11/01/40	United States	560,000	588,605
Refunding, 5.00%, 4/01/38	United States	9,700,000	9,902,439
Various Purpose, 6.00%, 4/01/38	United States	2,500,000	2,823,125
Various Purpose, 6.00%, 11/01/39	United States	160,000	181,992
Various Purpose, Refunding, 5.25%, 3/01/38	United States	1,500,000	1,558,170
Various Purpose, Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	303,543
Various Purpose, Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	295,788
Chicago Waterworks Revenue, second lien, Refunding, 5.25%, 11/01/38	United States	1,895,000	1,982,094
Clovis USD, GO, Capital Appreciation, Election of 2004, Series A, NATL RE, FGIC Insured, zero cpn.,			
8/01/25	United States	2,500,000	1,268,800
8/01/26	United States	1,290,000	613,137
8/01/27	United States	1,720,000	763,972
8/01/29	United States	1,720,000	666,328
Illinois State GO,			
5.877%, 3/01/19	United States	3,575,000	3,852,670
Build America Bonds, 7.35%, 7/01/35	United States	4,600,000	5,078,952
[f]New York City IDA, 144A, 11.00%, 3/01/29	United States	600,000	761,388
Poway USD, GO, Election of 2008, ID No. 2007-1, Series A, zero cpn.,			
8/01/27	United States	370,000	163,596
8/01/30	United States	370,000	132,416
8/01/32	United States	460,000	141,882
8/01/33	United States	245,000	70,183
Redondo Beach USD, GO, Build America Bonds, Election of 2008, Direct Payment to District,			
Series D, 6.461%, 8/01/40	United States	1,510,000	1,609,116
San Francisco City and County GO, Build America Bonds,			
5.75%, 6/15/27	United States	1,700,000	1,943,015
5.93%, 6/15/28	United States	1,520,000	1,738,804

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Municipal Bonds (continued)			
San Mateo County Community College District GO, Election of 2001, Series C, NATL Insured, zero cpn.,			
9/01/30	United States	895,000	$ 352,344
3/01/31	United States	245,000	92,331
Sonoma County Pension Obligation Revenue, Series A, 6.00%, 12/01/29	United States	2,100,000	2,259,999
Total Municipal Bonds (Cost $42,302,833)			47,575,414
Total Investments before Short Term Investments (Cost $1,231,598,675)			1,227,474,072
Short Term Investments 8.1%			
Foreign Government and Agency Securities 3.6%			
[q]Bank of Negara Monetary Note, 1/17/12 - 5/17/12	Malaysia	23,590,000 MYR	7,413,321
[q]Egypt Treasury Bill, 2/21/12	Egypt	11,950,000 EGP	1,946,023
[q]Israel Treasury Bills, 1/04/12 - 5/02/12	Israel	47,930,000 ILS	12,518,512
[q]Malaysia Treasury Bills, 1/20/12 - 7/27/12	Malaysia	12,880,000 MYR	4,012,404
[q]Norway Treasury Bill, 3/21/12	Norway	114,510,000 NOK	19,095,626
[q]Philippine Treasury Bills, 1/11/12 - 7/11/12	Philippines	18,380,000 PHP	418,567
[q]Singapore Treasury Bill, 11/01/12	Singapore	3,750,000 SGD	2,883,849
[q]Sri Lanka Treasury Bills, 1/27/12 - 9/28/12	Sri Lanka	26,470,000 LKR	227,880
Total Foreign Government and Agency Securities (Cost $52,814,034)			48,516,182
Total Investments before Money Market Funds (Cost $1,284,412,709)			1,275,990,254
		Shares	
Money Market Funds (Cost $61,664,899) 4.5%			
[a,r]Institutional Fiduciary Trust Money Market Portfolio	United States	61,664,899	61,664,899
Total Investments (Cost $1,346,077,608) 98.6%			1,337,655,153
Other Assets, less Liabilities 1.4%			18,570,601
Net Assets 100.0%			$1,356,225,754

See Abbreviations on page 47.

Statement of Investments, December 31, 2011 *(continued)*

†Rounds to less than 0.1% of net assets.
*The principal amount is stated in U.S. dollars unless otherwise indicated.
[a]Non-income producing.
[b]A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).
[c]Security has been deemed illiquid because it may not be able to be sold within seven days. At December 31, 2011, the aggregate value of these securities was $1,684,966, representing 0.12% of net assets.
[d]At December 31, 2011, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading these securities for a limited or extended period of time due to ownership limits and/or potential possession of material non-public information.
[e]See Note 1(e) regarding investment in FT Holdings Corporation III.
[f]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2011, the aggregate value of these securities was $213,891,364, representing 15.77% of net assets.
[g]See Note 8 regarding defaulted securities.
[h]Perpetual security with no stated maturity date.
[i]The coupon rate shown represents the rate at period end.
[j]Income may be received in additional securities and/or cash.
[k]See Note 1(g) regarding senior floating rate interests.
[l]The principal amount is stated in original face, and scheduled paydowns are reflected in the market price on ex-date.
[m]Principal amount is stated in 100 Mexican Peso Units.
[n]Redemption price at maturity is adjusted for inflation. See Note 1(j).
[o]Principal amount is stated in 1,000 Brazilian Real Units.
[p]Principal amount of security is adjusted for inflation. See Note 1(j).
[q]The security is traded on a discount basis with no stated coupon rate.
[r]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

At December 31, 2011, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterparty	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Chilean Peso	DBAB	Buy	2,449,000,000	4,829,994	1/10/12	$ —	$(123,884)
Indian Rupee	HSBC	Buy	139,650,000	2,922,159	1/10/12	—	(294,451)
Indian Rupee	HSBC	Sell	45,250,000	987,991	1/10/12	136,550	—
Japanese Yen	HSBC	Sell	183,560,000	2,246,756	1/10/12	—	(138,631)
Euro	BZWS	Sell	1,691,484	2,188,781	1/11/12	—	(686)
Euro	DBAB	Sell	2,187,000	2,834,111	1/11/12	3,247	—
Euro	UBSW	Sell	3,940,000	5,100,035	1/11/12	77	—
Euro	JPHQ	Sell	1,802,953	2,331,669	1/13/12	—	(2,115)
Japanese Yen	BZWS	Sell	460,675,000	5,577,179	1/13/12	—	(409,633)
Philippine Peso	JPHQ	Buy	35,843,000	814,151	1/13/12	2,914	—
Philippine Peso	HSBC	Buy	5,750,000	130,732	1/17/12	319	—
Euro	BZWS	Sell	2,912,410	3,881,369	1/19/12	111,325	—
Japanese Yen	DBAB	Sell	271,680,000	3,293,490	1/19/12	—	(237,521)
Euro	DBAB	Sell	2,000,000	2,716,500	1/26/12	127,426	—
Euro	BZWS	Sell	1,007,118	1,357,595	1/26/12	53,843	—
Euro	DBAB	Sell	1,587,264	2,146,426	1/27/12	91,639	—
Euro	DBAB	Sell	3,014,151	4,103,767	2/02/12	201,605	—
Chilean Peso	DBAB	Buy	725,000,000	1,472,081	2/08/12	—	(84,247)
Chilean Peso	JPHQ	Buy	482,900,000	976,049	2/08/12	—	(51,655)
Chilean Peso	BZWS	Buy	486,100,000	981,227	2/08/12	—	(50,708)
Indian Rupee	HSBC	Buy	186,760,000	3,883,552	2/08/12	—	(390,643)
Chilean Peso	BZWS	Buy	1,001,200,000	2,020,789	2/09/12	—	(104,413)
Euro	UBSW	Sell	2,151,000	2,920,563	2/13/12	135,552	—
Euro	DBAB	Sell	1,250,438	1,690,529	2/14/12	71,507	—
Singapore Dollar	DBAB	Buy	1,158,000	905,912	2/24/12	—	(13,237)
Singapore Dollar	DBAB	Buy	722,000	566,230	2/27/12	—	(9,657)
Singapore Dollar	DBAB	Buy	723,000	566,295	2/29/12	—	(8,947)
Euro	UBSW	Sell	2,581,000	3,523,246	3/01/12	180,927	—
Japanese Yen	UBSW	Sell	95,700,000	1,177,209	3/01/12	—	(67,551)
Japanese Yen	JPHQ	Sell	85,800,000	1,055,610	3/01/12	—	(60,381)
Japanese Yen	HSBC	Sell	85,800,000	1,056,000	3/01/12	—	(59,991)
Euro	DBAB	Sell	1,500,000	2,101,800	3/15/12	159,025	—
Singapore Dollar	JPHQ	Buy	1,394,000	1,089,999	3/19/12	—	(15,232)
Singapore Dollar	HSBC	Buy	1,113,000	872,284	3/19/12	—	(14,167)
Singapore Dollar	DBAB	Buy	973,400	763,050	3/19/12	—	(12,563)
Singapore Dollar	DBAB	Buy	1,048,000	817,536	3/21/12	—	(9,521)
Singapore Dollar	HSBC	Buy	837,000	653,676	3/21/12	—	(8,344)
Euro	DBAB	Sell	714,000	999,343	4/05/12	74,325	—
British Pound	DBAB	Sell	1,089,000	1,762,547	4/11/12	72,800	—
Indian Rupee	DBAB	Buy	20,841,000	444,845	4/11/12	—	(59,096)
Indian Rupee	DBAB	Buy	44,691,000	957,391	4/13/12	—	(130,456)
Chilean Peso	MSCO	Buy	116,230,000	236,120	4/16/12	—	(15,130)
Indian Rupee	JPHQ	Buy	30,019,000	641,432	4/16/12	—	(86,239)
Indian Rupee	JPHQ	Buy	29,466,000	625,871	4/18/12	—	(81,076)
Euro	DBAB	Sell	1,888,220	2,692,035	4/19/12	245,213	—
Indian Rupee	JPHQ	Buy	14,719,000	312,373	4/19/12	—	(40,276)
Indian Rupee	DBAB	Buy	10,360,000	219,352	4/19/12	—	(27,837)
Chilean Peso	MSCO	Buy	104,150,000	210,404	4/20/12	—	(12,446)
Euro	DBAB	Sell	1,001,008	1,416,527	4/23/12	119,301	—

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Indian Rupee	DBAB	Buy	20,931,000	444,489	4/26/12	$ —	$ (57,980)
Singapore Dollar	DBAB	Buy	6,168,500	5,000,000	4/26/12	—	(242,123)
Chilean Peso	JPHQ	Buy	234,301,000	475,159	4/27/12	—	(30,073)
Indian Rupee	JPHQ	Buy	17,801,000	377,540	4/27/12	—	(48,880)
Chilean Peso	CITI	Buy	377,668,000	776,296	4/30/12	—	(59,039)
Indian Rupee	JPHQ	Buy	14,829,000	314,841	4/30/12	—	(41,181)
Chilean Peso	DBAB	Buy	1,554,000,000	3,233,458	5/04/12	—	(283,090)
Euro	DBAB	Sell	180,000	264,204	5/04/12	30,897	—
Philippine Peso	JPHQ	Buy	91,360,000	2,135,228	5/04/12	—	(65,286)
British Pound	DBAB	Sell	913,406	1,489,364	5/10/12	72,520	—
Euro	DBAB	Sell	600,000	844,476	5/10/12	66,711	—
Singapore Dollar	DBAB	Buy	3,707,640	3,000,000	5/10/12	—	(139,740)
Euro	DBAB	Sell	429,000	605,386	5/11/12	49,275	—
British Pound	DBAB	Sell	2,287,500	3,700,489	5/17/12	152,467	—
Indian Rupee	DBAB	Buy	28,359,000	594,279	6/01/12	—	(73,529)
Indian Rupee	HSBC	Buy	32,771,000	694,154	6/04/12	—	(92,666)
Euro	DBAB	Sell	1,053,792	1,505,279	6/06/12	138,679	—
Singapore Dollar	JPHQ	Buy	4,945,200	4,000,000	6/06/12	—	(183,766)
Euro	DBAB	Sell	2,000,000	2,831,300	6/07/12	237,578	—
Indian Rupee	DBAB	Buy	20,889,000	440,510	6/07/12	—	(57,286)
Indian Rupee	HSBC	Buy	5,576,000	118,412	6/08/12	—	(16,132)
Euro	DBAB	Sell	937,500	1,350,563	6/11/12	134,677	—
Indian Rupee	DBAB	Buy	5,655,000	120,038	6/11/12	—	(16,357)
Indian Rupee	HSBC	Buy	14,080,000	298,938	6/13/12	—	(40,871)
Indian Rupee	DBAB	Buy	14,156,000	299,852	6/18/12	—	(40,591)
Indian Rupee	DBAB	Buy	12,894,000	272,083	6/20/12	—	(36,008)
Euro	DBAB	Sell	2,926,890	3,846,449	6/27/12	49,453	—
Euro	UBSW	Sell	4,274,000	5,999,841	6/29/12	455,055	—
Japanese Yen	BOFA	Sell	620,288,000	8,001,909	6/29/12	—	(90,608)
British Pound	DBAB	Sell	297,656	474,018	7/09/12	12,604	—
Euro	DBAB	Sell	2,065,396	2,924,600	7/09/12	244,591	—
Indian Rupee	JPHQ	Buy	192,280,000	4,121,069	7/16/12	—	(612,407)
Euro	DBAB	Sell	900,000	1,280,340	7/25/12	112,165	—
Euro	BZWS	Sell	3,140,000	4,450,008	8/01/12	373,831	—
Euro	DBAB	Sell	1,056,111	1,501,209	8/06/12	130,093	—
Euro	CITI	Sell	317,220	445,361	8/08/12	33,508	—
British Pound	DBAB	Sell	169,385	275,589	8/09/12	13,106	—
Euro	CITI	Sell	92,411	130,027	8/09/12	10,046	—
Chilean Peso	JPHQ	Buy	1,141,336,600	2,333,745	8/20/12	—	(185,468)
Euro	DBAB	Sell	193,056	276,726	8/20/12	26,021	—
Japanese Yen	UBSW	Sell	32,055,000	420,228	8/20/12	1,433	—
Japanese Yen	JPHQ	Sell	15,928,000	208,359	8/20/12	261	—
Japanese Yen	DBAB	Sell	19,550,000	255,887	8/20/12	468	—
Japanese Yen	HSBC	Sell	65,957,000	865,478	8/20/12	3,757	—
Euro	UBSW	Sell	3,500,000	4,984,525	8/22/12	439,196	—
Euro	BZWS	Sell	2,124,000	3,043,692	8/22/12	285,327	—
Japanese Yen	MSCO	Sell	12,500,000	164,184	8/22/12	864	—
Japanese Yen	DBAB	Sell	15,915,000	209,026	8/22/12	1,086	—
Japanese Yen	BZWS	Sell	15,895,000	208,788	8/22/12	1,110	—
Euro	BZWS	Sell	263,159	378,423	8/23/12	36,661	—
Japanese Yen	FBCO	Sell	31,524,000	414,299	8/23/12	2,407	—

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Japanese Yen	CITI	Sell	31,757,000	418,075	8/23/12	$ 3,139	$ —
Japanese Yen	DBAB	Sell	15,708,000	207,130	8/23/12	1,890	—
Euro	BZWS	Sell	441,303	633,093	8/24/12	59,966	—
Japanese Yen	JPHQ	Sell	31,689,000	415,403	8/24/12	1,344	—
Euro	BZWS	Sell	3,068,753	4,414,138	8/27/12	428,475	—
Euro	DBAB	Sell	298,304	429,901	8/27/12	42,467	—
Japanese Yen	BZWS	Sell	44,152,000	578,929	8/27/12	1,977	—
Japanese Yen	DBAB	Sell	427,099,000	5,620,315	8/27/12	39,243	—
Japanese Yen	UBSW	Sell	34,903,000	459,054	8/27/12	2,962	—
Japanese Yen	JPHQ	Sell	15,991,000	210,270	8/27/12	1,309	—
Japanese Yen	HSBC	Sell	50,145,000	657,855	8/27/12	2,590	—
United States Dollar	UBSW	Buy	3,000,000	2,085,332 EUR	8/27/12	291,593	—
Euro	DBAB	Sell	1,383,356	1,980,412	8/29/12	183,656	—
Euro	DBAB	Sell	690,000	991,530	8/30/12	95,314	—
Japanese Yen	BZWS	Sell	37,600,000	493,438	8/30/12	2,064	—
Euro	DBAB	Sell	12,470	18,035	8/31/12	1,838	—
Japanese Yen	JPHQ	Sell	15,743,000	206,317	8/31/12	574	—
Euro	BZWS	Sell	271,320	380,960	9/10/12	28,479	—
Euro	BZWS	Sell	266,006	371,876	9/12/12	26,285	—
Euro	BZWS	Sell	759,073	1,038,279	9/14/12	52,065	—
Euro	UBSW	Sell	708,181	970,704	9/17/12	50,557	—
Euro	BZWS	Sell	178,354	247,234	9/19/12	15,488	—
Euro	BZWS	Sell	469,210	638,370	9/24/12	28,639	—
Euro	DBAB	Sell	185,654	249,909	10/04/12	8,605	—
Philippine Peso	DBAB	Buy	21,010,000	482,434	10/04/12	—	(8,916)
Philippine Peso	HSBC	Buy	16,853,000	382,319	10/04/12	—	(2,490)
Euro	UBSW	Sell	2,850,000	3,797,696	10/05/12	93,323	—
Philippine Peso	DBAB	Buy	25,119,000	576,785	10/05/12	—	(10,667)
Philippine Peso	HSBC	Buy	25,126,000	566,398	10/05/12	—	(122)
Philippine Peso	DBAB	Buy	20,621,000	473,774	10/09/12	—	(9,052)
Philippine Peso	JPHQ	Buy	6,636,000	152,132	10/09/12	—	(2,581)
Euro	BZWS	Sell	2,749,000	3,645,641	10/11/12	72,097	—
Philippine Peso	HSBC	Buy	24,786,000	569,911	10/11/12	—	(11,339)
Philippine Peso	DBAB	Buy	16,501,000	379,072	10/11/12	—	(7,209)
Philippine Peso	JPHQ	Buy	8,232,000	188,721	10/11/12	—	(3,206)
Philippine Peso	DBAB	Buy	4,913,000	112,554	10/12/12	—	(1,838)
Euro	DBAB	Sell	121,043	166,845	10/15/12	9,483	—
Philippine Peso	JPHQ	Buy	18,311,000	420,018	10/15/12	—	(7,386)
Philippine Peso	HSBC	Buy	8,192,000	187,739	10/15/12	—	(3,135)
Euro	DBAB	Sell	587,951	811,125	10/18/12	46,710	—
Japanese Yen	DBAB	Sell	382,080,000	5,015,687	10/22/12	14,903	—
Philippine Peso	JPHQ	Buy	237,550,000	5,469,721	10/22/12	—	(117,085)
Euro	BZWS	Sell	217,715	299,162	10/24/12	16,068	—
Euro	BZWS	Sell	1,659,340	2,302,168	10/25/12	144,488	—
Euro	CITI	Sell	648,569	902,918	10/26/12	59,551	—
Euro	BZWS	Sell	1,993,000	2,759,886	10/26/12	168,286	—
Japanese Yen	JPHQ	Sell	270,990,000	3,577,355	10/26/12	30,128	—
Euro	UBSW	Sell	2,679,000	3,729,168	10/29/12	245,307	—
Euro	DBAB	Sell	1,494,524	2,106,995	10/31/12	163,385	—
Japanese Yen	JPHQ	Sell	360,360,000	4,785,340	10/31/12	67,564	—
Euro	DBAB	Sell	243,767	339,065	11/02/12	22,036	—

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Euro	BZWS	Sell	529,706	730,253	11/05/12	$ 41,304	$ —
Euro	BZWS	Sell	473,670	651,367	11/08/12	35,262	—
Euro	BZWS	Sell	227,970	311,031	11/15/12	14,466	—
Euro	UBSW	Sell	1,480,440	2,011,770	11/19/12	85,709	—
Euro	BZWS	Sell	63,419	86,938	11/19/12	4,429	—
Euro	BZWS	Sell	221,993	301,245	11/21/12	12,418	—
Euro	BZWS	Sell	201,376	273,328	11/23/12	11,314	—
Euro	UBSW	Sell	2,020,000	2,731,444	12/03/12	102,642	—
Japanese Yen	BZWS	Sell	257,790,000	3,343,580	12/06/12	—	(35,006)
Euro	DBAB	Sell	5,466,617	7,331,882	12/10/12	216,653	—
Euro	UBSW	Sell	3,400,000	4,552,566	12/10/12	127,201	—
Japanese Yen	UBSW	Sell	351,760,000	4,586,778	12/12/12	—	(24,206)
British Pound	DBAB	Sell	600,000	922,440	12/17/12	—	(6,200)
Euro	DBAB	Sell	486,875	639,705	12/17/12	5,906	—
Euro	CITI	Sell	3,868,000	5,051,879	12/17/12	16,636	—
Euro	DBAB	Sell	262,167	343,177	12/20/12	1,874	—
Euro	UBSW	Sell	2,137,312	2,799,559	12/20/12	17,098	—
Unrealized appreciation (depreciation)						8,120,202	(5,284,253)
Net unrealized appreciation (depreciation)						$2,835,949	

*In U.S. dollars unless otherwise indicated.

At December 31, 2011, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Credit Default Swap Contracts

Description	Counter-party[a]	Notional Amount[b]	Periodic Payment Rate	Expiration Date	Upfront Premiums Paid (Received)	Unrealized Appreciation	Unrealized Depreciation	Market Value	Rating[c]
Contracts to Sell Protection[d]									
Traded Index CDX.NA.HY.17	GSCO	$34,300,000	5.00%	12/20/16	$(3,118,516)	$776,779	$ —	$(2,341,737)	Non Investment Grade
Net unrealized appreciation (depreciation)						$776,779			

[a]Positions are generally not collateralized if the market value is under $250,000. Collateral requirements may be net of current positions at the individual counterparty for the fund. The table below summarizes the cash and/or securities held as collateral for each applicable counterparty at year end:

Counterparty	Collateral Posted (Received)
GSCO	$2,520,000

[b]In U.S. dollars unless otherwise indicated. For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse provisions have been entered into in association with the contracts.
[c]Based on Standard and Poor's (S&P) Rating for single name swaps and internal ratings for index swaps. Internal ratings based on mapping into equivalent ratings from external vendors.
[d]The fund enters contracts to sell protection to create a long credit position. Performance triggers include failure to pay or bankruptcy for traded index swaps.

See Abbreviations on page 47.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2011

	Franklin Strategic Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$1,284,412,709
Cost - Sweep Money Fund (Note 7)	61,664,899
Total cost of investments	$1,346,077,608
Value - Unaffiliated issuers	$1,275,990,254
Value - Sweep Money Fund (Note 7)	61,664,899
Total value of investments	1,337,655,153
Cash	847,366
Restricted cash (Note 1h)	3,195,000
Foreign currency, at value (cost $7,031,003)	7,047,028
Receivables:	
Investment securities sold	2,652,552
Capital shares sold	900,182
Interest	17,023,682
Due from brokers	4,800,000
Unrealized appreciation on forward exchange contracts	8,120,202
Unrealized appreciation on swap contracts	776,779
Other assets	38
Total assets	1,383,017,982
Liabilities:	
Payables:	
Investment securities purchased	12,518,170
Capital shares redeemed	883,253
Affiliates	789,323
Due to brokers	3,195,000
Swaps (premiums received $3,279,938)	3,118,516
Unrealized depreciation on forward exchange contracts	5,284,253
Unrealized depreciation on unfunded loan commitments (Note 9)	3,519
Deferred tax	276,888
Accrued expenses and other liabilities	723,306
Total liabilities	26,792,228
Net assets, at value	$1,356,225,754
Net assets consist of:	
Paid-in capital	$1,276,208,900
Undistributed net investment income	84,105,225
Net unrealized appreciation (depreciation)	(5,363,380)
Accumulated net realized gain (loss)	1,275,009
Net assets, at value	$1,356,225,754

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
December 31, 2011

	Franklin Strategic Income Securities Fund
Class 1:	
Net assets, at value	$1,043,689,988
Shares outstanding	83,136,790
Net asset value and maximum offering price per share	$ 12.55
Class 2:	
Net assets, at value	$ 123,749,477
Shares outstanding	10,086,825
Net asset value and maximum offering price per share	$ 12.27
Class 4:	
Net assets, at value	$ 188,786,289
Shares outstanding	15,177,270
Net asset value and maximum offering price per share	$ 12.44

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2011

	Franklin Strategic Income Securities Fund
Investment income:	
Dividends	$ 62,486
Interest	85,886,794
Total investment income	85,949,280
Expenses:	
Management fees (Note 3a)	4,911,675
Administrative fees (Note 3b)	2,884,139
Distribution fees: (Note 3c)	
Class 2	291,663
Class 4	677,463
Unaffiliated transfer agent fees	1,640
Custodian fees (Note 4)	336,834
Reports to shareholders	341,770
Professional fees	85,026
Trustees' fees and expenses	5,488
Other	72,858
Total expenses	9,608,556
Expense reductions (Note 4)	(13)
Net expenses	9,608,543
Net investment income	76,340,737
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	39,350,684
Foreign currency transactions	(3,783,546)
Swap contracts	(2,052,379)
Net realized gain (loss)	33,514,759
Net change in unrealized appreciation (depreciation) on:	
Investments	(72,662,023)
Translation of other assets and liabilities denominated in foreign currencies	1,856,972
Change in deferred taxes on unrealized appreciation	(276,888)
Net change in unrealized appreciation (depreciation)	(71,081,939)
Net realized and unrealized gain (loss)	(37,567,180)
Net increase (decrease) in net assets resulting from operations	$ 38,773,557

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Strategic Income Securities Fund	
	Year Ended December 31, 2011	2010
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 76,340,737	$ 82,801,087
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	33,514,759	57,948,653
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	(71,081,939)	13,730,001
Net increase (decrease) in net assets resulting from operations	38,773,557	154,479,741
Distributions to shareholders from and net foreign currency gains:		
Net investment income:		
Class 1	(69,631,166)	(57,255,268)
Class 2	(7,304,903)	(3,841,288)
Class 4	(11,235,444)	(8,302,315)
Total distributions to shareholders	(88,171,513)	(69,398,871)
Capital share transactions: (Note 2)		
Class 1	(114,013,494)	(48,613,654)
Class 2	27,304,975	28,343,361
Class 4	7,657,719	16,237,324
Total capital share transactions	(79,050,800)	(4,032,969)
Net increase (decrease) in net assets	(128,448,756)	81,047,901
Net assets:		
Beginning of year	1,484,674,510	1,403,626,609
End of year	$1,356,225,754	$1,484,674,510
Undistributed net investment income included in net assets:		
End of year	$ 84,105,225	$ 83,363,411

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

Franklin Strategic Income Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Franklin Strategic Income Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2011, 91.92% of the Fund's shares were held through one insurance company. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in securities and other financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees, the Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Investments in open-end mutual funds are valued at the closing net asset value.

Debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the date that the values of the foreign debt securities are determined.

Certain derivative financial instruments (derivatives) trade in the over-the-counter market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair market value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. The Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Trust's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Securities Purchased on a Delayed Delivery Basis

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

d. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown on the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The Fund entered into forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency for a specific exchange rate on a future date. Pursuant to the terms of the forward exchange contracts, cash or securities may be required to be deposited as collateral. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, or a tranche of a credit index. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Payments received or paid to initiate a credit default swap contract are reflected on the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments are amortized over the term of the contract as a realized gain or loss on the Statement of Operations. Pursuant to the terms of the credit default swap contract, cash or securities may be required to be deposited as collateral. Unrestricted cash may be invested according to the Fund's investment objectives.

At December 31, 2011, the Fund holds $2,230,469 in U.S. treasury notes as collateral for derivatives.

See Note 10 regarding other derivative information.

e. FT Holdings Corporation III

The Fund invests in certain securities through its investment in FT Holdings Corporation III, a Delaware Corporation and a wholly-owned subsidiary (Subsidiary) of the Fund. The Subsidiary has the ability to invest in securities consistent with the investment objective of the Fund. At December 31, 2011, all Subsidiary investments as well as any other assets and liabilities are reflected in the Fund's Statement of Investments and Statement of Assets and Liabilities. All income and expenses of the Subsidiary during the period ended December 31, 2011, have been included in the Fund's Statement of Operations.

f. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution to simultaneously sell and repurchase mortgage-backed securities at a future date. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

g. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity.

Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to some restrictions on resale.

h. Restricted Cash

At December 31, 2011, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian/counterparty broker and is reflected in the Statement of Assets and Liabilities.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2011, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

j. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Dividend income is recorded on the ex-dividend date. Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income on the Statement of Operations.

k. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2011, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2011		2010	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	2,569,621	$ 33,265,626	4,513,968	$ 56,940,927
Shares issued in reinvestment of distributions	5,474,148	69,631,166	4,747,535	57,255,268
Shares redeemed	(16,887,770)	(216,910,286)	(12,820,410)	(162,809,849)
Net increase (decrease)	(8,844,001)	$(114,013,494)	(3,558,907)	$ (48,613,654)
Class 2 Shares:				
Shares sold	3,778,943	$ 48,008,160	3,451,058	$ 42,785,482
Shares issued in reinvestment of distributions	586,739	7,304,903	324,982	3,841,288
Shares redeemed	(2,243,563)	(28,008,088)	(1,474,432)	(18,283,409)
Net increase (decrease)	2,122,119	$ 27,304,975	2,301,608	$ 28,343,361
Class 4 Shares:				
Shares sold	2,126,744	$ 27,218,734	2,251,182	$ 28,170,784
Shares issued on reinvestment of distributions	889,584	11,235,444	693,015	8,302,315
Shares redeemed	(2,444,718)	(30,796,459)	(1,626,043)	(20,235,775)
Net increase (decrease)	571,610	$ 7,657,719	1,318,154	$ 16,237,324

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

3. TRANSACTIONS WITH AFFILIATES (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.425%	Up to and including $500 million
0.325%	Over $500 million, up to and including $1 billion
0.280%	Over $1 billion, up to and including $1.5 billion
0.235%	Over $1.5 billion, up to and including $6.5 billion
0.215%	Over $6.5 billion, up to and including $11.5 billion
0.200%	Over $11.5 billion, up to and including $16.5 billion
0.190%	Over $16.5 billion, up to and including $19 billion
0.180%	Over $19 billion, up to and including $21.5 billion
0.170%	In excess of $21.5 billion

b. Administrative Fees

The Fund pays an administrative fee to FT Services of 0.20% per year of the average daily net assets of the Fund.

c. Distribution Fees

The Trust's Board of Trustees has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.25% and 0.35% per year of its average daily net assets of Class 2 and Class 4, respectively.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2011, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

During the year ended December 31, 2011, the Fund utilized $19,139,048 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2011 and 2010, was as follows:

	2011	2010
Distributions paid from ordinary income	$88,171,513	$69,467,803

5. INCOME TAXES (continued)

At December 31, 2011, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	$1,349,774,143
Unrealized appreciation	$ 49,514,420
Unrealized depreciation	(61,633,410)
Net unrealized appreciation (depreciation)	$ (12,118,990)
Undistributed ordinary income	$ 95,083,077
Undistributed long term capital gains	1,471,874
Distributable earnings	$ 96,554,951

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of defaulted securities, foreign currency transactions, paydown losses, payments-in-kind, bond discounts and premiums, swaps, tax straddles, inflation related adjustments on foreign securities and wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2011, aggregated $731,197,297 and $879,119,073, respectively.

7. INVESTMENTS IN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund invests in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

8. CREDIT RISK AND DEFAULTED SECURITIES

At December 31, 2011, the Fund had 51.84% of its portfolio invested in high yield securities, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At December 31, 2011, the aggregate value of these securities was $5,290,001, representing 0.39% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified on the accompanying Statement of Investments.

9. UNFUNDED LOAN COMMITMENTS

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Funded portions of credit agreements are presented on the Statement of Investments.

9. UNFUNDED LOAN COMMITMENTS (continued)

At December 31, 2011, unfunded commitments were as follows:

Borrower	Unfunded Commitment
EnviroSolutions Real Property Holdings Inc., DIP Revolver	$703,908

Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and Statement of Operations.

10. OTHER DERIVATIVE INFORMATION

At December 31, 2011, the Fund has invested in derivative contracts which are reflected on the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Assets and Liabilities Location	Fair Value Amount	Statement of Assets and Liabilities Location	Fair Value Amount
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	$8,120,202	Unrealized depreciation on forward exchange contracts	$5,284,253
Credit contracts	Unrealized appreciation on swap contracts	776,779		

For the year ended December 31, 2011, the effect of derivative contracts on the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Realized Gain (Loss) for the Year	Change in Unrealized Appreciation (Depreciation) for the Year
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	$(3,810,538)	$2,349,306
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	(2,052,379)	776,779

For the year ended December 31,2011, the average month end market value of derivatives represented 0.86% of average month end net assets. The average month end number of open derivative contracts for the year was 163.

See Note 1(d) regarding derivative financial instruments.

11. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $750 million (Global Credit Facility) which matured on January 20, 2012. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective January 20, 2012, the Borrowers renewed the Global Credit Facility for a total of $1.5 billion, maturing January 18, 2013.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the year ended December 31, 2011, the Fund did not use the Global Credit Facility.

12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

12. FAIR VALUE MEASUREMENTS (continued)

The following is a summary of the inputs used as of December 31, 2011, in valuing the Fund's assets and liabilities carried at fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities				
Equity Investments:[a]				
Consumer Durables & Apparel	$ —	$ —	$ 343,060	$ 343,060
Media	66,400	5,040,820	—	5,107,220
Other Equity Investments[b]	669,164	1,948,985	—	2,618,149
Convertible Bonds	—	2,620,000	—	2,620,000
Corporate Bonds	—	490,645,836	—	490,645,836
Senior Floating Rate Interests	—	217,061,631	1,341,906	218,403,537
Foreign Government and Agency Securities	—	325,273,503	—	325,273,503
U.S. Government and Agency Securities	—	20,941,544	—	20,941,544
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	46,457,346	—	46,457,346
Mortgage-Backed Securities	—	67,488,463	—	67,488,463
Municipal Bonds	—	47,575,414	—	47,575,414
Short Term Investments	61,664,899	48,516,182	—	110,181,081
Total Investments in Securities	$62,400,463	$1,273,569,724	$1,684,966	$1,337,655,153
Forward Exchange Contracts	—	8,120,202	—	8,120,202
Swaps	—	776,779	—	776,779
Liabilities:				
Forward Exchange Contracts	—	5,284,253	—	5,284,253
Unfunded Loan Commitments	—	3,519	—	3,519

[a]Includes common and preferred stocks.
[b]For detailed categories, see the accompanying Statement of Investments.

At December 31, 2011, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	Balance at Beginning of Year	Purchases	Sales	Transfers Into Level 3	Transfers Out of Level 3[a]	Cost Basis Adjustments[b]	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Assets										
Investments in Securities:										
Equity Investments:[c]										
Consumer Services	$1,901,449	$ —	$ —	$—	$(1,901,449)	$ —	$ —	$ —	$ —	$ —
Consumer Durables & Apparel	—[d]	113,482	—	—	—	—	—	229,578	343,060	229,578
Senior Floating Rate Interests	835,411	718,849	(309,097)	—	—	114,710	59,561	(77,528)	1,341,906	(3,315)
Total	$2,736,860	$832,331	$(309,097)	$—	$(1,901,449)	$114,710	$59,561	$152,050	$1,684,966	$226,263

[a]The investment was transferred out of Level 3 as a result of the availability of a quoted price in an active market for identical securities.
[b]May include accretion, amortization, partnership adjustments, and/or other cost basis adjustments.
[c]Includes common and preferred stocks.
[d]Includes securities determined to have no value.

13. NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in the ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards) and include new guidance for certain fair value measurement principles and disclosure requirements. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Counterparty

BOFA - Bank of America N.A.
BZWS - Barclays Bank PLC
CITI - Citigroup, Inc.
DBAB - Deutsche Bank AG
FBCO - Credit Suisse Group AG
HSBC - HSBC Bank USA, N.A.
JPHQ - JPMorgan Chase & Co.
MSCO - Morgan Stanley
UBSW - UBS AG

Currency

AUD - Australian Dollar
BRL - Brazilian Real
EGP - Egyptian Pound
EUR - Euro
GBP - British Pound
HUF - Hungarian Forint
IDR - Indonesian Rupiah
ILS - New Israeli Shekel
KRW - South Korean Won
LKR - Sri Lankan Rupee
MXN - Mexican Peso
MYR - Malaysian Ringgit
NOK - Norwegian Krone
PHP - Philippine Peso
PLN - Polish Zloty
SEK - Swedish Krona
SGD - Singapore Dollar
UYU - Uraguayan Peso

Selected Portfolio

AGMC - Assured Guaranty Municipal Corp.
CDO - Collateralized Debt Obligation
CLO - Collateralized Loan Obligation
DIP - Debtor-In-Possession
FGIC - Financial Guaranty Insurance Co.
FICO - Financing Corp.
FRN - Floating Rate Note
GO - General Obligation
ID - Improvement District
IDA - Industrial Development Authority/Agency
L/C - Letter of Credit
NATL - National Public Financial Guarantee Corp.
NATL RE - National Public Financial Guarantee Corp. Reinsured
PIK - Payment-In-Kind
SBA - Small Business Administration
SF - Single Family
USD - Unified/Union School District

Franklin Templeton Variable Insurance Products Trust

Franklin Strategic Income Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Strategic Income Securities Fund (the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2012

This annual report for Templeton Growth Securities Fund covers the fiscal year ended December 31, 2011.

Templeton Growth Securities Fund – Class 2

Performance Summary as of 12/31/11

Average annual total return of Class 2 shares represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/11

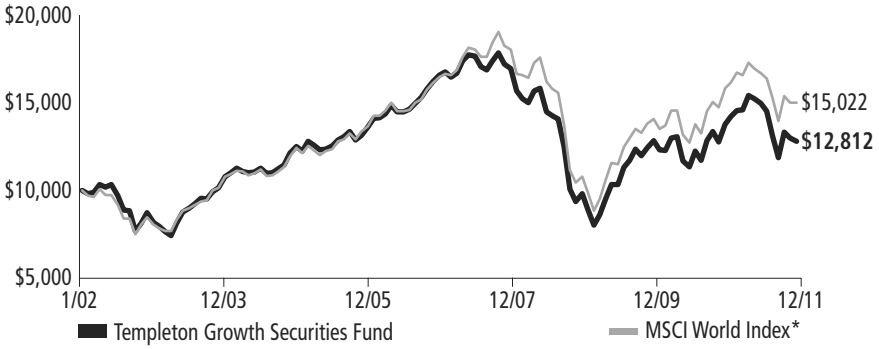
	1-Year	5-Year	10-Year
Average Annual Total Return	-6.97%	-5.02%	+2.51%

Performance reflects the Fund's Class 2 operating expenses, but does *not* include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/02–12/31/11)

The graph below shows the change in value of a hypothetical $10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the MSCI World Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



*Source: © 2012 Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Foreign investing, especially in emerging or developing markets, involves additional risks, including currency fluctuations, economic instability, market volatility, and political and social instability. The Fund may have significant investments in one or more countries or in particular sectors, such as financial services, from time to time and may be at greater risk of adverse developments in a country or sector than a fund that invests more broadly. Because the Fund may invest in bonds and other debt obligations, its share price and yield may be affected by interest rate movements. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Fund Goal and Main Investments: Templeton Growth Securities Fund seeks long-term capital growth. The Fund normally invests primarily in equity securities of companies located anywhere in the world, including those in the U.S. and in emerging markets.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. The Fund underperformed the -5.02% total return of the MSCI World Index for the period under review.[1]

Economic and Market Overview

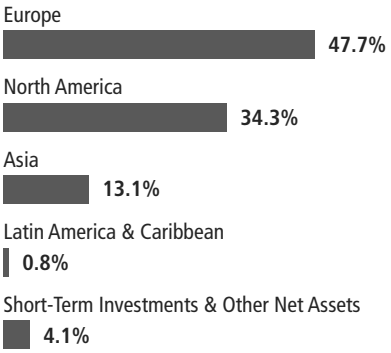
Global stocks declined in 2011 as deepening sovereign debt, political paralysis and economic growth concerns led to escalating investor anxiety and severe market volatility. Stocks entered the year supported by positive momentum in corporate earnings and renewed economic stimulus measures in the developed world. However, a number of events interrupted the market's rise early in 2011, including a severe natural disaster and nuclear crisis in Japan and populist uprisings across the oil-and-gas-producing regions of the Middle East and North Africa. Global markets recovered quickly from these setbacks but soon faced more significant turmoil as Europe's sovereign debt crisis worsened in the summer. Portugal, Greece and Ireland received bailouts and had their credit ratings slashed to junk grade, while rising bond yields in the larger economies of Italy and Spain, and eventually in the critical core economies of Germany and France, threatened the survival of the European Monetary Union. The U.S.'s sovereign debt issues and political dysfunction, accompanied by the downgrade of its AAA credit rating to AA+, further pressured investor sentiment during the summer months. Additionally, the precarious state of the global banking system as well as emerging signs of a renewed global economic slowdown and possible hard landing in China weighed on the markets.

Despite these global challenges, corporate profits remained remarkably resilient, some signs of U.S. economic improvement emerged toward year-end, and European policymakers ultimately stepped up their response to their sovereign debt and banking crisis. Greek and Italian prime ministers were replaced with technocrats tasked with arresting a debt spiral, the European Central Bank cut short-term interest rates and expanded bank lending facilities, and six key global central banks agreed

1. Source: © 2012 Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

to lower dollar funding costs for Europe's distressed commercial banks. Meanwhile, the Federal Reserve Board increased purchases of long-dated bonds to reduce key borrowing costs and hinted at "additional policy accommodation." Chinese policymakers lowered commercial bank reserve requirements and the International Monetary Fund revamped its credit line and eased its lending terms. Commodities initially rallied due to the coordinated monetary stimulus, but most ultimately declined as global economic prospects weakened. Gold and oil, however, made annual gains. In currency markets, the euro declined with escalating weakness at year-end, while the dollar ultimately rose after a late surge. Amid general global market declines, perceived safe-haven currencies such as the Japanese yen and Swiss franc rallied strongly, and U.S. Treasuries posted their best one-year return since 2008.

Geographic Breakdown
Templeton Growth Securities Fund
Based on Total Net Assets as of 12/31/11



Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. In choosing investments, we will focus on the market price of a company's securities relative to our evaluation of the company's potential long-term earnings, asset value and cash flow. Among factors we may consider are a company's historical value measures, including price/earnings ratio, profit margins and liquidation value. We do in-depth research to construct a bargain list from which we buy.

Manager's Discussion

Global stocks, as measured by the MSCI World Index, declined in 2011 amid sensitivity to the changing global economic outlook. In our opinion, investors overlooked business fundamental prospects during the period as they focused on short-term economic or political developments. Although equity markets began 2011 with positive momentum after stocks staged a strong rally in the last six months of 2010, growing concerns about economic growth rates and sovereign debt led to heightened volatility. Traditionally defensive sectors and regions ultimately led market returns in 2011.

For the Fund, allocations and stock selection among defensive and cyclical sectors delivered some of the best returns. Among defensive sectors, health care holdings outperformed the MSCI World Index in absolute terms.[2] Our health care positions also aided relative returns, benefiting from an overweighted Fund allocation as well as stock-specific

2. The health care sector comprises biotechnology, health care equipment and supplies, health care providers and services, life sciences tools and services, and pharmaceuticals in the SOI.

Top 10 Holdings
Templeton Growth Securities Fund
12/31/11

Company *Sector/Industry, Country*	% of Total Net Assets
Amgen Inc. *Biotechnology, U.S.*	2.5%
Pfizer Inc. *Pharmaceuticals, U.S.*	2.4%
Microsoft Corp. *Software, U.S.*	2.3%
Samsung Electronics Co. Ltd. *Semiconductors & Semiconductor Equipment, South Korea*	2.3%
Sanofi *Pharmaceuticals, France*	2.2%
GlaxoSmithKline PLC *Pharmaceuticals, U.K.*	2.2%
Royal Dutch Shell PLC *Oil, Gas & Consumable Fuels, U.K.*	2.1%
Vodafone Group PLC *Wireless Telecommunication Services, U.K.*	2.0%
Singapore Telecommunications Ltd. *Diversified Telecommunication Services, Singapore*	2.0%
Comcast Corp. *Media, U.S.*	1.8%

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI).

strength. Two major pharmaceuticals manufacturers, the U.S.'s Pfizer and the U.K.'s GlaxoSmithKline, along with U.S. biotechnology firm Amgen, represented top sector contributors. Although we believe the global health care sector's strength was partly attributable to the market's defensive rotation, we believe pharmaceuticals industry valuations at roughly half their long-term average present the opportunity for future outperformance given the industry's strong fundamentals and long-term earnings potential we believe has been overlooked.

Among cyclical sectors, the Fund's materials holdings helped relative results, benefiting from our underweighted exposure during a period of commodity price weakness and from stock selection within the sector.[3] Our underweighting of what we viewed as expensive metals and mining stocks and our selective participation in the undervalued construction materials industry notably contributed to performance. With overall metals prices barely off their 100-year highs in 2011, we found what we considered to be more attractive value opportunities elsewhere. Energy stocks, for example, seemed to offer compelling cyclically leveraged opportunities given valuations that we believed understated future earnings potential for select firms capable of extracting increasingly valuable carbon reserves.[4] The Fund's energy holdings were key contributors in 2011, led by European oil companies from outside the eurozone, including the U.K.'s Royal Dutch Shell and Norway's Statoil. Shell is consolidating its operational and financial turnaround with production volume growth above consensus expectations and consistent earnings, and we remained favorable toward the stock at recent, low valuations.

The relative contribution of the Fund's consumer discretionary positions demonstrated, in our opinion, how value-oriented stock selection can add value.[5] Strong corporate fundamentals helped the Fund's holdings in the diverse consumer discretionary sector, led by South Korean auto manufacturer Hyundai Motor[6] and U.S.-based media conglomerate News Corp., which ultimately posted strong annual gains despite considerable controversy and volatility in 2011.

Industrials represent another sector where we believe investors overlooked certain company management's prudent capital allocation

3. The materials sector comprises chemicals, construction materials, metals and mining, and paper and forest products in the SOI.
4. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.
5. The consumer discretionary sector comprises auto components; automobiles; hotels, restaurants and leisure; Internet and catalog retail; media; multiline retail; and specialty retail in the SOI.
6. This holding is not an index component and was sold during the period.

strategies within an attractive global opportunity set.[7] The Fund's industrials stock selection detracted from performance as we believe investors treated industrial concerns as economic proxies, indiscriminately selling as global growth prospects dimmed. Early cyclical professional services firms such as Switzerland's Adecco and the Netherlands' Randstad Holding were easy targets for increasingly pessimistic investors, as were cyclical airline stocks such as International Consolidated Airlines Group, the parent of British Airways and Spain's Iberia. Share price declines even affected Fund holdings we believed would be more resilient amid cyclicality, such as global industrial conglomerates including Germany's Siemens and the Netherlands' Koninklijke Philips Electronics. We remained favorable toward these stocks given their low valuations and leading market positions across a diverse range of product lines and geographies.

Among cyclical sectors, our financials stock selection was another significant detractor, with weakness from European financial concerns such as Italy's Unicredit and France's Credit Agricole.[8] While we remained cautiously underweighted given the sector's lack of political and regulatory visibility, we believe contrarian investors can find selective financials opportunities in this environment. Europe's average bank price-to-book multiple stood at 0.6 times at year-end compared to an average of 1.5 times over the last decade.[9] This valuation seems overly negative, even acknowledging that the higher capital requirements mandated under accelerated Basel III regulatory provisions may restrain future industry returns. U.S. banks traded at undemanding valuations despite having repaid nearly all federal bailout funds and having what we believe to be dramatically improved capital ratios, credit losses, liquidity, loan-to-value ratios and earnings. Although Asian bank valuations traded at somewhat higher valuations, many Asian bank stocks looked reasonable to us given the region's higher returns on equity, stronger balance sheets and secular earnings drivers. In our assessment, select opportunities also emerged for investment banks, asset managers and insurers whose valuations we believe overstated the long-term risks of systemic volatility and muted economic growth.

7. The industrials sector comprises aerospace and defense, air freight and logistics, airlines, commercial services and supplies, construction and engineering, electrical equipment, industrial conglomerates, machinery, professional services, road and rail, and trading companies and distributors in the SOI.
8. The financials sector comprises capital markets, commercial banks, consumer finance, diversified financial services, insurance, and real estate management and development in the SOI.
9. Source: MSCI, Inc.

We found less long-term potential in the consumer staples sector, where a 30% premium valuation to the broader market seemed unjustified given the potential margin impact of growing competitive pressures and volatile input prices.[9,10] Our resulting underweighting detracted from relative performance during the year because in our view, risk-averse investors flocked to staples stocks for their perceived defensive characteristics. We found compelling opportunities in telecommunication services, where robust dividend yields and diverse global growth opportunities were available at what we believed were low valuations.[11] Although the Fund's overweighted position contributed to performance, Fund holding U.S. wireless carrier Sprint Nextel declined mainly due to growing liquidity concerns. We believed Sprint's cash flow issues were largely a function of better-than-expected growth, and though increased capital expenditures may constrain the firm's liquidity in the near-term, we believe they represent a critical investment in the firm's long-term competitive prospects.

From a regional perspective, stock selection in Asia benefited relative performance. Although a steady stream of negative news flowed out of developed Europe, global emerging markets represented the worst-performing group in 2011 as investor capital retreated to traditionally safe-haven markets. This trend supported bellwether U.S. stocks, although the Fund's underweighting in North America offset much of the stock selection benefit. Value-added stock selection in Europe did not offset our detractive overweighting in the troubled region during the year, and European stocks ultimately lagged.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2011, the U.S. dollar rose in value relative to most currencies. As a result, the Fund's performance was negatively affected by the portfolio's substantial investment in securities with non-U.S. currency exposure.

10. The consumer staples sector comprises food and staples retailing and food products in the SOI.
11. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI.

At year-end, we believe increasing fiscal consolidation and regulation in the developed world and a potential slowdown in emerging markets following the withdrawal of immense stimulus may increase the likelihood of a period of below trend economic growth. The importance of strong business fundamentals may again rise to the forefront, benefiting a value philosophy that has been challenging in macro-driven markets but performed well over longer term horizons. Volatility can continue to create compelling equity opportunities for disciplined, long-term value investors. We believe investors should also focus on total return as company managers seek to enhance shareholder value in an uncertain environment, keeping in mind that dividend income has accounted for 71% of total returns for the MSCI World Index since 1970.[9] International equities looked attractive to us with an average earnings yield of over 8% and dividend yield of 3.5%, compared to 10-year Treasuries, German bunds and Japanese government bonds, which were each yielding at or below 2.0% at year-end.[12] We remember the words of Sir John Templeton, who advised, "Whenever you can buy a large amount of future earnings power for a low price, you have made a good investment."

Thank you for your participation in Templeton Growth Securities Fund. We look forward to serving your future investment needs.

12. Sources: Bloomberg LP (U.S. Treasury and Japanese government bonds); Deutsche Bundesbank (German bunds).

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2011, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Templeton Growth Securities Fund – Class 2

Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, redemption fees, surrender fees, transfer fees and premium taxes.
- Ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses.

The expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract level. While the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

The table shows Fund-level ongoing expenses and can help you understand these expenses and compare them with those of other mutual funds offered through the Contract. The table assumes a $1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/11	Ending Account Value 12/31/11	Fund-Level Expenses Incurred During Period* 7/1/11–12/31/11
Actual	$1,000	$ 856.80	$4.82
Hypothetical (5% return before expenses)	$1,000	$1,020.01	$5.24

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.03%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Templeton Growth Securities Fund

	Year Ended December 31,				
Class 1	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.19	$ 10.56	$ 8.34	$ 15.68	$ 16.16
Income from investment operations[a]:					
Net investment income[b]	0.25	0.17	0.17	0.29	0.27
Net realized and unrealized gains (losses)	(0.99)	0.62	2.36	(6.50)	0.19
Total from investment operations	(0.74)	0.79	2.53	(6.21)	0.46
Less distributions from:					
Net investment income	(0.18)	(0.16)	(0.31)	(0.26)	(0.25)
Net realized gains	—	—	—	(0.87)	(0.69)
Total distributions	(0.18)	(0.16)	(0.31)	(1.13)	(0.94)
Net asset value, end of year	$ 10.27	$ 11.19	$ 10.56	$ 8.34	$ 15.68
Total return[c]	(6.80)%	7.74%	31.33%	(42.13)%	2.55%
Ratios to average net assets					
Expenses before expense reduction	0.78%	0.77%	0.79%	0.78%	0.77%
Expenses net of expense reduction	0.78%[d]	0.77%[d]	0.79%[d]	0.78%[d]	0.76%
Net investment income	2.22%	1.71%	2.00%	2.64%	1.64%
Supplemental data					
Net assets, end of year (000's)	$1,200,682	$1,348,622	$824,575	$ 371,700	$406,538
Portfolio turnover rate	42.13%[e]	9.61%	14.95%	18.37%	20.45%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Templeton Growth Securities Fund

	Year Ended December 31,				
Class 2	**2011**	**2010**	**2009**	**2008**	**2007**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.01	$ 10.40	$ 8.20	$ 15.44	$ 15.93
Income from investment operations[a]:					
Net investment income[b]	0.21	0.15	0.16	0.29	0.22
Net realized and unrealized gains (losses)	(0.96)	0.60	2.32	(6.44)	0.20
Total from investment operations	(0.75)	0.75	2.48	(6.15)	0.42
Less distributions from:					
Net investment income	(0.15)	(0.14)	(0.28)	(0.22)	(0.22)
Net realized gains	—	—	—	(0.87)	(0.69)
Total distributions	(0.15)	(0.14)	(0.28)	(1.09)	(0.91)
Net asset value, end of year	$ 10.11	$ 11.01	$ 10.40	$ 8.20	$ 15.44
Total return[c]	(6.97)%	7.39%	31.10%	(42.32)%	2.35%
Ratios to average net assets					
Expenses before expense reduction	1.03%	1.02%	1.04%	1.03%	1.02%
Expenses net of expense reduction	1.03%[d]	1.02%[d]	1.04%[d]	1.03%[d]	1.01%
Net investment income	1.97%	1.46%	1.75%	2.39%	1.39%
Supplemental data					
Net assets, end of year (000's)	$1,254,193	$1,626,885	$1,718,894	$1,513,557	$3,182,203
Portfolio turnover rate	42.13%[e]	9.61%	14.95%	18.37%	20.45%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[b]Based on average daily shares outstanding.
[c]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.
[d]Benefit of expense reduction rounds to less than 0.01%.
[e]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Templeton Growth Securities Fund

	Year Ended December 31,			
Class 4	**2011**	**2010**	**2009**	**2008[a]**
Per share operating performance (for a share outstanding throughout the year)				
Net asset value, beginning of year	$ 11.11	$ 10.50	$ 8.31	$ 14.08
Income from investment operations[b]:				
Net investment income[c]	0.20	0.14	0.14	0.09
Net realized and unrealized gains (losses)	(0.98)	0.61	2.36	(4.73)
Total from investment operations	(0.78)	0.75	2.50	(4.64)
Less distributions from:				
Net investment income[e]	(0.14)	(0.14)	(0.31)	(0.26)
Net realized gains	—	—	—	(0.87)
Total distributions	(0.14)	(0.14)	(0.31)	(1.13)
Net asset value, end of year	$ 10.19	$ 11.11	$ 10.50	$ 8.31
Total return[d]	(7.14)%	7.31%	30.98%	(35.79)%
Ratios to average net assets[e]				
Expenses[f]	1.13%	1.12%	1.14%	1.13%
Net investment income	1.87%	1.36%	1.65%	2.29%
Supplemental data				
Net assets, end of year (000's)	$ 56,170	$60,569	$ 56,218	$ 24,877
Portfolio turnover rate	42.13%[g]	9.61%	14.95%	18.37%

[a]For the period February 29, 2008 (effective date) to December 31, 2008.
[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.
[c]Based on average daily shares outstanding.
[d]Total return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which the Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle. Total return is not annualized for periods less than one year.
[e]Ratios are annualized for periods less than one year.
[f]Benefit of expense reduction rounds to less than 0.01%.
[g]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks 94.7%			
Aerospace & Defense 0.4%			
BAE Systems PLC	United Kingdom	2,385,309	$ 10,551,787
Air Freight & Logistics 2.1%			
Deutsche Post AG	Germany	798,754	12,343,898
FedEx Corp.	United States	197,560	16,498,236
United Parcel Service Inc., B	United States	339,990	24,883,868
			53,726,002
Airlines 2.0%			
Deutsche Lufthansa AG	Germany	2,101,944	24,892,997
[a]International Consolidated Airlines Group SA	United Kingdom	11,509,160	26,403,741
			51,296,738
Auto Components 0.6%			
Compagnie Generale des Etablissements Michelin, B	France	259,222	15,324,467
Automobiles 2.3%			
[a]Mazda Motor Corp.	Japan	8,460,370	14,949,786
Nissan Motor Co. Ltd.	Japan	1,718,430	15,450,576
Toyota Motor Corp.	Japan	785,840	26,189,562
			56,589,924
Biotechnology 2.5%			
Amgen Inc.	United States	963,620	61,874,040
Capital Markets 2.8%			
Credit Suisse Group AG	Switzerland	817,506	19,227,748
Morgan Stanley	United States	1,414,280	21,398,057
Nomura Holdings Inc.	Japan	3,221,100	9,751,397
[a]UBS AG	Switzerland	1,632,469	19,450,102
			69,827,304
Chemicals 1.0%			
Akzo Nobel NV	Netherlands	496,137	23,990,729
Commercial Banks 5.3%			
BNP Paribas SA	France	315,040	12,375,403
Credit Agricole SA	France	2,566,880	14,485,284
[a]Danske Bank AS	Denmark	152,716	1,939,897
DBS Group Holdings Ltd.	Singapore	1,338,690	11,889,375
HSBC Holdings PLC	United Kingdom	2,748,024	20,875,726
ICICI Bank Ltd., ADR	India	416,350	11,004,130
Intesa Sanpaolo SpA	Italy	16,216,401	27,159,621
KB Financial Group Inc.	South Korea	594,254	18,608,083
UniCredit SpA	Italy	1,813,084	15,065,648
			133,403,167
Commercial Services & Supplies 0.2%			
[a]Rentokil Initial PLC	United Kingdom	5,180,715	5,055,493
Communications Equipment 3.1%			
[a]Brocade Communications Systems Inc.	United States	2,621,030	13,603,146
Cisco Systems Inc.	United States	2,119,990	38,329,419
Telefonaktiebolaget LM Ericsson, B	Sweden	2,458,661	25,155,649
			77,088,214

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Computers & Peripherals 1.5%			
[a]Dell Inc.	United States	779,240	$ 11,400,281
Seagate Technology	United States	1,626,148	26,668,827
			38,069,108
Construction & Engineering 0.1%			
Carillion PLC	United Kingdom	727,680	3,409,456
Construction Materials 1.5%			
CRH PLC	Ireland	1,833,961	36,459,967
Consumer Finance 0.8%			
American Express Co.	United States	435,650	20,549,611
Diversified Financial Services 2.7%			
Bank of America Corp.	United States	1,119,120	6,222,307
Citigroup Inc.	United States	771,230	20,291,061
[a]ING Groep NV	Netherlands	3,990,689	28,718,227
JPMorgan Chase & Co.	United States	358,850	11,931,763
			67,163,358
Diversified Telecommunication Services 5.3%			
France Telecom SA	France	1,949,580	30,620,748
Singapore Telecommunications Ltd.	Singapore	20,628,160	49,141,172
Telefonica SA	Spain	1,292,628	22,393,753
Telekom Austria AG	Austria	512,129	6,123,395
Vivendi SA	France	1,137,882	24,919,111
			133,198,179
Electrical Equipment 1.0%			
Alstom SA	France	847,234	25,692,752
Electronic Equipment, Instruments & Components 1.0%			
[a]Flextronics International Ltd.	Singapore	1,972,800	11,166,048
TE Connectivity Ltd.	United States	415,598	12,804,574
			23,970,622
Energy Equipment & Services 2.5%			
Baker Hughes Inc.	United States	429,070	20,869,965
Halliburton Co.	United States	314,450	10,851,670
Noble Corp.	United States	640,470	19,355,003
SBM Offshore NV	Netherlands	544,135	11,212,041
			62,288,679
Food & Staples Retailing 2.4%			
CVS Caremark Corp.	United States	716,870	29,233,958
Tesco PLC	United Kingdom	4,978,078	31,201,357
			60,435,315
Health Care Equipment & Supplies 1.1%			
Medtronic Inc.	United States	714,240	27,319,680
Industrial Conglomerates 3.3%			
Citic Pacific Ltd.	China	7,000	12,618
General Electric Co.	United States	1,336,230	23,931,880
Koninklijke Philips Electronics NV	Netherlands	1,428,011	30,089,911
Siemens AG	Germany	289,596	27,674,763
			81,709,172

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Insurance 5.2%			
AIA Group Ltd.	Hong Kong	3,332,200	$ 10,404,276
Aviva PLC	United Kingdom	5,708,745	26,645,658
AXA SA	France	1,770,080	23,013,241
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	191,967	23,503,099
RenaissanceRe Holdings Ltd.	United States	274,670	20,427,208
[a]Swiss Re Ltd.	Switzerland	541,112	27,604,872
			131,598,354
Life Sciences Tools & Services 0.5%			
Lonza Group AG	Switzerland	191,947	11,352,969
Machinery 0.4%			
[a]Navistar International Corp.	United States	258,030	9,774,176
Media 6.1%			
Comcast Corp., Special A	United States	1,952,832	46,008,722
News Corp., A	United States	1,880,832	33,554,043
Time Warner Cable Inc.	United States	348,940	22,182,116
Time Warner Inc.	United States	604,180	21,835,065
Viacom Inc., B	United States	235,808	10,708,041
The Walt Disney Co.	United States	528,110	19,804,125
			154,092,112
Multiline Retail 0.6%			
Target Corp.	United States	304,580	15,600,588
Oil, Gas & Consumable Fuels 10.0%			
BP PLC	United Kingdom	6,212,477	44,402,310
Chevron Corp.	United States	280,000	29,792,000
Eni SpA	Italy	1,115,195	23,108,784
Gazprom, ADR	Russia	2,053,300	21,931,297
Royal Dutch Shell PLC, B	United Kingdom	1,361,951	51,907,861
Statoil ASA	Norway	756,852	19,425,444
Talisman Energy Inc.	Canada	1,092,260	13,911,137
[b]Total SA, B	France	888,216	45,409,910
			249,888,743
Pharmaceuticals 10.8%			
GlaxoSmithKline PLC	United Kingdom	2,369,672	54,152,193
Merck & Co. Inc.	United States	1,102,571	41,566,927
Merck KGaA	Germany	186,167	18,579,390
Pfizer Inc.	United States	2,770,073	59,944,380
Roche Holding AG	Switzerland	248,138	42,098,971
Sanofi	France	757,937	55,671,629
			272,013,490
Professional Services 1.3%			
Adecco SA	Switzerland	140,580	5,895,266
Hays PLC	United Kingdom	3,623	3,620
Randstad Holding NV	Netherlands	909,891	26,921,580
			32,820,466
Real Estate Management & Development 0.4%			
Cheung Kong (Holdings) Ltd.	Hong Kong	933,303	11,121,622

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Semiconductors & Semiconductor Equipment 3.2%			
Samsung Electronics Co. Ltd.	South Korea	62,450	$ 56,995,557
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	9,628,585	24,099,282
			81,094,839
Software 5.3%			
Microsoft Corp.	United States	2,230,739	57,909,984
Nintendo Co. Ltd.	Japan	157,640	21,710,960
Oracle Corp.	United States	790,290	20,270,938
SAP AG	Germany	637,693	33,773,979
			133,665,861
Specialty Retail 0.8%			
Kingfisher PLC	United Kingdom	5,183,728	20,181,398
Trading Companies & Distributors 0.7%			
Itochu Corp.	Japan	1,707,480	17,348,787
Wireless Telecommunication Services 3.9%			
China Mobile Ltd.	China	811,850	7,933,898
[a]Sprint Nextel Corp.	United States	8,776,630	20,537,314
[a]Turkcell Iletisim Hizmetleri AS, ADR	Turkey	1,655,120	19,464,211
Vodafone Group PLC	United Kingdom	18,096,428	50,299,759
			98,235,182
Total Common Stocks (Cost $2,625,810,541)			2,377,782,351
Preferred Stocks 0.7%			
Metals & Mining 0.5%			
Vale SA, ADR, pfd., A	Brazil	592,750	12,210,650
Oil, Gas & Consumable Fuels 0.2%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	274,380	6,445,186
Total Preferred Stocks (Cost $18,810,970)			18,655,836
Non-Registered Mutual Funds (Cost $11,935,000) 0.5%			
Diversified Financial Services 0.5%			
[a,c,d,e]Templeton China Opportunities Fund, Ltd., Reg D	China	1,194,518	12,184,081
Total Investments before Short Term Investments (Cost $2,656,556,511)			2,408,622,268
		Principal Amount	
Short Term Investments 4.0%			
Time Deposits (Cost $101,000,000) 4.0%			
Royal Bank of Canada, 0.01%, 1/03/12	United States	$101,000,000	101,000,000

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2011 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Short Term Investments (continued)			
[f]**Investments from Cash Collateral Received for Loaned Securities (Cost $13,526) 0.0%†**			
Money Market Funds 0.0%†			
[g]BNY Mellon Overnight Government Fund, 0.039%	United States	13,526	$ 13,526
Total Short Term Investments (Cost $101,013,526)			101,013,526
Total Investments (Cost $2,757,570,037) 99.9%			2,509,635,794
Other Assets, less Liabilities 0.1%			1,409,325
Net Assets 100.0%			$2,511,045,119

See Abbreviations on page TG-30.

†Rounds to less than 0.1% of net assets.
[a]Non-income producing.
[b]A portion or all of the security is on loan at December 31, 2011. See Note 1(d).
[c]See Note 1(c) regarding investment in Templeton China Opportunities Fund, Ltd.
[d]See Note 8 regarding restricted securities.
[e]See Note 9 regarding holdings of 5% voting securities.
[f]See Note 1(d) regarding securities on loan.
[g]The rate shown is the annualized seven-day yield at period end.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2011

	Templeton Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$2,745,635,037
Cost - Non-controlled affiliated issuers (Note 9)	11,935,000
Total cost of investments	$2,757,570,037
Value - Unaffiliated issuers	$2,497,451,713
Value - Non-controlled affiliated issuers (Note 9)	12,184,081
Total value of investments (includes securities loaned in the amount $12,876)	2,509,635,794
Cash	235,467
Receivables:	
Investment securities sold	92,536
Capital shares sold	94,897
Dividends and interest	6,369,095
Other assets	81
Total assets	2,516,427,870
Liabilities:	
Payables:	
Investment securities purchased	1,951,199
Capital shares redeemed	684,386
Affiliates	2,110,694
Reports to shareholders	513,435
Payable upon return of securities loaned	13,526
Accrued expenses and other liabilities	109,511
Total liabilities	5,382,751
Net assets, at value	$2,511,045,119
Net assets consist of:	
Paid-in capital	$3,053,263,375
Undistributed net investment income	58,485,038
Net unrealized appreciation (depreciation)	(248,007,804)
Accumulated net realized gain (loss)	(352,695,490)
Net assets, at value	$2,511,045,119

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
December 31, 2011

	Templeton Growth Securities Fund
Class 1:	
Net assets, at value	$1,200,681,988
Shares outstanding	116,957,241
Net asset value and maximum offering price per share	$ 10.27
Class 2:	
Net assets, at value	$1,254,193,485
Shares outstanding	124,090,975
Net asset value and maximum offering price per share	$ 10.11
Class 4:	
Net assets, at value	$ 56,169,646
Shares outstanding	5,511,306
Net asset value and maximum offering price per share	$ 10.19

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2011

	Templeton Growth Securities Fund
Investment income:	
Dividends (net of foreign taxes $6,082,203)	$ 84,464,694
Interest	70,448
Income from securities loaned	2,830,011
Total investment income	87,365,153
Expenses:	
Management fees (Note 3a)	21,549,019
Distribution fees: (Note 3c)	
Class 2	3,675,317
Class 4	209,937
Unaffiliated transfer agent fees	3,678
Custodian fees (Note 4)	350,210
Reports to shareholders	529,624
Professional fees	141,797
Trustees' fees and expenses	11,242
Other	69,492
Total expenses	26,540,316
Expense reductions (Note 4)	(75)
Net expenses	26,540,241
Net investment income	60,824,912
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments (includes gains from a redemption in-kind of $9,941,638) (Note 11)	119,014,189
Foreign currency transactions	349,359
Net realized gain (loss)	119,363,548
Net change in unrealized appreciation (depreciation) on:	
Investments	(404,067,405)
Translation of other assets and liabilities denominated in foreign currencies	(340,544)
Net change in unrealized appreciation (depreciation)	(404,407,949)
Net realized and unrealized gain (loss)	(285,044,401)
Net increase (decrease) in net assets resulting from operations	$(224,219,489)

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Templeton Growth Securities Fund	
	Year Ended December 31, 2011	2010
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 60,824,912	$ 41,851,542
Net realized gain (loss) from investments and foreign currency transactions	119,363,548	(42,734,201)
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(404,407,949)	206,309,126
Net increase (decrease) in net assets resulting from operations	(224,219,489)	205,426,467
Distributions to shareholders from:		
Net investment income:		
Class 1	(23,962,804)	(15,588,191)
Class 2	(19,367,342)	(21,721,910)
Class 4	(766,075)	(762,562)
Total distributions to shareholders	(44,096,221)	(38,072,663)
Capital share transactions: (Note 2)		
Class 1	15,269,781	446,712,026
Class 2	(272,568,653)	(178,452,057)
Class 4	582,974	774,782
Total capital share transactions	(256,715,898)	269,034,751
Net increase (decrease) in net assets	(525,031,608)	436,388,555
Net assets:		
Beginning of year	3,036,076,727	2,599,688,172
End of year	$2,511,045,119	$3,036,076,727
Undistributed net investment income included in net assets:		
End of year	$ 58,485,038	$ 41,408,000

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Notes to Financial Statements

Templeton Growth Securities Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of twenty separate funds. The Templeton Growth Securities Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2, and Class 4. Each class of shares differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in securities and other financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees, the Fund may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, option-adjusted spreads, credit spreads, estimated default rates, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Investments in non-registered money market funds are valued at the closing net asset value. Time deposits are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available or which may not be reliably priced. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. The Fund may also use an income-based valuation approach in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and over-the-counter markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Trust's Board of Trustees.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Investment in Templeton China Opportunities Fund, Ltd.

The Fund invests in Templeton China Opportunities Fund, Ltd. (China Fund), a private offering of unregistered shares in a Cayman Islands Exempt Company. The China Fund investment objective is to seek capital growth primarily through investments in A-shares of Chinese companies listed on the Shanghai and Shenzhen stock exchanges. Chinese A-shares are traded in Chinese Renminbi and are only available as an investment to domestic (Chinese) investors and holders of a Qualified Foreign Institutional Investors license. The China Fund is managed by Templeton Investment Counsel, LLC (an affiliate of the investment manager). No additional management or administrative fees are incurred on assets invested in the China Fund.

The China Fund may be subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds and earnings associated with its investment, as such activities are subject to approval by agencies of the Chinese government and thus the Fund may incur delays in redeeming its investment in the China Fund. The Fund's investment in the China Fund is valued based upon the fair value of the China Fund's portfolio securities and other assets and liabilities.

d. Securities Lending

The Fund participates in an agency based security lending program. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the fund on the next business

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Securities Lending (continued)

day. The collateral is invested in a money market fund managed by the Fund's custodian on the Fund's behalf. The Fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

e. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2011, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At December 31, 2011, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2011		2010	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	64,351,377	$ 689,220,432	56,324,674	$ 579,159,138
Shares issued in reinvestment of distributions	2,081,912	23,962,804	1,592,257	15,588,191
Shares redeemed in-kind (Note 11)	(62,046)	(778,675)	—	—
Shares redeemed	(69,960,205)	(697,134,780)	(15,424,906)	(148,035,303)
Net increase (decrease)	(3,588,962)	$ 15,269,781	42,492,025	$ 446,712,026
Class 2 Shares:				
Shares sold	8,669,643	$ 93,168,510	7,805,671	$ 79,205,936
Shares issued in reinvestment of distributions	1,706,374	19,367,342	2,250,975	21,721,910
Shares redeemed in-kind (Note 11)	(7,322,431)	(90,358,797)	—	—
Shares redeemed	(26,665,336)	(294,745,708)	(27,579,182)	(279,379,903)
Net increase (decrease)	(23,611,750)	$(272,568,653)	(17,522,536)	$(178,452,057)
Class 4 Shares:				
Shares sold	552,161	$ 6,020,586	792,359	$ 8,038,832
Shares issued on reinvestment of distributions	66,906	766,075	78,292	762,562
Shares redeemed	(559,011)	(6,203,687)	(772,020)	(8,026,612)
Net increase (decrease)	60,056	$ 582,974	98,631	$ 774,782

3. TRANSACTIONS WITH AFFILIATES

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Global Advisors Limited (TGAL)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

The Fund pays an investment management fee to TGAL based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.000%	Up to and including $100 million
0.900%	over $100 million, up to and including $250 million
0.800%	over $250 million, up to and including $500 million
0.750%	over $500 million, up to and including $1 billion
0.700%	over $1 billion, up to and including $5 billion
0.675%	over $5 billion, up to and including $10 billion
0.655%	over $10 billion, up to and including $15 billion
0.635%	over $15 billion, up to and including $20 billion
0.615%	In excess of $20 billion

b. Administrative Fees

Under an agreement with TGAL, FT Services provides administrative services to the Fund. The fee is paid by TGAL based on average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Fund's Board of Trustees has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board of Trustees has agreed to limit the current rate to 0.25% per year for Class 2.

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

f. Other Affiliated Transactions

At December 31, 2011, Franklin Templeton Variable Insurance Products Trust – Franklin Templeton VIP Founding Funds Allocation Fund owned 41.58% of the Fund's outstanding shares.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2011, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Under the Regulated Investment Company Modernization Act of 2010, capital losses incurred by the Fund in taxable years beginning after December 22, 2010 are not subject to expiration and such losses retain their character as either short-term or long-term, rather than being considered short-term as under previous law. Post-enactment capital losses must be fully utilized prior to utilizing any losses incurred in pre-enactment tax years.

At December 31, 2011, capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2017	$240,654,060
2018	55,299,629
	$295,953,689

During the year ended December 31, 2011, the Fund utilized $157,539,421 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2011 and 2010, was as follows:

	2011	2010
Distributions paid from ordinary income	$44,096,221	$38,072,663

At December 31, 2011, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$2,814,562,195
Unrealized appreciation	$ 229,259,904
Unrealized depreciation	(534,186,305)
Net unrealized appreciation (depreciation)	$ (304,926,401)
Distributable earnings – undistributed ordinary income	$ 58,735,395

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2011, aggregated $1,198,508,134 and 1,284,923,812, respectively. Sales of investments excludes redemptions in-kind of $86,085,875.

7. CONCENTRATION OF RISK

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

8. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At December 31, 2011, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Dates	Cost	Value
1,194,518	Templeton China Opportunities Fund, Ltd., Reg D (0.49% of Net Assets)	3/17/10-12/1/11	$11,935,000	$12,184,081

9. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Fund for the year ended December 31, 2011, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Capital Gain (Loss)
Non-Controlled Affiliates							
Templeton China Opportunities Fund, Ltd., Reg D	1,192,192	2,326	—	1,194,518	$12,184,081	$ —	$ —
Total Affiliated Securities (0.49% of Net Assets)							

10. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $750 million (Global Credit Facility) which matured on January 20, 2012. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective January 20, 2012, the Borrowers renewed the Global Credit Facility for a total of $1.5 billion, maturing January 18, 2013.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers,

10. CREDIT FACILITY (continued)

including an annual commitment fee of 0.08% based upon the unused portion of the Global Credit Facility, which is reflected in other expenses on the Statement of Operations. During the year ended December 31, 2011, the Fund did not use the Global Credit Facility.

11. REDEMPTION IN-KIND

During the year ended December 31, 2011, the Fund realized $9,941,638 of net gains resulting from a redemption in-kind in which a shareholder redeemed fund shares for securities held by the Fund rather than for cash. Because such gains are not taxable to the Fund, and are not distributed to remaining shareholders they will be reclassified from accumulated net realized gains to paid-in capital.

12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

The following is a summary of the inputs used as of December 31, 2011, in valuing the Fund's assets and liabilities carried at fair value:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities				
Equity Investments:				
Diversified Financial Services	$ 67,163,358	$ —	$12,184,081	$ 79,347,439
Other Equity Investments[a,b]	2,329,274,829	—	—	2,329,274,829
Short Term Investments	101,000,000	13,526	—	101,013,526
Total Investments in Securities	$2,497,438,187	$13,526	$12,184,081	$2,509,635,794

[a]Includes common preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

12. FAIR VALUE MEASUREMENTS (continued)

At December 31, 2011, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

	Balance at Beginning of Year	Purchases	Sales	Transfers Into (Out of) Level 3	Cost Basis Adjustments[a]	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Assets									
Equity Investments-Diversified Financial Services	$14,592,433	$25,000	$ —	$ —	$ —	$ —	$(2,433,352)	$12,184,081	$(2,433,352)

[a]May include accretion, amortization, partnership adjustments, and/or other cost basis adjustments.

13. NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in the ASU will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards) and include new guidance for certain fair value measurement principles and disclosure requirements. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Fund believes the adoption of this ASU will not have a material impact on its financial statements.

14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

ABBREVIATIONS

Portfolio Abbreviations

ADR - American Depositary Receipt

Franklin Templeton Variable Insurance Products Trust

Templeton Growth Securities Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Variable Insurance Products Trust

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Templeton Growth Securities Fund (the "Fund") at December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for the periods presented, 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 at December 31, 2011 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2012

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Templeton Growth Securities Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 41.54% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2011.

At December 31, 2011, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Code. This election will allow shareholders of record as of the 2012 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The indexes are unmanaged and include reinvested distributions.

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Barclays Capital (BC) U.S. Aggregate Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Barclays Capital (BC) U.S. Government Index: Intermediate Component is the intermediate component of the BC U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

Consumer Price Index (CPI), calculated by the U.S. Bureau of Labor Statistics, is a commonly used measure of the inflation rate.

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

Dow Jones Industrial Average is a price-weighted average of blue-chip stocks that are generally the leaders in their industry.

FTSE EPRA/NAREIT Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets. FTSE® is a trademark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in and to the FTSE MPF Index series (including currency adjusted indices) are vested in FTSE. All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by FTSE for any errors or for any loss arising from use of this publication.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global tracks total returns for U.S. dollar denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans and Eurobonds.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/11, there were 192 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/11, there were 61 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/11, there were 78 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP High Current Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Current Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High Current Yield Funds aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower grade debt issues. For the 12-month period ended 12/31/11, there were 123 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

MSCI All Country (AC) World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets.

MSCI Emerging Markets (EM) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada.

MSCI Europe, Australasia, Far East (EAFE) Index Net Return (Local Currency) is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed markets excluding the U.S. and Canada. The index is calculated in local currency and includes reinvested daily net dividends.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 1000® Value Index is market capitalization weighted and measures performance of those Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2500™ Index is market capitalization weighted and measures performance of the smallest companies in the Russell 3000® Index, which represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500™ Index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 3000® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000® Index is market capitalization weighted and measures performance of the largest U.S. companies based on total market capitalization and represents the majority of the investable U.S. equity market.

Russell Midcap® Growth Index is market capitalization weighted and measures performance of those Russell Midcap® Index companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represent a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance. STANDARD & POOR'S®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC. Standard & Poor's does not sponsor, endorse, sell or promote any S&P index-based product.

Standard & Poor's Global REIT Index is designed to measure performance of the investable universe of publicly traded real estate investment trusts. Index constituents generally derive the majority of their revenue from real estate development, management, rental, and/or direct investment in physical property and with local REIT or property trust tax status.

Standard & Poor's/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupation during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	132	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly,** Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	107	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	132	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and **formerly,** Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	132	Boeing Capital Corporation (aircraft financing).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of Executive Council, The Boeing Company; and **formerly,** Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	132	Hess Corporation (exploration and refining of oil and gas).
Principal Occupation During at Least the Past 5 Years: Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and **formerly,** Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines).				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	142	Cbeyond, Inc. (business communications provider), The Southern Company (energy company) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011); and **formerly,** Senior Vice President—Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (consumer products) (2004-May 2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	107	None

Principal Occupation During at Least the Past 5 Years:
President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly,** Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President—Finance and Strategy, Staples, Inc. (office supplies) (1992-1996); Senior Vice President—Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Charles B. Johnson** (1933) One Franklin Parkway San Mateo, CA 94403-1906	Trustee and Chairman of the Board	Trustee since 1988 and Chairman of the Board since 1993	132	None

Principal Occupation During at Least the Past 5 Years:
Chairman of the Board, Member—Office of the Chairman and Director, Franklin Resources, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

****Rupert H. Johnson, Jr.** (1940) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	50	None

Principal Occupation During at Least the Past 5 Years:
Vice Chairman, Member—Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 25 of the investment companies in Franklin Templeton Investments.

James M. Davis (1952) One Franklin Parkway San Mateo, CA 94403-1906	Chief Compliance Officer and Vice President—AML Compliance	Chief Compliance Officer since 2004 and Vice President—AML Compliance since 2006	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Director, Global Compliance, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer—Finance and Administration	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Director and member of Audit and Valuation Committees, Runkel Funds, Inc. (2003-2004); Assistant Treasurer of most of the investment companies in Franklin Templeton Investments (1997-2003); and Vice President, Franklin Templeton Services, LLC (1997-2003).				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).				
David P. Goss (1947) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2000	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer and/or director, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer—Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Secretary and Trust Officer, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Partner, Shearman & Sterling, LLP (2004-2005); and General Counsel, Investment Company Institute (ICI) (1997-2004).				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since May 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Assistant Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Charles B. Johnson and Rupert H. Johnson, Jr. are considered to be interested persons of the Trust under the federal securities laws due to their positions as officers and directors and major shareholders of Franklin Resources, Inc., which is the parent company of the Trust's investment manager and distributor.

Note 1: Charles B. Johnson and Rupert H. Johnson, Jr. are brothers.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

Franklin Templeton Variable Insurance Products Trust

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Annual Report

Franklin Templeton Variable Insurance Products Trust

Investment Managers
Franklin Advisers, Inc.
Franklin Advisory Services, LLC
Franklin Mutual Advisers, LLC
Franklin Templeton Institutional, LLC
Templeton Asset Management, Ltd.
Templeton Global Advisors Limited
Templeton Investment Counsel, LLC

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton Distributors, Inc.

Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

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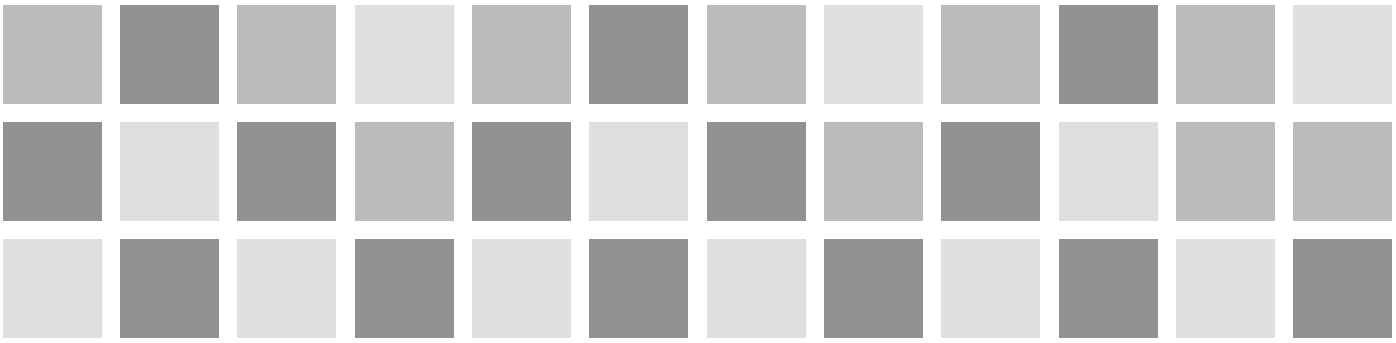
FTVIP A 02/12

MFS® INVESTMENT MANAGEMENT

MFS® Growth Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VEG-ANN

MFS® GROWTH SERIES

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

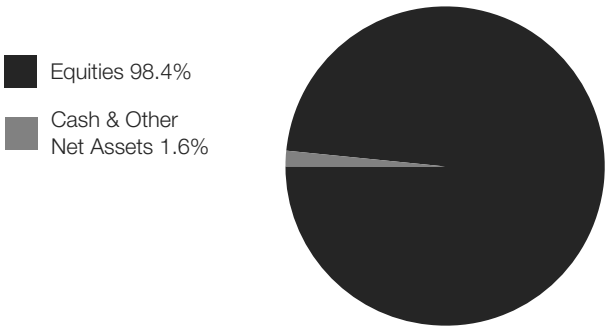
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS Growth Series

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	7.0%
Google, Inc., "A"	4.9%
Danaher Corp.	3.1%
Oracle Corp.	2.6%
American Tower Corp., "A"	2.5%
Qualcomm, Inc.	2.5%
EMC Corp.	2.2%
Precision Castparts Corp.	1.9%
Viacom, Inc., "B"	1.8%
MasterCard, Inc., "A"	1.7%

Equity sectors

Technology	26.5%
Health Care	10.3%
Energy	9.6%
Retailing	9.6%
Industrial Goods & Services	8.4%
Consumer Staples	7.8%
Leisure	7.3%
Financial Services	4.9%
Special Products & Services	4.6%
Basic Materials	2.7%
Utilities & Communications	2.5%
Transportation	2.4%
Autos & Housing	1.8%

Percentages are based on net assets as of 12/31/11.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS Growth Series (the "fund") provided a total return of –0.32%, while Service Class shares of the fund provided a total return of –0.56%. These compare with a return of 2.64% for the fund's benchmark, the Russell 1000 Growth Index.

Market Environment

Early in the period, the U.S. Federal Reserve (the "Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Stock selection in the *energy* sector was a major factor in the fund's underperformance relative to the Russell 1000 Growth Index. Not holding shares of integrated oil and gas company Exxon Mobil detracted from relative returns as the stock turned in strong performance over the reporting period. The fund's holdings of poor-performing oil and gas company Newfield Exploration [h] also held back relative results. Shares of Newfield Exploration came under pressure as the company reported earnings that significantly missed analyst expectations. The slower earnings growth was primarily due to lower-than-estimated natural gas production and cost inflation from higher oil prices.

Security selection in the *leisure* sector also detracted from relative performance. Holding shares of weak-performing cruise operator Carnival weighed on relative returns. Its shares declined during the period as investors appeared to have been concerned about the impact that the weak macroeconomic environment would have on the cruise industry.

Stock selection in the *special products & services* sector was another negative factor for the fund's relative returns. There were no individual securities within this sector that were among the fund's top relative detractors for the period.

An underweight position in the *consumer staples* industry, which outperformed the benchmark, also weighed on relative performance. The fund's underweight position in outperforming tobacco company Philip Morris International dampened relative returns. Shares of Philip Morris rose late in the period after the company reported better-than-expected earnings and its solid return of capital to shareholders via both dividends and share repurchases. In addition, management increased its 2011 earnings estimate driven by stronger-than-expected results in Japan and Indonesia.

A combination of an underweight position and stock selection in the *health care* sector also detracted from relative performance. The fund's holdings of underperforming analytical instruments maker Thermo Fisher Scientific [b] hindered relative results. Although the company reported earnings in line with expectations, it lowered its full-year guidance due to sluggishness in the academic/government market. Its share price underperformance also appeared to have reflected concerns about the potential for a more significant slowdown in its European business.

Elsewhere, the fund's underweight position in strong-performing diversified technology products and services company International Business Machines (IBM), dampened relative returns. Holdings of underperforming enterprise software products maker Oracle, project management provider Fluor, investment banking firm Goldman Sachs Group [b][h], and diversified mining company Teck Resources [b][h] (Canada) also held back relative results.

Contributors to Performance

A combination of an underweight position and stock selection in the *basic materials* sector contributed to relative performance. An underweight position in shares of poor-performing precious metals company Freeport-McMoRan [h] aided relative results. Freeport-McMoRan experienced lower copper and gold sales due to lower production from its open-pit Grasberg mine in

Indonesia. Its shares were down substantially after a labor dispute at the Grasberg mine, that lasted from September to December, stalled production.

Security selection in the *financial* services sector also benefited relative performance. Holdings of global payments technology companies, MasterCard and Visa, and broadcast and communication tower management firm American Tower supported relative returns as all three stocks outperformed the benchmark over the reporting period. Shares of MasterCard appreciated throughout the year due to higher profitability driven by momentum in cross-border demand, increased emerging market opportunities, and strong volume trends which spurred its management to repurchase shares. Additionally, shares of MasterCard reacted strongly to news that the regulation of interchange rates, or the fees MasterCard and other banks can charge merchants when consumers pay for goods with debit cards, may be less onerous than previously expected.

Stock selection in the *industrial goods & services* sector strengthened relative returns. The fund's holdings of strong-performing industrial goods and metal fabrication company Precision Castparts were among the fund's top relative contributors for the reporting period.

Elsewhere, holdings of strong-performing biotechnology firm Alexion Pharmaceuticals, freight rail transportation business Kansas City Southern, and internet search giant Google supported relative performance. Alexion Pharmaceuticals reported strong earnings throughout the period and received FDA approval for Solaris to treat patients with atypical Hemolytic Uremic Syndrome which appeared to reflect positively on the stock price. Not holding underperforming global automaker Ford Motor Company and computer products and services provider Hewlett-Packard [h] also helped relative returns.

Respectfully,

Eric Fischman
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the fund at period end.

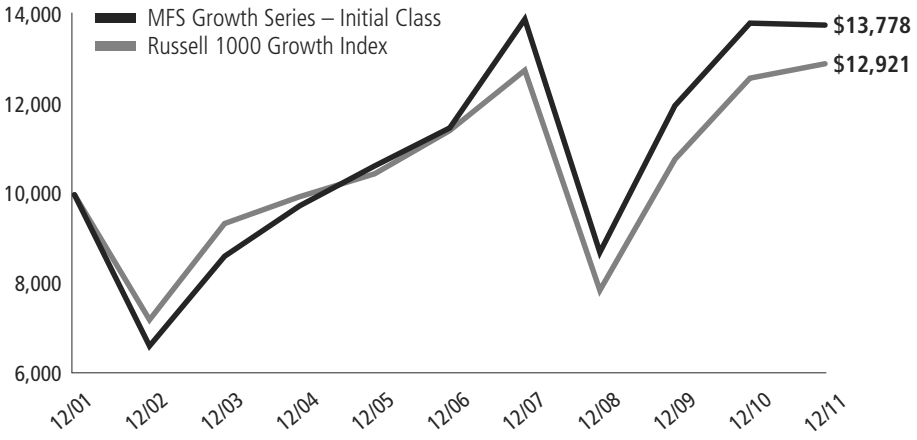
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/24/95	(0.32)%	3.72%	3.26%
Service Class	5/01/00	(0.56)%	3.47%	3.02%

Comparative benchmark

Russell 1000 Growth Index (f)	2.64%	2.50%	2.60%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Russell 1000 Growth Index – constructed to provide a comprehensive barometer for growth securities in the large-cap segment of the U.S. equity universe. Companies in this index generally have higher price-to-book ratios and higher forecasted growth values.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

MFS Growth Series

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.85%	$1,000.00	$952.76	$4.18
	Hypothetical (h)	0.85%	$1,000.00	$1,020.92	$4.33
Service Class	Actual	1.10%	$1,000.00	$951.69	$5.41
	Hypothetical (h)	1.10%	$1,000.00	$1,019.66	$5.60

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.4%		
Aerospace – 3.4%		
Honeywell International, Inc.	143,480	$ 7,798,137
Precision Castparts Corp.	58,405	9,624,559
		$ 17,422,696
Alcoholic Beverages – 1.3%		
Diageo PLC	312,803	$ 6,832,538
Apparel Manufacturers – 1.5%		
LVMH Moet Hennessy Louis Vuitton S.A.	14,840	$ 2,090,785
NIKE, Inc., "B"	34,806	3,354,253
VF Corp.	16,900	2,146,131
		$ 7,591,169
Automotive – 0.8%		
Johnson Controls, Inc.	127,210	$ 3,976,585
Biotechnology – 3.3%		
Alexion Pharmaceuticals, Inc. (a)	80,770	$ 5,775,055
Biogen Idec, Inc. (a)	14,060	1,547,303
Celgene Corp. (a)	106,141	7,175,132
Gilead Sciences, Inc. (a)	66,820	2,734,943
		$ 17,232,433
Broadcasting – 3.1%		
Discovery Communications, Inc., "A" (a)	79,530	$ 3,258,344
News Corp., "A"	192,330	3,431,167
Viacom, Inc., "B"	202,660	9,202,791
		$ 15,892,302
Brokerage & Asset Managers – 1.5%		
Affiliated Managers Group, Inc. (a)	32,950	$ 3,161,553
Blackrock, Inc.	26,338	4,694,485
		$ 7,856,038
Business Services – 3.9%		
Accenture PLC, "A"	81,394	$ 4,332,603
Cognizant Technology Solutions Corp., "A" (a)	98,520	6,335,821
FleetCor Technologies, Inc. (a)	56,730	1,694,525
Jones Lang LaSalle, Inc.	22,680	1,389,377
MSCI, Inc., "A" (a)	39,760	1,309,297
Verisk Analytics, Inc., "A" (a)	132,080	5,300,370
		$ 20,361,993
Cable TV – 1.1%		
Comcast Corp., "Special A"	243,766	$ 5,743,127
Chemicals – 0.8%		
Celanese Corp.	42,250	$ 1,870,408
Monsanto Co.	32,620	2,285,683
		$ 4,156,091
Computer Software – 6.7%		
Autodesk, Inc. (a)	154,250	$ 4,678,403
Check Point Software Technologies Ltd. (a)	153,360	8,057,534
Oracle Corp.	531,660	13,637,079

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
Red Hat, Inc. (a)	120,900	$ 4,991,961
Salesforce.com, Inc. (a)	4,988	506,082
VeriSign, Inc.	79,633	2,844,491
		$ 34,715,550
Computer Software – Systems – 10.3%		
Apple, Inc. (a)	89,848	$ 36,388,440
EMC Corp. (a)	521,110	11,224,709
International Business Machines Corp.	24,980	4,593,322
Verifone Systems, Inc. (a)	33,210	1,179,619
		$ 53,386,090
Construction – 1.0%		
Owens Corning (a)	66,320	$ 1,904,710
Stanley Black & Decker, Inc.	51,370	3,472,612
		$ 5,377,322
Consumer Products – 1.4%		
Colgate-Palmolive Co.	76,590	$ 7,076,150
Consumer Services – 0.7%		
Priceline.com, Inc. (a)	7,535	$ 3,524,195
Electrical Equipment – 3.1%		
Danaher Corp.	343,860	$ 16,175,174
Electronics – 1.4%		
Altera Corp.	59,880	$ 2,221,548
ASML Holding N.V.	51,217	2,140,358
Broadcom Corp., "A"	98,321	2,886,705
		$ 7,248,611
Energy – Independent – 4.3%		
Cabot Oil & Gas Corp.	58,680	$ 4,453,812
EQT Corp.	71,370	3,910,362
Noble Energy, Inc.	70,300	6,635,617
Occidental Petroleum Corp.	50,790	4,759,023
SM Energy Co.	32,540	2,378,674
		$ 22,137,488
Engineering – Construction – 0.5%		
Fluor Corp.	54,720	$ 2,749,680
Food & Beverages – 3.5%		
Coca-Cola Enterprises, Inc.	77,890	$ 2,008,004
General Mills, Inc.	59,420	2,401,162
Green Mountain Coffee Roasters, Inc. (a)	26,247	1,177,178
Groupe Danone	70,776	4,449,103
Kraft Foods, Inc., "A"	48,500	1,811,960
Mead Johnson Nutrition Co., "A"	87,890	6,040,680
		$ 17,888,087
Gaming & Lodging – 1.1%		
Carnival Corp.	70,890	$ 2,313,850
Las Vegas Sands Corp. (a)	83,380	3,562,827
		$ 5,876,677

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
General Merchandise – 3.8%		
Costco Wholesale Corp.	60,870	$ 5,071,688
Dollar General Corp. (a)	92,670	3,812,444
Kohl's Corp.	44,290	2,185,712
Target Corp.	168,530	8,632,107
		$ 19,701,951
Internet – 4.9%		
Google, Inc., "A" (a)	39,081	$ 25,242,418
Machinery & Tools – 0.9%		
Joy Global, Inc.	37,620	$ 2,820,371
Polypore International, Inc. (a)	42,860	1,885,411
		$ 4,705,782
Medical & Health Technology & Services – 1.4%		
AmerisourceBergen Corp.	91,130	$ 3,389,125
Cerner Corp. (a)	40,280	2,467,150
IDEXX Laboratories, Inc. (a)	18,510	1,424,530
		$ 7,280,805
Medical Equipment – 2.7%		
Cooper Cos., Inc.	20,370	$ 1,436,492
Covidien PLC	109,811	4,942,593
Thermo Fisher Scientific, Inc. (a)	166,005	7,465,245
		$ 13,844,330
Network & Telecom – 3.2%		
F5 Networks, Inc. (a)	35,590	$ 3,776,811
Qualcomm, Inc.	232,456	12,715,343
		$ 16,492,154
Oil Services – 5.3%		
Cameron International Corp. (a)	138,750	$ 6,825,113
Dresser-Rand Group, Inc. (a)	66,880	3,337,981
Ensco International PLC, ADR	94,390	4,428,779
FMC Technologies, Inc. (a)	45,200	2,360,796
National Oilwell Varco, Inc.	33,020	2,245,030
Oceaneering International, Inc.	33,620	1,550,891
Schlumberger Ltd.	99,119	6,770,819
		$ 27,519,409
Other Banks & Diversified Financials – 3.4%		
MasterCard, Inc., "A"	24,175	$ 9,012,924
Visa, Inc., "A"	84,587	8,588,118
		$ 17,601,042
Pharmaceuticals – 2.9%		
Abbott Laboratories	94,330	$ 5,304,176
Allergan, Inc.	68,409	6,002,206
Pfizer, Inc.	71,950	1,556,998
Teva Pharmaceutical Industries Ltd., ADR	55,380	2,235,137
		$ 15,098,517
Pollution Control – 0.5%		
Stericycle, Inc. (a)	34,390	$ 2,679,669
Railroad & Shipping – 1.6%		
Kansas City Southern Co. (a)	89,370	$ 6,078,054
Union Pacific Corp.	22,241	2,356,212
		$ 8,434,266
Restaurants – 2.0%		
McDonald's Corp.	38,030	$ 3,815,550
Starbucks Corp.	142,880	6,573,909
		$ 10,389,459
Specialty Chemicals – 1.9%		
Airgas, Inc.	52,340	$ 4,086,707
Praxair, Inc.	55,999	5,986,293
		$ 10,073,000
Specialty Stores – 4.3%		
Amazon.com, Inc. (a)	20,622	$ 3,569,668
PetSmart, Inc.	71,150	3,649,284
Ross Stores, Inc.	149,108	7,087,103
Tiffany & Co.	42,700	2,829,302
Tractor Supply Co.	33,350	2,339,503
Urban Outfitters, Inc. (a)	104,330	2,875,335
		$ 22,350,195
Telephone Services – 2.5%		
American Tower Corp., "A" (a)	215,363	$ 12,923,934
Tobacco – 1.6%		
Philip Morris International, Inc.	105,770	$ 8,300,830
Trucking – 0.8%		
Expeditors International of Washington, Inc.	96,846	$ 3,966,812
Total Common Stocks (Identified Cost, $448,147,606)		**$509,824,569**
MONEY MARKET FUNDS – 2.6%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	13,485,319	$ 13,485,319
Total Investments (Identified Cost, $461,632,925)		**$523,309,888**
OTHER ASSETS, LESS LIABILITIES – (1.0)%		**(5,117,643)**
Net Assets – 100.0%		**$518,192,245**

(a) Non-income producing security.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depository Receipt

PLC Public Limited Company

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $448,147,606)	$509,824,569	
Underlying affiliated funds, at cost and value	13,485,319	
Total investments, at value (identified cost, $461,632,925)	$523,309,888	
Receivables for		
Investments sold	1,328,532	
Fund shares sold	275,610	
Interest and dividends	340,237	
Other assets	6,164	
Total assets		$525,260,431
Liabilities		
Payables for		
Investments purchased	$6,110,492	
Fund shares reacquired	839,054	
Payable to affiliates		
Investment adviser	32,734	
Shareholder servicing costs	573	
Distribution and/or service fees	1,172	
Payable for independent Trustees' compensation	21	
Accrued expenses and other liabilities	84,140	
Total liabilities		$7,068,186
Net assets		$518,192,245
Net assets consist of		
Paid-in capital	$501,851,622	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	61,676,965	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(45,336,342)	
Net assets		$518,192,245
Shares of beneficial interest outstanding		21,137,253

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$461,382,148	18,782,860	$24.56
Service Class	56,810,097	2,354,393	24.13

See Notes to Financial Statements

MFS Growth Series

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Dividends	$4,468,196	
Interest	58,414	
Dividends from underlying affiliated funds	16,177	
Foreign taxes withheld	(35,682)	
Total investment income		$4,507,105
Expenses		
Management fee	$4,047,089	
Distribution and/or service fees	122,103	
Shareholder servicing costs	60,502	
Administrative services fee	88,715	
Independent Trustees' compensation	18,356	
Custodian fee	68,306	
Shareholder communications	146,861	
Auditing fees	51,194	
Legal fees	8,481	
Miscellaneous	31,492	
Total expenses		$4,643,099
Fees paid indirectly	(20)	
Reduction of expenses by investment adviser	(2,287)	
Net expenses		$4,640,792
Net investment loss		$(133,687)
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$36,551,746	
Foreign currency transactions	(12,442)	
Net realized gain (loss) on investments and foreign currency transactions		$36,539,304
Change in unrealized appreciation (depreciation)		
Investments	$(38,175,806)	
Translation of assets and liabilities in foreign currencies	(2,386)	
Net unrealized gain (loss) on investments and foreign currency translation		$(38,178,192)
Net realized and unrealized gain (loss) on investments and foreign currency		$(1,638,888)
Change in net assets from operations		$(1,772,575)

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For years ended 12/31	2011	2010
Change in net assets		
From operations		
Net investment income (loss)	$(133,687)	$1,150,455
Net realized gain (loss) on investments and foreign currency transactions	36,539,304	41,498,031
Net unrealized gain (loss) on investments and foreign currency translation	(38,178,192)	30,240,826
Change in net assets from operations	$(1,772,575)	$72,889,312
Distributions declared to shareholders		
From net investment income	$(934,874)	$(550,091)
Change in net assets from fund share transactions	$(25,758,827)	$(55,829,691)
Total change in net assets	$(28,466,276)	$16,509,530
Net assets		
At beginning of period	546,658,521	530,148,991
At end of period (including undistributed net investment income of $0 and $933,698, respectively)	$518,192,245	$546,658,521

See Notes to Financial Statements

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$24.69	$21.43	$15.62	$25.01	$20.64
Income (loss) from investment operations					
Net investment income (d)	$(0.00)(w)	$0.05	$0.03	$0.05	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	(0.08)	3.24	5.83	(9.39)	4.32
Total from investment operations	$(0.08)	$3.29	$5.86	$(9.34)	$4.37
Less distributions declared to shareholders					
From net investment income	$(0.05)	$(0.03)	$(0.05)	$(0.05)	$—
Net asset value, end of period (x)	$24.56	$24.69	$21.43	$15.62	$25.01
Total return (%) (k)(r)(s)(x)	(0.32)	15.34	37.67	(37.42)	21.17
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.84	0.85	0.86	0.84	0.87
Expenses after expense reductions (f)	0.84	0.85	0.86	0.84	0.87
Net investment income	(0.00)(w)	0.24	0.14	0.25	0.20
Portfolio turnover	75	100	100	129	84
Net assets at end of period (000 omitted)	$461,382	$503,497	$498,288	$389,813	$711,418

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$24.27	$21.10	$15.37	$24.61	$20.36
Income (loss) from investment operations					
Net investment income (loss) (d)	$(0.06)	$0.00(w)	$(0.02)	$0.00(w)	$(0.01)
Net realized and unrealized gain (loss) on investments and foreign currency	(0.08)	3.17	5.76	(9.24)	4.26
Total from investment operations	$(0.14)	$3.17	$5.74	$(9.24)	$4.25
Less distributions declared to shareholders					
From net investment income	$(0.00)(w)	$—	$(0.01)	$—	$—
Net asset value, end of period (x)	$24.13	$24.27	$21.10	$15.37	$24.61
Total return (%) (k)(r)(s)(x)	(0.56)	15.02	37.33	(37.55)	20.87
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.09	1.10	1.10	1.09	1.12
Expenses after expense reductions (f)	1.09	1.10	1.10	1.08	1.12
Net investment income (loss)	(0.25)	0.02	(0.11)	0.01	(0.05)
Portfolio turnover	75	100	100	129	84
Net assets at end of period (000 omitted)	$56,810	$43,161	$31,861	$18,684	$30,698

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(w) Per share amount was less than $0.01.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Growth Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the

fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$479,590,334	$—	$—	$479,590,334
United Kingdom	11,261,318	—	—	11,261,318
Israel	10,292,671	—	—	10,292,671
France	4,449,103	2,090,785	—	6,539,888
Netherlands	2,140,358	—	—	2,140,358
Mutual Funds	13,485,319	—	—	13,485,319
Total Investments	$521,219,103	$2,090,785	$—	$523,309,888

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in

unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended December 31, 2011, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to net operating losses, wash sale loss deferrals, and straddle loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$934,874(a)	$550,091

(a) Included in the fund's distributions from ordinary income is $1,176 in excess of investment company taxable income which, in accordance with applicable U.S. tax law, is taxable to shareholders as ordinary income distributions.

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$462,108,495
Gross appreciation	74,623,508
Gross depreciation	(13,422,115)
Net unrealized appreciation (depreciation)	$61,201,393
Capital loss carryforwards	(44,674,146)
Other temporary differences	(186,624)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011 the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(16,766,873)
12/31/17	(27,907,273)
Total	$(44,674,146)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per

share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$925,433	$550,091
Service Class	9,441	—
Total	$934,874	$550,091

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund.

The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $58,443, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $2,059.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0164% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $4,793 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $2,287, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $398,389,956 and $414,851,724, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	2,705,438	$67,872,176	2,960,888	$65,574,689
Service Class	1,506,623	36,837,421	686,815	14,790,994
	4,212,061	$104,709,597	3,647,703	$80,365,683
Shares issued to shareholders in reinvestment of distributions				
Initial Class	38,916	$925,433	23,650	$550,091
Service Class	404	9,441	—	—
	39,320	$934,874	23,650	$550,091
Shares reacquired				
Initial Class	(4,355,037)	$(108,841,435)	(5,842,314)	$(127,766,833)
Service Class	(931,109)	(22,561,863)	(418,686)	(8,978,632)
	(5,286,146)	$(131,403,298)	(6,261,000)	$(136,745,465)
Net change				
Initial Class	(1,610,683)	$(40,043,826)	(2,857,776)	$(61,642,053)
Service Class	575,918	14,284,999	268,129	5,812,362
	(1,034,765)	$(25,758,827)	(2,589,647)	$(55,829,691)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $4,204 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	9,944,359	166,968,079	(163,427,119)	13,485,319

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$16,177	$13,485,319

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Growth Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Growth Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Growth Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Manager
Eric Fischman

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 3rd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 4th quintile for the one-year period and the 3rd quintile for the five-year period ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel

Board Review of Investment Advisory Agreement – continued

during the course of the year, regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was higher than the Lipper expense group median, and the Fund's total expense ratio was approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees concluded that the existing breakpoint was sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site *(mfs.com)*. This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

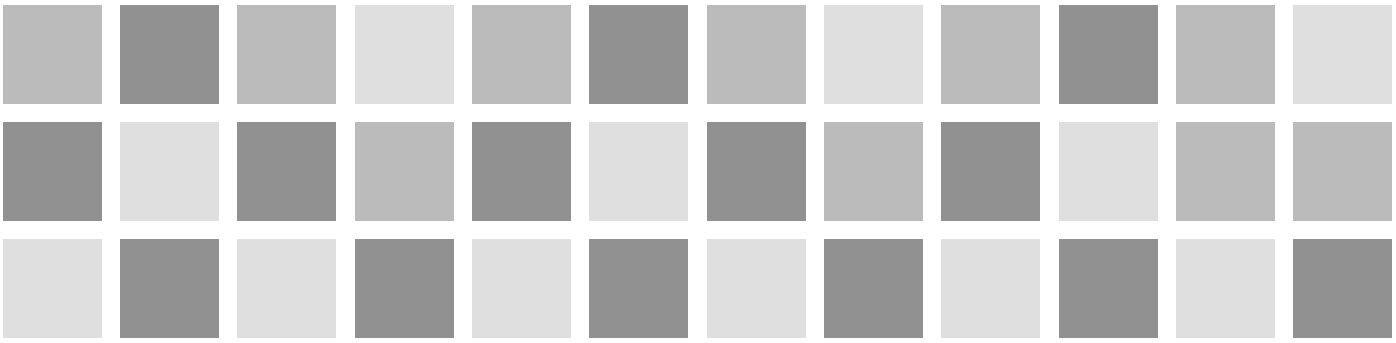
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

MFS® INVESTMENT MANAGEMENT

MFS® Research Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VFR-ANN

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

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LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

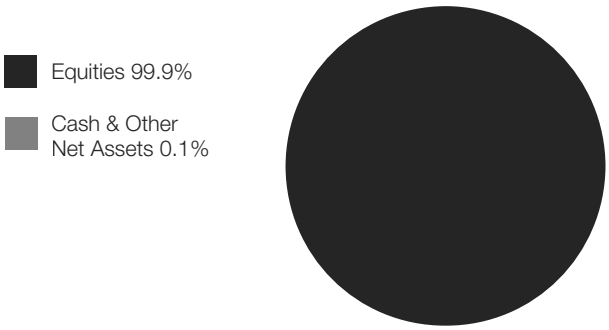
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS Research Series

PORTFOLIO COMPOSITION

Portfolio structure (i)



Global equity sectors (i)

Technology (s)	18.1%
Energy	15.9%
Capital Goods	14.7%
Financial Services	14.2%
Consumer Cyclicals	11.9%
Health Care	11.6%
Consumer Staples (s)	9.3%
Telecommunications/Cable Television	4.2%

Top ten holdings (i)

Apple, Inc.	4.9%
Exxon Mobil Corp.	2.3%
Google, Inc., "A"	2.3%
Danaher Corp.	2.2%
Pfizer, Inc.	2.0%
Philip Morris International, Inc.	2.0%
Oracle Corp.	1.9%
Target Corp.	1.8%
Occidental Petroleum Corp.	1.7%
Kraft Foods, Inc., "A"	1.7%

(i) For purposes of this presentation, the components include the market value of securities, less any securities sold short, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value.

(s) Global equity sector includes securities sold short.

Percentages are based on net assets as of 12/31/11.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS Research Series (the "fund") provided a total return of –0.45%, while Service Class shares of the fund provided a total return of –0.69%. These compare with a return of 2.11% for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

Early in the period, the U.S. Federal Reserve ("the Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Stock selection in the *health care* sector detracted from performance relative to the S&P 500 Index. The fund's holdings of life sciences supply company Thermo Fisher Scientific dampened relative returns. Although the company reported earnings in-line with expectations, it lowered its full-year guidance due to sluggishness in the academic/government market. Its share price underperformance also reflected concerns about the potential for a more significant slowdown in its European business.

Stock selection in the *energy* sector, also held back relative returns, led by the fund's ownership in shares of poor-performing offshore drilling contractor Transocean [(b)]. Additionally, holdings of oil and gas exploration and production company Apache weighed on relative performance. Apache's shares underperformed, in part, due to its relatively high exposure in the Gulf of Mexico and lack of production guidance from management.

Security selection in the *consumer staples* sector was another negative factor for relative performance, led by the fund's holdings of underperforming cosmetics and beauty supply company Avon Products [(h)]. Lower-than-expected earnings, primarily attributable to declining organic revenue growth in North America, caused the stock to decline during the period.

Elsewhere, the fund's holdings of poor-performing diversified mining company Teck Resources [(b)(h)] (Canada), project management provider Fluor, global automaker General Motors [(b)], investment banking firm Goldman Sachs, insurance company MetLife, and logistical service company Expeditors International of Washington were also among the top relative detractors for the reporting period. Shares of Teck Resources declined as the company trimmed its volume guidance, sighting the volatile market as the culprit.

Contributors to Performance

Individual stocks that benefited relative performance over the reporting period included the timing of the fund's ownership in shares of weak-performing computer products and services provider Hewlett-Packard [(h)] and financial services firm Bank of America [(h)]. The fund sold out of both positions early in the reporting period and, thus, avoided the majority of both stocks' losses. Shares of Hewlett-Packard declined throughout the period as investor confidence of the weakening business appeared to have been further shaken by the board's decision to fire CEO Leo Apotheker in September after only eleven months on the job and hiring former eBay CEO Meg Whitman to take his place. Additionally, the company had been plagued by slower growth in its PC division, internal problems in its services division, and a weaker balance sheet primarily from prior acquisitions.

The fund's holdings of strong-performing global payments technology company Visa, industrial, medical, and specialty gases distributor Airgas, computer and personal electronics maker Apple, containers manufacturer Graham Packaging [(b)(h)], tobacco products manufacturer Reynolds American [(h)], and industrial goods and metal fabrication company Precision Castparts also strengthened relative returns. Shares of Visa increased throughout the period due to higher profits which spurred management to repurchase shares and increase the stock's dividend. Shares of Graham Packaging rose during the period as the company was acquired by food and beverage packaging manufacturer Reynolds Group at a premium.

Management Review – continued

Additionally, not holding global automaker Ford Motor Company and precious metals company Freeport-McMoRan supported relative performance as both stocks underperformed the benchmark over the reporting period.

Respectfully,

Joseph MacDougall
Portfolio Manager

Note to Contract Owners: Katrina Mead is no longer a co-manager of the fund.

(b) Security is not a benchmark constituent.

(h) Security was not held in the fund at period end.

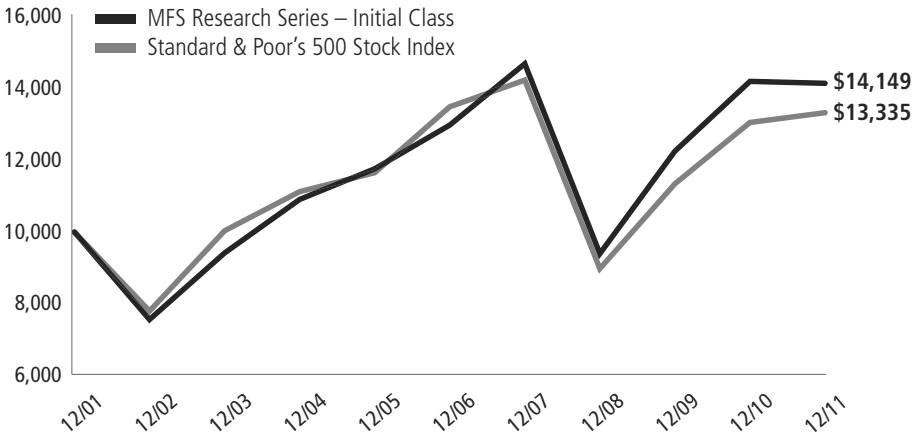
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	(0.45)%	1.73%	3.53%
Service Class	5/01/00	(0.69)%	1.48%	3.28%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	2.11%	(0.25)%	2.92%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.88%	$1,000.00	$948.66	$4.32
	Hypothetical (h)	0.88%	$1,000.00	$1,020.77	$4.48
Service Class	Actual	1.13%	$1,000.00	$948.02	$5.55
	Hypothetical (h)	1.13%	$1,000.00	$1,019.51	$5.75

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

Expenses Impacting Table

Expense ratios include 0.02% of investment related expenses from short sale dividend and interest expenses.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.7%		
Aerospace – 2.2%		
Honeywell International, Inc.	25,740	$ 1,398,969
Precision Castparts Corp.	9,430	1,553,970
United Technologies Corp.	14,140	1,033,493
		$ 3,986,432
Apparel Manufacturers – 1.3%		
Li & Fung Ltd.	280,000	$ 518,425
NIKE, Inc., "B"	9,250	891,422
VF Corp.	7,980	1,013,380
		$ 2,423,227
Automotive – 0.9%		
General Motors Co. (a)	37,430	$ 758,706
Johnson Controls, Inc.	28,330	885,596
		$ 1,644,302
Biotechnology – 1.2%		
Celgene Corp. (a)	7,910	$ 534,716
Gilead Sciences, Inc. (a)	41,160	1,684,679
		$ 2,219,395
Broadcasting – 2.0%		
News Corp., "A"	98,860	$ 1,763,662
Viacom, Inc., "B"	39,540	1,795,511
		$ 3,559,173
Brokerage & Asset Managers – 3.3%		
Affiliated Managers Group, Inc. (a)	13,350	$ 1,280,932
Blackrock, Inc.	9,530	1,698,627
CME Group, Inc.	3,760	916,199
Evercore Partners, Inc.	36,940	983,343
Franklin Resources, Inc.	10,770	1,034,566
		$ 5,913,667
Business Services – 1.2%		
Accenture PLC, "A"	25,830	$ 1,374,931
FleetCor Technologies, Inc. (a)	29,290	874,892
		$ 2,249,823
Cable TV – 1.6%		
Comcast Corp., "Special A"	78,400	$ 1,847,104
DIRECTV, "A" (a)	13,410	573,412
Time Warner Cable, Inc.	8,840	561,959
		$ 2,982,475
Chemicals – 2.0%		
3M Co.	30,800	$ 2,517,284
Celanese Corp.	23,240	1,028,835
		$ 3,546,119
Computer Software – 4.2%		
Autodesk, Inc. (a)	35,100	$ 1,064,583
Check Point Software Technologies Ltd. (a)	19,480	1,023,479
Oracle Corp.	136,740	3,507,381
Red Hat, Inc. (a)	27,990	1,155,707

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
VeriSign, Inc.	24,080	$ 860,138
		$ 7,611,288
Computer Software – Systems – 6.8%		
Apple, Inc. (a)	21,850	$ 8,849,250
EMC Corp. (a)	90,950	1,959,063
International Business Machines Corp.	8,530	1,568,496
		$ 12,376,809
Construction – 1.2%		
Owens Corning (a)	42,840	$ 1,230,365
Stanley Black & Decker, Inc.	15,150	1,024,140
		$ 2,254,505
Consumer Products – 1.7%		
Colgate-Palmolive Co.	14,280	$ 1,319,329
Procter & Gamble Co.	25,200	1,681,092
		$ 3,000,421
Electrical Equipment – 2.2%		
Danaher Corp.	85,360	$ 4,015,334
Electronics – 1.9%		
Altera Corp.	14,580	$ 540,918
ASML Holding N.V.	33,443	1,397,583
Hittite Microwave Corp. (a)	3,220	159,004
JDS Uniphase Corp. (a)	28,170	294,095
Microchip Technology, Inc.	28,740	1,052,746
		$ 3,444,346
Energy – Independent – 3.7%		
Apache Corp.	15,010	$ 1,359,606
Cabot Oil & Gas Corp.	14,460	1,097,514
CONSOL Energy, Inc.	5,640	206,988
EQT Corp.	17,950	983,481
Occidental Petroleum Corp.	33,040	3,095,848
		$ 6,743,437
Energy – Integrated – 4.9%		
Chevron Corp.	22,370	$ 2,380,168
Exxon Mobil Corp. (s)	49,050	4,157,478
Royal Dutch Shell PLC, ADR	31,840	2,327,186
		$ 8,864,832
Engineering – Construction – 0.8%		
Fluor Corp.	28,960	$ 1,455,240
Food & Beverages – 5.4%		
Bunge Ltd.	13,090	$ 748,748
Coca-Cola Enterprises, Inc.	39,370	1,014,959
General Mills, Inc.	34,320	1,386,871
Groupe Danone	20,732	1,303,250
Kraft Foods, Inc., "A"	80,370	3,002,623
Mead Johnson Nutrition Co., "A"	6,410	440,559
PepsiCo, Inc. (s)	28,850	1,914,197
		$ 9,811,207

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Drug Stores – 1.0%		
CVS Caremark Corp.	43,210	$ 1,762,104
Gaming & Lodging – 0.1%		
Sands China Ltd. (a)	57,600	$ 162,789
General Merchandise – 2.9%		
Dollar General Corp. (a)	22,070	$ 907,960
Kohl's Corp.	19,120	943,572
Target Corp.	65,170	3,338,007
		$ 5,189,539
Health Maintenance Organizations – 0.9%		
Aetna, Inc.	39,110	$ 1,650,051
Insurance – 3.9%		
ACE Ltd.	32,130	$ 2,252,956
Aon Corp.	30,450	1,425,060
Chubb Corp.	22,870	1,583,061
MetLife, Inc.	24,760	772,017
Prudential Financial, Inc.	19,340	969,321
		$ 7,002,415
Internet – 2.9%		
eBay, Inc. (a)	37,170	$ 1,127,366
Google, Inc., "A" (a)	6,420	4,146,678
		$ 5,274,044
Machinery & Tools – 0.9%		
Cummins, Inc.	10,710	$ 942,694
Joy Global, Inc.	10,460	784,186
		$ 1,726,880
Major Banks – 2.7%		
Goldman Sachs Group, Inc.	13,570	$ 1,227,135
JPMorgan Chase & Co. (s)	87,550	2,911,038
PNC Financial Services Group, Inc.	12,840	740,483
		$ 4,878,656
Medical & Health Technology & Services – 1.3%		
AmerisourceBergen Corp.	24,350	$ 905,576
Express Scripts, Inc. (a)	16,000	715,040
VCA Antech, Inc. (a)	34,680	684,930
		$ 2,305,546
Medical Equipment – 2.8%		
Covidien PLC	34,930	$ 1,572,199
Masimo Corp. (a)	23,280	434,987
Medtronic, Inc.	26,420	1,010,565
St. Jude Medical, Inc.	23,690	812,567
Thermo Fisher Scientific, Inc. (a)	26,050	1,171,468
		$ 5,001,786
Natural Gas – Distribution – 0.6%		
AGL Resources, Inc.	28,000	$ 1,183,280
Natural Gas – Pipeline – 0.4%		
Kinder Morgan, Inc.	19,990	$ 643,078

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Network & Telecom – 1.3%		
Acme Packet, Inc. (a)	10,550	$ 326,100
F5 Networks, Inc. (a)	9,530	1,011,324
Finisar Corp. (a)	19,430	325,355
Fortinet, Inc. (a)	31,200	680,472
		$ 2,343,251
Oil Services – 3.1%		
Cameron International Corp. (a)	22,030	$ 1,083,656
Dresser-Rand Group, Inc. (a)	18,680	932,319
Halliburton Co.	34,910	1,204,744
Schlumberger Ltd.	22,980	1,569,764
Transocean, Inc.	20,240	777,014
		$ 5,567,497
Other Banks & Diversified Financials – 3.6%		
Discover Financial Services	39,680	$ 952,320
Fifth Third Bancorp	79,940	1,016,837
Prosperity Bancshares, Inc.	22,780	919,173
Visa, Inc., "A"	25,950	2,634,703
Western Union Co.	51,480	940,025
		$ 6,463,058
Pharmaceuticals – 5.4%		
Abbott Laboratories	31,200	$ 1,754,376
Johnson & Johnson	22,420	1,470,304
Merck & Co., Inc.	60,480	2,280,096
Pfizer, Inc.	163,940	3,547,662
Teva Pharmaceutical Industries Ltd., ADR	17,650	712,354
		$ 9,764,792
Pollution Control – 0.5%		
Waste Connections, Inc.	29,970	$ 993,206
Precious Metals & Minerals – 0.3%		
Goldcorp, Inc.	10,680	$ 472,590
Railroad & Shipping – 1.1%		
Union Pacific Corp.	18,280	$ 1,936,583
Real Estate – 0.7%		
Starwood Property Trust, Inc., REIT	64,090	$ 1,186,306
Restaurants – 0.9%		
McDonald's Corp.	9,500	$ 953,135
Starbucks Corp.	15,550	715,455
		$ 1,668,590
Specialty Chemicals – 1.5%		
Airgas, Inc.	34,120	$ 2,664,090
Specialty Stores – 3.5%		
Amazon.com, Inc. (a)	3,250	$ 562,575
Home Depot, Inc.	34,190	1,437,348
PetSmart, Inc.	29,230	1,499,207
Ross Stores, Inc.	25,680	1,220,570
Tractor Supply Co.	9,730	682,559
Urban Outfitters, Inc. (a)	35,410	975,900
		$ 6,378,159

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telecommunications – Wireless – 0.2%		
SBA Communications Corp. (a)	9,550	$ 410,268
Telephone Services – 2.4%		
American Tower Corp., "A" (a)	11,910	$ 714,719
AT&T, Inc.	71,800	2,171,232
CenturyLink, Inc.	11,830	440,076
Verizon Communications, Inc.	25,130	1,008,216
		$ 4,334,243
Tobacco – 2.7%		
Lorillard, Inc.	12,280	$ 1,399,920
Philip Morris International, Inc.	45,100	3,539,448
		$ 4,939,368
Trucking – 1.0%		
Expeditors International of Washington, Inc.	44,180	$ 1,809,613
Utilities – Electric Power – 2.6%		
AES Corp. (a)	75,310	$ 891,670
American Electric Power Co., Inc.	23,340	964,175
CMS Energy Corp.	61,850	1,365,648
Edison International	33,960	1,405,944
		$ 4,627,437
Total Common Stocks (Identified Cost, $170,408,369)		**$180,441,251**
CONVERTIBLE PREFERRED STOCKS – 0.6%		
Utilities – Electric Power – 0.6%		
PPL Corp., 9.5% (Identified Cost, $1,030,366)	19,360	$ 1,080,869
MONEY MARKET FUNDS – 0.0%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	63	$ 63
Total Investments (Identified Cost, $171,438,798)		**$181,522,183**

Issuer/Expiration Date/Strike Price	Number of Contracts	Value ($)
PUT OPTIONS WRITTEN – 0.0%		
Red Hat, Inc. – January 2012 @ $39	(44)	$ (2,332)
Amazon.com, Inc. – January 2012 @ $210	(23)	(84,870)
Total Put Options Written (Premium Received, $23,427)		**$ (87,202)**

Issuer	Shares/Par	
SECURITIES SOLD SHORT – (0.7)%		
Computer Software – Systems – (0.2)%		
Dell, Inc. (a)	(24,280)	$ (355,216)
Food & Beverages – (0.5)%		
Campbell Soup Co.	(28,930)	$ (961,633)
Total Securities Sold Short (Proceeds Received, $1,257,789)		**$ (1,316,849)**
OTHER ASSETS, LESS LIABILITIES – 0.4%		**788,528**
Net Assets – 100.0%		**$180,906,660**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short and/or certain derivative transactions. At December 31, 2011, the value of securities pledged amounted to $1,635,929.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depository Receipt
PLC Public Limited Company
REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $171,438,735)	$181,522,120	
Underlying affiliated funds, at cost and value	63	
Total investments, at value (identified cost, $171,438,798)	$181,522,183	
Deposits with brokers	951,424	
Receivables for		
Fund shares sold	35,291	
Interest and dividends	252,616	
Other assets	2,449	
Total assets		$182,763,963
Liabilities		
Payable to custodian	$256,345	
Payables for		
Dividends on securities sold short	8,390	
Securities sold short, at value (proceeds received, $1,257,789)	1,316,849	
Fund shares reacquired	139,039	
Written options outstanding, at value (premiums received, $23,427)	87,202	
Payable to affiliates		
Investment adviser	11,469	
Shareholder servicing costs	248	
Distribution and/or service fees	412	
Payable for independent Trustees' compensation	13	
Accrued expenses and other liabilities	37,336	
Total liabilities		$1,857,303
Net assets		$180,906,660
Net assets consist of		
Paid-in capital	$204,648,993	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	9,960,538	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(35,174,902)	
Undistributed net investment income	1,472,031	
Net assets		$180,906,660
Shares of beneficial interest outstanding		9,637,832

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$160,891,792	8,565,718	$18.78
Service Class	20,014,868	1,072,114	18.67

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Dividends	$3,211,300	
Interest	24,026	
Dividends from underlying affiliated funds	1,219	
Foreign taxes withheld	(19,473)	
Total investment income		$3,217,072
Expenses		
Management fee	$1,443,534	
Distribution and/or service fees	50,358	
Shareholder servicing costs	22,029	
Administrative services fee	38,215	
Independent Trustees' compensation	10,330	
Custodian fee	34,319	
Shareholder communications	44,282	
Auditing fees	50,491	
Legal fees	3,067	
Dividend and interest expense on securities sold short	23,707	
Miscellaneous	17,159	
Total expenses		$1,737,491
Fees paid indirectly	(9)	
Reduction of expenses by investment adviser	(827)	
Net expenses		$1,736,655
Net investment income		$1,480,417
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$10,455,409	
Written option transactions	69,578	
Securities sold short	39,755	
Foreign currency transactions	(7,232)	
Net realized gain (loss) on investments and foreign currency transactions		$10,557,510
Change in unrealized appreciation (depreciation)		
Investments	$(12,256,258)	
Written options	(63,775)	
Securities sold short	(1,359)	
Translation of assets and liabilities in foreign currencies	(72)	
Net unrealized gain (loss) on investments and foreign currency translation		$(12,321,464)
Net realized and unrealized gain (loss) on investments and foreign currency		$(1,763,954)
Change in net assets from operations		$(283,537)

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For years ended 12/31 Change in net assets	2011	2010
From operations		
Net investment income	$1,480,417	$1,602,546
Net realized gain (loss) on investments and foreign currency transactions	10,557,510	14,848,081
Net unrealized gain (loss) on investments and foreign currency translation	(12,321,464)	11,656,177
Change in net assets from operations	$(283,537)	$28,106,804
Distributions declared to shareholders		
From net investment income	$(1,601,688)	$(1,762,583)
Change in net assets from fund share transactions	$(19,927,763)	$(21,049,435)
Total change in net assets	$(21,812,988)	$5,294,786
Net assets		
At beginning of period	202,719,648	197,424,862
At end of period (including undistributed net investment income of $1,472,031 and $1,600,534, respectively)	$180,906,660	$202,719,648

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$19.04	$16.57	$12.90	$20.28	$18.04
Income (loss) from investment operations					
Net investment income (d)	$0.15	$0.15	$0.15	$0.18	$0.09
Net realized and unrealized gain (loss) on investments and foreign currency	(0.24)	2.47	3.72	(7.47)	2.28
Total from investment operations	$(0.09)	$2.62	$3.87	$(7.29)	$2.37
Less distributions declared to shareholders					
From net investment income	$(0.17)	$(0.15)	$(0.20)	$(0.09)	$(0.13)
Net asset value, end of period (x)	$18.78	$19.04	$16.57	$12.90	$20.28
Total return (%) (k)(r)(s)(x)	(0.45)	15.90	30.54	(36.09)	13.20
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.88	0.89	0.90	0.88	0.88
Expenses after expense reductions (f)	0.88	0.89	0.90	0.88	0.88
Net investment income	0.79	0.86	1.05	1.04	0.46
Portfolio turnover	70	71	107	123	87
Net assets at end of period (000 omitted)	$160,892	$182,895	$180,229	$149,517	$281,339
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.86	0.89	0.90	N/A	N/A

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$18.93	$16.48	$12.82	$20.16	$17.94
Income (loss) from investment operations					
Net investment income (d)	$0.10	$0.10	$0.11	$0.13	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	(0.24)	2.47	3.71	(7.42)	2.26
Total from investment operations	$(0.14)	$2.57	$3.82	$(7.29)	$2.31
Less distributions declared to shareholders					
From net investment income	$(0.12)	$(0.12)	$(0.16)	$(0.05)	$(0.09)
Net asset value, end of period (x)	$18.67	$18.93	$16.48	$12.82	$20.16
Total return (%) (k)(r)(s)(x)	(0.69)	15.64	30.20	(36.25)	12.93
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.13	1.14	1.15	1.14	1.13
Expenses after expense reductions (f)	1.13	1.14	1.15	1.13	1.13
Net investment income	0.55	0.61	0.80	0.78	0.23
Portfolio turnover	70	71	107	123	87
Net assets at end of period (000 omitted)	$20,015	$19,825	$17,196	$12,951	$21,116
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.11	1.14	1.15	N/A	N/A

(d) Per share data is based on average shares outstanding.
(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.
(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.
(r) Certain expenses have been reduced without which performance would have been lower.
(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Enron Corp., the Initial Class and Service Class total returns for the year ended December 31, 2008 would have each been lower by approximately 0.82%. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Tyco International Ltd., the Initial Class and Service Class total returns for the year ended December 31, 2010 would have each been lower by approximately 0.60%.
(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Research Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the

Notes to Financial Statements – continued

issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as written options. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities	$181,522,120	$—	$—	$181,522,120
Mutual Funds	63	—	—	63
Total Investments	$181,522,183	$—	$—	$181,522,183
Short Sales	$(1,316,849)	$—	$—	$(1,316,849)
Other Financial Instruments				
Written Options	$(87,202)	$—	$—	$(87,202)

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were written options and purchased options. The fund's period end derivatives, as presented in the Portfolio of Investments, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at December 31, 2011 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	Derivative Contracts	Asset Derivatives	Liability Derivatives
Equity	Written Equity Options	$—	$(87,202)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	Investment Transactions (Purchased Options)	Written Options
Equity	$(88,042)	$69,578

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	Written Options
Equity	$(63,775)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Written Options – In exchange for a premium, the fund wrote call options on securities that it anticipated the price would decline and also wrote put options on securities that it anticipated the price would increase. At the time the option was written, the fund believed the premium received exceeded the potential loss that could result from adverse price changes in the options' underlying securities. In a written option, the fund as the option writer grants the buyer the right to purchase from, or sell to, the fund a specified number of shares or units of a particular security, currency or index at a specified price within a specified period of time.

The premium received is initially recorded as a liability on the Statement of Assets and Liabilities. The option is subsequently marked-to-market daily with the difference between the premium received and the market value of the written option being recorded as unrealized appreciation or depreciation. When a written option expires, the fund realizes a gain equal to the amount of the premium received. The difference between the premium received and the amount paid on effecting a closing transaction is considered a realized gain or loss. When a written call option is exercised, the premium received is offset against the proceeds to determine the realized gain or loss. When a written put option is exercised, the premium reduces the cost basis of the security purchased by the fund.

At the initiation of the written option contract, for exchange traded options, the fund is required to deposit securities or cash as collateral with the custodian for the benefit of the broker. For over-the-counter options, the fund may post collateral subject to the terms of an ISDA Master Agreement as generally described above if the market value of the options contract moves against it. The fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. Losses from writing options can exceed the premium received and can exceed the potential loss from an ordinary buy and sell transaction. Although the fund's market risk may be significant, the maximum counterparty credit risk to the fund is equal to the market value of any collateral posted to the broker. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above.

Notes to Financial Statements – continued

Written Option Transactions

	Number of contracts	Premiums received
Outstanding, beginning of period	—	$—
Options written	3,696	188,356
Options closed	(915)	(72,154)
Options exercised	(219)	(19,721)
Options expired	(2,495)	(73,054)
Outstanding, end of period	67	$23,427

Purchased Options – The fund purchased call and put options for a premium. Purchased call and put options entitle the holder to buy and sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may be used to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call and put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Short Sales – The fund entered into short sales whereby it sells a security it does not own in anticipation of a decline in the value of that security. The fund will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the fund replaces the borrowed security. Losses from short sales can exceed the proceeds of the security sold; and they can also exceed the potential loss from an ordinary buy and sell transaction. The amount of any premium, dividends, or interest the fund may be required to pay in connection with a short sale will be recognized as a fund expense. During the year ended December 31, 2011, this expense amounted to $23,707. The fund segregates cash or marketable securities in an amount that, when combined with the amount of proceeds from the short sale deposited with the broker, at least equals the current market value of the security sold short.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended December 31, 2011, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$1,601,688	$1,762,583

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$171,524,910
Gross appreciation	19,171,245
Gross depreciation	(9,173,972)
Net unrealized appreciation (depreciation)	$9,997,273
Undistributed ordinary income	1,472,031
Capital loss carryforwards	(35,088,790)
Other temporary differences	(122,847)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(9,633,475)
12/31/17	(25,455,315)
Total	$(35,088,790)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to

shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$1,473,743	$1,635,301
Service Class	127,945	127,282
Total	$1,601,688	$1,762,583

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $20,851, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $1,178.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0199% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $1,717 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $827, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, short sales, and short-term obligations, aggregated $134,800,753 and $152,187,979, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,101,108	$20,631,224	973,297	$16,519,125
Service Class	194,431	3,679,825	169,991	2,837,140
	1,295,539	$24,311,049	1,143,288	$19,356,265
Shares issued to shareholders in reinvestment of distributions				
Initial Class	82,194	$1,473,743	91,154	$1,635,301
Service Class	7,172	127,945	7,123	127,282
	89,366	$1,601,688	98,277	$1,762,583
Shares reacquired				
Initial Class	(2,224,124)	$(42,513,132)	(2,337,513)	$(39,290,944)
Service Class	(177,010)	(3,327,368)	(173,170)	(2,877,339)
	(2,401,134)	$(45,840,500)	(2,510,683)	$(42,168,283)
Net change				
Initial Class	(1,040,822)	$(20,408,165)	(1,273,062)	$(21,136,518)
Service Class	24,593	480,402	3,944	87,083
	(1,016,229)	$(19,927,763)	(1,269,118)	$(21,049,435)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $1,501 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	1,282,271	37,750,088	(39,032,296)	63

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$1,219	$63

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Research Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Research Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Research Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Manager
Joseph MacDougall

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 1st quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 1st quintile for each of the one- and five-year periods ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

Board Review of Investment Advisory Agreement – continued

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was approximately at the Lipper expense group median, and the Fund's total expense ratio was higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund' advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees concluded that the existing breakpoint was sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site *(mfs.com)*. This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

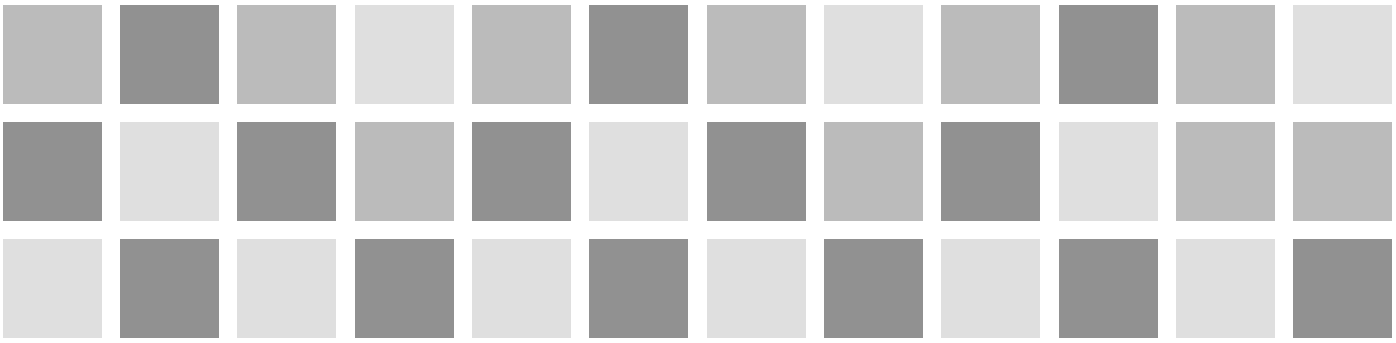
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

MFS® INVESTMENT MANAGEMENT

MFS® Utilities Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VUF-ANN

MFS® UTILITIES SERIES

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

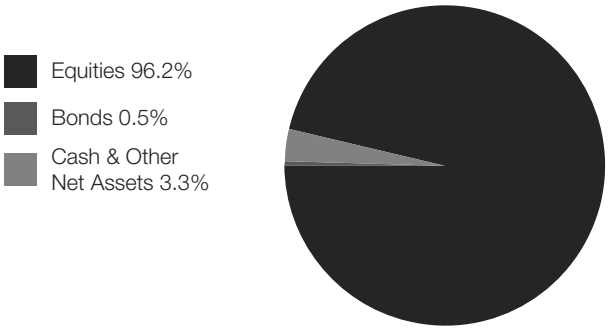
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS Utilities Series

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

El Paso Corp.	4.3%
Comcast Corp.	3.7%
CMS Energy Corp.	3.0%
Williams Cos, Inc.	2.8%
Public Service Enterprise Group, Inc.	2.8%
Virgin Media, Inc.	2.6%
AES Corp.	2.6%
Edison Intl.	2.4%
Energias De Portugal	2.2%
CEZ AS	1.9%

Top five industries (i)

Utilities-Electric Power	47.8%
Cable TV	10.4%
Natural Gas – Pipeline	10.3%
Telephone Services	8.7%
Telecommunications – Wireless	7.8%

Issuer country weightings (i)(x)

United States	67.9%
Brazil	8.2%
United Kingdom	4.0%
Portugal	3.3%
Spain	2.6%
Germany	2.6%
Czech Republic	1.9%
Chile	1.9%
Israel	1.6%
Other Countries	6.0%

(i) For purposes of this presentation, the components include the market value of securities. The bond component will include any accrued interest amounts. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's total net assets.

Percentages are based on net assets as of 12/31/11.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS Utilities Series (the "fund") provided a total return of 6.78%, while Service Class shares of the fund provided a total return of 6.51%. These compare with a return of 2.11% for the fund's benchmark, the Standard & Poor's 500 Stock Index, and a return of 19.91% for the fund's other benchmark, the Standard & Poor's 500 Utilities Index ("S&P Utilities Index").

Market Environment

Early in the period, the U.S. Federal Reserve (the "Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Stock selection in the *electric power* industry was a primary factor for the fund's underperformance relative to the S&P Utilities Index. The fund's holdings of electric utility companies, Fortum Oyj [b] (Finland) and CEZ [b] (Czech Republic), held back relative returns. Shares of Fortum Oyj declined late in the period as the company reported weak earnings driven by high costs in Russia, where production volumes and prices also declined. Additionally, fears over the euro zone crisis, and declining CO_2 and Nordic power prices, further held back the stock. Not holding shares of strong-performing electric power & natural gas distributors, Duke Energy and Dominion Resources, and electric utility company Progress Energy also dampened relative results.

The fund's exposure to the *wireless communications* industry, which is not represented in the benchmark, hampered relative performance. Holdings of weak-performing wireless communications providers, NII Holdings and Cellcom Israel, held back relative returns. NII Holdings faced intense competition in the industry particularly in Brazil.

The fund's out-of-benchmark exposure to the *telephone services* industry also weighed on relative results. There were no individual stocks within this industry that were among the fund's top relative detractors.

The fund's exposure to the *cable TV* industry, which is not represented in the benchmark, was an additional negative factor for relative performance. The fund's holding of media and communications services company Virgin Media hindered relative returns. The company reported a loss during the period as average revenue per user declined and churn rates increased.

Elsewhere, holdings of oil and natural gas producer QEP Resources, and the timing of the fund's ownership in shares of strong-performing natural gas distribution company Oneok, were also among the fund's top relative detractors.

During the reporting period, the fund's currency exposure, resulting primarily from holdings of foreign currency denominated securities, was a detractor from relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and as such, it is common for our portfolios to have different currency exposure than the benchmark.

Contributors to Performance

The fund's out-of-benchmark exposure to the *natural gas pipeline* industry boosted relative performance. Within this industry, holdings of gas pipeline companies, El Paso and Williams Companies, supported relative returns. In October, natural gas pipelines operator Kinder Morgan signed a definitive agreement to purchase El Paso at a substantial premium which helped El Paso's stock price to rise.

Elsewhere, the fund's holdings of Brazilian cellular telecommunications provider Vivo Participaceos [b][h], integrated energy company EQT Corporation [b], and natural gas distributor Southern Union [b][h] bolstered relative returns. Vivo Participaceos was acquired by Brazilian wireless company Telecomunicacoes de Sao Paulo at a premium, which helped the stock price to appreciate. The timing of the fund's ownership in shares of California-based utility company PG&E [h], electric utility

companies, Exelon and Edison International, and integrated energy company Entergy [h] also helped relative performance. PG&E stock came under pressure as the company trimmed its 2012-2013 profit estimates due to its plans to increase spending on improving its operations and customer service. Additionally, concerns about the potential for dilution in 2014 from penalties in the aftermath of last year's tragic explosion at one of its pipelines in San Bruno, California, which the company has taken financial responsibility for, also weighed on the stock. The fund's underweight position in energy services holding company Sempra Energy, which underperformed the benchmark, was another contributor to relative performance.

Respectfully,

Robert Persons	Maura Shaughnessy
Portfolio Manager	Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the fund at period end.

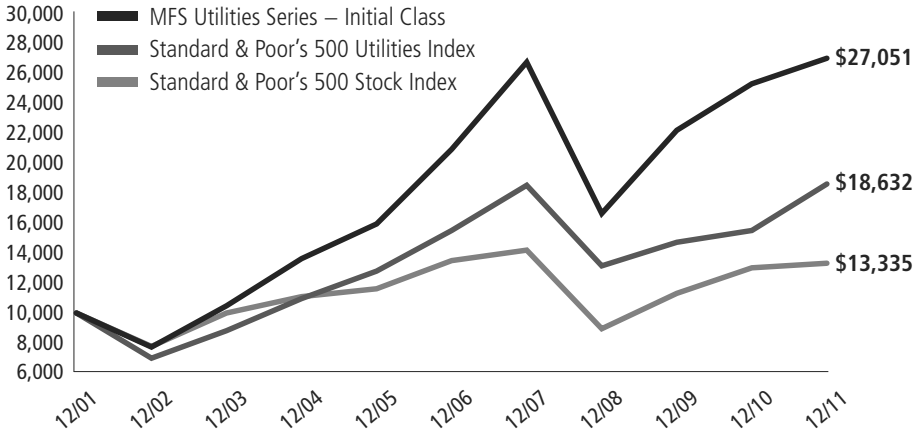
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	1/03/95	6.78%	5.23%	10.46%
Service Class	5/01/00	6.51%	4.97%	10.20%

Comparative benchmarks

Standard & Poor's 500 Stock Index (f)	2.11%	(0.25)%	2.92%
Standard & Poor's 500 Utilities Index (f)	19.91%	3.71%	6.42%

(f) Source: FactSet Research Systems Inc.

Benchmark Definitions

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

Standard & Poor's 500 Utilities Index – a market capitalization-weighted index designed to measure the utilities sector, including those companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

MFS Utilities Series

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.81%	$1,000.00	$964.42	$4.01
	Hypothetical (h)	0.81%	$1,000.00	$1,021.12	$4.13
Service Class	Actual	1.06%	$1,000.00	$963.15	$5.25
	Hypothetical (h)	1.06%	$1,000.00	$1,019.86	$5.40

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 91.3%		
Broadcasting – 0.6%		
Viacom, Inc., "B"	252,570	$ 11,469,201
Cable TV – 9.7%		
Comcast Corp., "Special A"	3,115,950	$ 73,411,782
Liberty Global, Inc., "A" (a)	393,590	16,148,998
Telenet Group Holding N.V.	561,935	21,409,854
Time Warner Cable, Inc.	470,940	29,937,656
Virgin Media, Inc.	2,403,600	51,388,968
		$ 192,297,258
Energy – Independent – 5.2%		
Arch Coal, Inc.	605,350	$ 8,783,629
Energen Corp.	190,680	9,534,000
EQT Corp.	567,190	31,076,340
Occidental Petroleum Corp.	114,150	10,695,855
QEP Resources, Inc.	944,340	27,669,162
Ultra Petroleum Corp. (a)	250,080	7,409,870
Williams Partners LP	139,510	8,369,205
		$ 103,538,061
Natural Gas – Distribution – 5.4%		
AGL Resources, Inc.	255,916	$ 10,815,010
GDF SUEZ	638,267	17,359,066
National Fuel Gas Co.	88,840	4,937,727
ONEOK, Inc.	57,090	4,949,132
Sempra Energy	626,810	34,474,550
Spectra Energy Corp.	829,280	25,500,360
UGI Corp.	344,280	10,121,832
		$ 108,157,677
Natural Gas – Pipeline – 10.3%		
El Paso Corp.	3,235,457	$ 85,966,092
Enagas S.A.	1,444,428	26,628,094
Kinder Morgan, Inc. (l)	804,570	25,883,017
Williams Cos., Inc. (a)	2,042,555	55,169,411
WPX Energy, Inc. (a)	604,551	10,984,692
		$ 204,631,306
Oil Services – 0.5%		
Transocean, Inc.	279,370	$ 10,725,014
Telecommunications – Wireless – 7.2%		
Cellcom Israel Ltd.	1,079,210	$ 18,238,649
Mobile TeleSystems OJSC, ADR	962,910	14,135,519
MTN Group Ltd.	571,364	10,147,824
NII Holdings, Inc. (a)	1,018,460	21,693,198
SBA Communications Corp. (a)	461,800	19,838,928
Tim Participacoes S.A., ADR	1,395,153	35,994,947
Vodafone Group PLC	8,609,186	23,919,048
		$ 143,968,113
Telephone Services – 8.7%		
American Tower Corp., "A" (a)	343,100	$ 20,589,431
Bezeq – The Israel Telecommunication Corp. Ltd.	7,612,040	13,945,753

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telephone Services – continued		
CenturyLink, Inc.	535,101	$ 19,905,757
Crown Castle International Corp. (a)	402,640	18,038,272
Deutsche Telekom AG	907,290	10,409,819
Frontier Communications Corp.	571,110	2,941,217
Kabel Deutschland Holding AG (a)	402,327	20,359,785
Portugal Telecom, SGPS, S.A.	997,881	5,747,210
PT XL Axiata Tbk	20,341,500	10,151,121
Telecom Italia S.p.A.	18,033,215	16,091,789
Telefonica Brasil S.A., ADR	1,259,648	34,426,180
		$ 172,606,334
Utilities – Electric Power – 43.7%		
AES Corp. (a)	4,314,620	$ 51,085,101
AES Tiete S.A., IPS	567,359	8,176,175
Aguas Andinas S.A.	29,187,146	16,742,578
American Electric Power Co., Inc.	926,910	38,290,652
Calpine Corp. (a)	2,200,770	35,938,574
CenterPoint Energy, Inc.	1,027,600	20,644,484
CEZ A.S.	974,152	38,755,832
China Hydroelectric Corp., ADR (a)	482,890	550,495
CMS Energy Corp.	2,718,400	60,022,272
Companhia de Saneamento Basico do Estado de Sao Paulo (a)	41,100	1,146,459
Companhia de Saneamento de Minas Gerais – Copasa MG	897,600	16,072,827
Companhia Energetica de Minas Gerais, IPS	40,400	720,605
Companhia Paranaense de Energia, ADR	376,080	7,890,158
Companhia Paranaense de Energia, IPS	331,200	6,907,214
Constellation Energy Group, Inc.	593,110	23,528,674
E-CL S.A.	3,098,610	8,249,043
E.ON AG	469,198	10,085,979
Edison International	1,168,550	48,377,970
EDP Renovaveis S.A. (a)	2,954,861	18,039,610
Eletropaulo Metropolitana S.A., IPS	102,500	2,005,763
ENEL OGK-5 OAO (a)	33,302,672	1,831,647
Energias de Portugal S.A.	13,833,181	42,807,508
Energias do Brasil S.A.	679,000	15,107,090
Enersis S.A., ADR	678,180	11,956,313
Exelon Corp.	218,640	9,482,417
FirstEnergy Corp.	394,550	17,478,565
Fortum Corp.	936,421	19,923,160
GenOn Energy, Inc. (a)	7,658,520	19,988,737
International Power PLC	4,850,752	25,402,011
ITC Holdings Corp.	39,748	3,016,078
Light S.A.	1,034,040	15,965,877
National Grid PLC	2,073,247	20,123,454
NextEra Energy, Inc.	584,960	35,612,365
Northeast Utilities	355,873	12,836,339
NRG Energy, Inc. (a)	1,330,904	24,115,980
NV Energy, Inc.	786,820	12,864,507
OGE Energy Corp.	453,000	25,689,630
OGK-4 OAO (a)	30,835,800	2,035,163

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
PPL Corp.	532,390	$ 15,662,914
Public Service Enterprise Group, Inc.	1,659,310	54,773,823
Red Electrica de Espana	572,941	24,446,551
RWE AG	288,710	10,114,202
SSE PLC	540,296	10,832,519
TGK International GmbH	6,417,626,537	1,861,112
Tractebel Energia S.A.	1,158,300	18,604,835
Verbund AG	154,010	4,133,056
		$ 869,896,318
Total Common Stocks (Identified Cost, $1,785,556,956)		**$1,817,289,282**
BONDS – 0.5%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 4.696%, 2023 (i)(z)	$ 149,073	$ 8,959
Utilities – Electric Power – 0.5%		
GenOn Energy, Inc., 9.875%, 2020	$ 10,119,000	$ 10,270,785
Total Bonds (Identified Cost, $10,117,023)		**$ 10,279,744**
CONVERTIBLE PREFERRED STOCKS – 3.6%		
Utilities – Electric Power – 3.6%		
Great Plains Energy, Inc., 12%	208,210	$ 13,841,801
NextEra Energy, Inc., 7%	346,300	18,457,790
PPL Corp., 9.5%	350,390	19,562,274
PPL Corp., 8.75%	353,810	19,636,455
Total Convertible Preferred Stocks (Identified Cost, $67,800,543)		**$ 71,498,320**

Issuer	Shares/Par	Value ($)
CONVERTIBLE BONDS – 1.3%		
Cable TV – 0.8%		
Virgin Media, Inc., 6.5%, 2016	$10,490,000	$ 14,515,538
Telecommunications – Wireless – 0.5%		
SBA Communications Corp., 4%, 2014	$ 6,876,000	$ 10,451,520
Total Convertible Bonds (Identified Cost, $21,473,027)		**$ 24,967,058**
MONEY MARKET FUNDS – 3.0%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	60,086,370	$ 60,086,370
COLLATERAL FOR SECURITIES LOANED – 1.0%		
Navigator Securities Lending Prime Portfolio, 0.27%, at Cost and Net Asset Value (j)	20,080,172	$ 20,080,172
Total Investments (Identified Cost, $1,965,114,091)		**$2,004,200,946**
OTHER ASSETS, LESS LIABILITIES – (0.7)%		**(13,497,037)**
Net Assets – 100.0%		**$1,990,703,909**

(a) Non-income producing security.

(i) Interest only security for which the fund receives interest on notional principal (Par amount). Par amount shown is the notional principal and does not reflect the cost of the security.

(j) The rate quoted is the annualized seven-day yield of the portfolio at period end.

(l) A portion of this security is on loan.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
Falcon Franchise Loan LLC, FRN, 4.696%, 2023	1/18/02	$8,498	$8,959
% of Net assets			0.0%

The following abbreviations are used in this report and are defined:

ADR American Depository Receipt

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

IPS International Preference Stock

PLC Public Limited Company

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

BRL Brazilian Real

EUR Euro

GBP British Pound

Portfolio of Investments – continued

Derivative Contracts at 12/31/11

Forward Foreign Currency Exchange Contracts at 12/31/11

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
SELL	BRL	Barclays Bank PLC	14,685,000	2/02/12	$ 8,406,320	$ 7,819,520	$ 586,800
SELL	BRL	HSBC Bank	46,642,684	2/02/12	26,821,555	24,836,460	1,985,095
SELL	BRL	JPMorgan Chase Bank N.A.	2,800,000	2/02/12	1,575,246	1,490,954	84,292
SELL	EUR	Barclays Bank PLC	2,722,270	1/12/12	3,667,905	3,523,471	144,434
SELL	EUR	Citibank N.A.	1,111,709	1/12/12	1,519,521	1,438,901	80,620
SELL	EUR	Credit Suisse Group	5,606,150	1/12/12	7,566,977	7,256,115	310,862
SELL	EUR	Deutsche Bank AG	4,711,695	1/12/12	6,297,725	6,098,410	199,315
SELL	EUR	Goldman Sachs International	652,455	1/12/12	883,979	844,482	39,497
SELL	EUR	HSBC Bank	2,478,828	1/12/12	3,296,349	3,208,380	87,969
SELL	EUR	JPMorgan Chase Bank N.A.	3,172,632	1/12/12	4,276,495	4,106,380	170,115
SELL	EUR	Merrill Lynch International Bank	6,289,593	1/12/12	8,394,356	8,140,705	253,651
SELL	EUR	Royal Bank of Scotland Group PLC	143,789	1/12/12	194,462	186,108	8,354
SELL	EUR	UBS AG	95,723,399	1/12/12-3/15/12	128,011,991	123,964,178	4,047,813
BUY	GBP	Credit Suisse Group	458,260	1/12/12	704,918	711,629	6,711
SELL	GBP	Barclays Bank PLC	2,397,904	1/12/12	3,788,852	3,723,689	65,163
SELL	GBP	JPMorgan Chase Bank N.A.	14,893	1/12/12	23,230	23,127	103
							$ 8,070,794
Liability Derivatives							
BUY	EUR	Barclays Bank PLC	705,102	1/12/12	$ 1,001,040	$ 912,622	$ (88,418)
BUY	EUR	Citibank N.A.	154,172	1/12/12	214,503	199,547	(14,956)
BUY	EUR	Deutsche Bank AG	168,579	1/12/12	218,563	218,194	(369)
BUY	EUR	Merrill Lynch International Bank	152,321	1/12/12	199,116	197,152	(1,964)
BUY	EUR	UBS AG	953,939	1/12/12	1,317,063	1,234,696	(82,367)
SELL	EUR	Barclays Bank PLC	212,875	1/12/12	275,441	275,526	(85)
SELL	EUR	Deutsche Bank AG	568,120	1/12/12	735,173	735,325	(152)
BUY	GBP	Barclays Bank PLC	1,584,024	1/12/12	2,498,577	2,459,820	(38,757)
BUY	GBP	Credit Suisse Group	231	1/12/12	361	359	(2)
BUY	GBP	Deutsche Bank AG	323,896	1/12/12	505,921	502,976	(2,945)
BUY	GBP	Morgan Stanley Capital Services, Inc.	147,875	1/12/12	229,711	229,634	(77)
SELL	GBP	Barclays Bank PLC	27,425,252	1/12/12	42,155,250	42,588,491	(433,241)
SELL	GBP	Credit Suisse Group	364,287	1/12/12	564,306	565,699	(1,393)
SELL	GBP	Deutsche Bank AG	27,273,941	1/12/12	41,925,638	42,353,520	(427,882)
SELL	GBP	Merrill Lynch International Bank	252,722	1/12/12	391,044	392,450	(1,406)
							$(1,094,014)

At December 31, 2011, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

MFS Utilities Series

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,905,027,721)	$1,944,114,576	
Underlying affiliated funds, at cost and value	60,086,370	
Total investments, at value, including $20,030,361 of securities on loan (identified cost, $1,965,114,091)	$2,004,200,946	
Restricted cash	350,000	
Foreign currency, at value (identified cost, $1,228,837)	1,224,345	
Receivables for		
Forward foreign currency exchange contracts	8,070,794	
Investments sold	16,662,551	
Fund shares sold	1,139,169	
Interest and dividends	5,502,186	
Other assets	21,579	
Total assets		$2,037,171,570
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$1,094,014	
Investments purchased	23,436,120	
Fund shares reacquired	1,392,484	
Collateral for securities loaned, at value	20,080,172	
Payable to affiliates		
Investment adviser	120,805	
Shareholder servicing costs	1,624	
Distribution and/or service fees	29,864	
Payable for independent Trustees' compensation	76	
Accrued expenses and other liabilities	312,502	
Total liabilities		$46,467,661
Net assets		$1,990,703,909
Net assets consist of		
Paid-in capital	$1,979,293,239	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	46,007,114	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(111,798,243)	
Undistributed net investment income	77,201,799	
Net assets		$1,990,703,909
Shares of beneficial interest outstanding		77,094,936

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$532,446,639	20,418,495	$26.08
Service Class	1,458,257,270	56,676,441	25.73

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Dividends	$92,265,029	
Interest	1,002,551	
Dividends from underlying affiliated funds	30,688	
Foreign taxes withheld	(5,295,766)	
Total investment income		$88,002,502
Expenses		
Management fee	$14,171,337	
Distribution and/or service fees	3,520,674	
Shareholder servicing costs	213,267	
Administrative services fee	294,392	
Independent Trustees' compensation	41,573	
Custodian fee	515,100	
Shareholder communications	225,910	
Auditing fees	52,055	
Legal fees	30,721	
Miscellaneous	108,699	
Total expenses		$19,173,728
Fees paid indirectly	(796)	
Reduction of expenses by investment adviser	(8,175)	
Net expenses		$19,164,757
Net investment income		$68,837,745
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$123,485,987	
Foreign currency transactions	7,651,112	
Net realized gain (loss) on investments and foreign currency transactions		$131,137,099
Change in unrealized appreciation (depreciation)		
Investments	$(85,977,929)	
Translation of assets and liabilities in foreign currencies	7,004,412	
Net unrealized gain (loss) on investments and foreign currency translation		$(78,973,517)
Net realized and unrealized gain (loss) on investments and foreign currency		$52,163,582
Change in net assets from operations		$121,001,327

See Notes to Financial Statements

MFS Utilities Series

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For years ended 12/31	2011	2010
Change in net assets		
From operations		
Net investment income	$68,837,745	$57,761,335
Net realized gain (loss) on investments and foreign currency transactions	131,137,099	74,636,945
Net unrealized gain (loss) on investments and foreign currency translation	(78,973,517)	92,299,866
Change in net assets from operations	$121,001,327	$224,698,146
Distributions declared to shareholders		
From net investment income	$(60,160,403)	$(53,910,218)
Change in net assets from fund share transactions	$52,904,945	$(68,416,700)
Total change in net assets	$113,745,869	$102,371,228
Net assets		
At beginning of period	1,876,958,040	1,774,586,812
At end of period (including undistributed net investment income of $77,201,799 and $60,153,580, respectively)	$1,990,703,909	$1,876,958,040

See Notes to Financial Statements

FINANCIAL STATEMENTS | FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$25.27	$22.92	$18.21	$34.48	$29.27
Income (loss) from investment operations					
Net investment income (d)	$0.97	$0.79	$0.80	$0.73	$0.71
Net realized and unrealized gain (loss) on investments and foreign currency	0.70	2.29	4.90	(11.97)	7.10
Total from investment operations	$1.67	$3.08	$5.70	$(11.24)	$7.81
Less distributions declared to shareholders					
From net investment income	$(0.86)	$(0.73)	$(0.99)	$(0.44)	$(0.32)
From net realized gain on investments	—	—	—	(4.59)	(2.28)
Total distributions declared to shareholders	$(0.86)	$(0.73)	$(0.99)	$(5.03)	$(2.60)
Net asset value, end of period (x)	$26.08	$25.27	$22.92	$18.21	$34.48
Total return (%) (k)(r)(s)(x)	6.78	13.81	33.44	(37.77)	27.90
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.80	0.81	0.83	0.84	0.85
Expenses after expense reductions (f)	0.80	0.81	0.83	0.81	0.82
Net investment income	3.71	3.47	4.11	2.76	2.22
Portfolio turnover	53	56	70	68	84
Net assets at end of period (000 omitted)	$532,447	$541,653	$564,822	$495,297	$969,404

See Notes to Financial Statements

MFS Utilities Series

Financial Highlights – continued

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$24.95	$22.65	$17.98	$34.11	$29.01
Income (loss) from investment operations					
Net investment income (d)	$0.89	$0.73	$0.73	$0.66	$0.62
Net realized and unrealized gain (loss) on investments and foreign currency	0.70	2.25	4.86	(11.82)	7.03
Total from investment operations	$1.59	$2.98	$5.59	$(11.16)	$7.65
Less distributions declared to shareholders					
From net investment income	$(0.81)	$(0.68)	$(0.92)	$(0.38)	$(0.27)
From net realized gain on investments	—	—	—	(4.59)	(2.28)
Total distributions declared to shareholders	$(0.81)	$(0.68)	$(0.92)	$(4.97)	$(2.55)
Net asset value, end of period (x)	$25.73	$24.95	$22.65	$17.98	$34.11
Total return (%) (k)(r)(s)(x)	6.51	13.51	33.09	(37.91)	27.56
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.05	1.06	1.08	1.09	1.10
Expenses after expense reductions (f)	1.05	1.06	1.07	1.06	1.07
Net investment income	3.45	3.23	3.83	2.54	1.96
Portfolio turnover	53	56	70	68	84
Net assets at end of period (000 omitted)	$1,458,257	$1,335,305	$1,209,765	$992,502	$1,715,446

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Utilities Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests primarily in securities of issuers in the utility industry. Issuers in a single industry can react similarly to market, economic, political and regulatory conditions and developments. The fund invests in foreign securities, including securities of emerging market issuers. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment. The markets of emerging markets countries are generally more volatile than the markets of developed countries with more mature economies. All of the risks of investing in foreign securities previously described are heightened when investing in emerging markets countries.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign

markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$1,249,335,710	$—	$—	$1,249,335,710
Brazil	163,018,130	—	—	163,018,130
United Kingdom	80,277,031	—	—	80,277,031
Portugal	48,554,719	18,039,610	—	66,594,329
Spain	—	51,074,645	—	51,074,645
Germany	10,409,819	40,559,966	—	50,969,785
Czech Republic	38,755,832	—	—	38,755,832
Chile	36,947,934	—	—	36,947,934
Israel	32,184,402	—	—	32,184,402
Other Countries	32,837,000	86,792,804	—	119,629,804
Corporate Bonds	—	35,237,843	—	35,237,843
Commercial Mortgage-Backed Securites	—	8,959	—	8,959
Mutual Funds	80,166,542	—	—	80,166,542
Total Investments	$1,772,487,119	$231,713,827	$—	$2,004,200,946
Other Financial Instruments				
Forward Foreign Currency Exchange	$—	$6,976,780	$—	$6,976,780

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

Notes to Financial Statements – continued

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at December 31, 2011 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$8,070,794	$(1,094,014)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	**Foreign Currency Transactions**
Foreign Exchange	$9,606,569

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**
Foreign Exchange	$7,071,522

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Forward Foreign Currency Exchange Contracts – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency transactions.

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to

counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended December 31, 2011, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities, wash sale loss deferrals, and derivative transactions.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$60,160,403	$53,910,218

Notes to Financial Statements – continued

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$1,975,304,091
Gross appreciation	206,009,875
Gross depreciation	(177,113,020)
Net unrealized appreciation (depreciation)	$28,896,855
Undistributed ordinary income	84,208,490
Capital loss carryforwards	(101,608,243)
Other temporary differences	(86,432)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(101,608,243)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$17,376,268	$17,038,959
Service Class	42,784,135	36,871,259
Total	$60,160,403	$53,910,218

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.70%

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.73% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $211,358, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $1,909.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0151% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $17,336 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $8,175, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $1,083,161,946 and $1,027,300,302, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,930,246	$51,018,561	1,843,606	$42,047,040
Service Class	7,808,390	201,808,348	5,744,719	129,754,840
	9,738,636	$252,826,909	7,588,325	$171,801,880
Shares issued to shareholders in reinvestment of distributions				
Initial Class	697,562	$17,376,268	752,272	$17,038,959
Service Class	1,739,192	42,784,135	1,646,038	36,871,259
	2,436,754	$60,160,403	2,398,310	$53,910,218
Shares reacquired				
Initial Class	(3,642,984)	$(95,642,985)	(5,803,553)	$(131,670,247)
Service Class	(6,387,884)	(164,439,382)	(7,287,517)	(162,458,551)
	(10,030,868)	$(260,082,367)	(13,091,070)	$(294,128,798)
Net change				
Initial Class	(1,015,176)	$(27,248,156)	(3,207,675)	$(72,584,248)
Service Class	3,159,698	80,153,101	103,240	4,167,548
	2,144,522	$52,904,945	(3,104,435)	$(68,416,700)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In

Notes to Financial Statements – continued

addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $15,037 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	28,020,520	471,558,953	(439,493,103)	60,086,370

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$30,688	$60,086,370

MFS Utilities Series

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Utilities Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Utilities Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Utilities Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Managers
Robert Persons
Maura Shaughnessy

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 1st quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 1st quintile for each of the one- and five-year periods ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

Board Review of Investment Advisory Agreement – continued

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and the Fund's total expense ratio were each approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees concluded that the existing breakpoint was sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov.*

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov.*

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site *(mfs.com)*. This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com.*

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 62.11% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

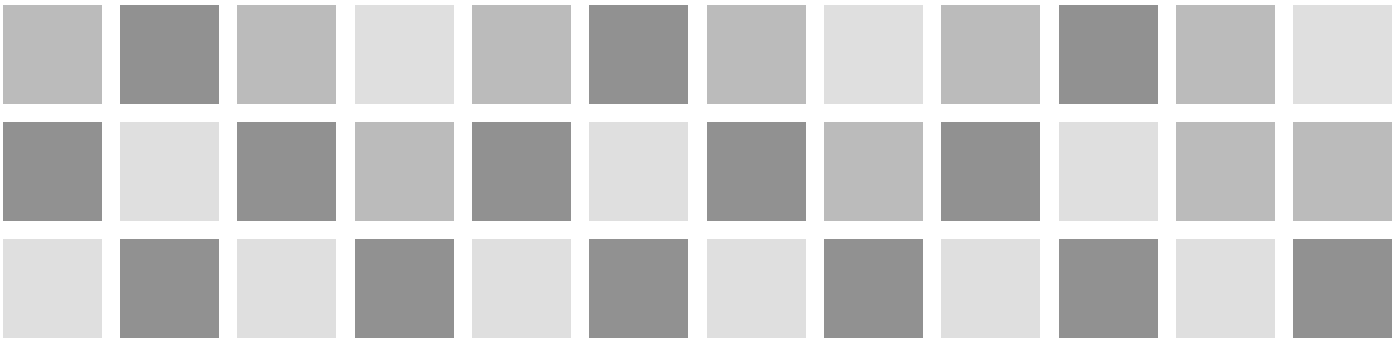
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

MFS®
INVESTMENT MANAGEMENT

MFS® Investors Trust Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VGI-ANN

MFS® INVESTORS TRUST SERIES

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

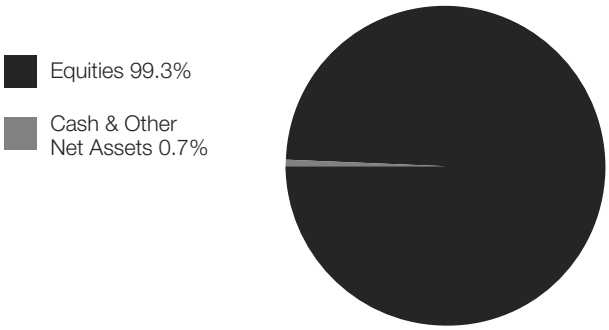
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS Investors Trust Series

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	3.8%
Oracle Corp.	2.4%
Danaher Corp.	2.4%
Procter & Gamble Co.	2.3%
Walt Disney Co.	2.3%
Philip Morris International, Inc.	2.3%
Google, Inc., "A"	2.3%
Chevron Corp.	2.3%
EMC Corp.	2.0%
United Technologies Corp.	2.0%

Equity sectors

Technology	16.8%
Financial Services	16.1%
Consumer Staples	12.1%
Health Care	11.6%
Energy	10.6%
Utilities & Communications	6.4%
Retailing	6.1%
Industrial Goods & Services	5.2%
Basic Materials	4.5%
Leisure	4.4%
Autos & Housing	3.3%
Transportation	1.5%
Special Products & Services	0.7%

Percentages are based on net assets as of 12/31/11.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS Investors Trust Series (the "fund") provided a total return of –2.18%, while Service Class shares of the fund provided a total return of –2.42%. These compare with a return of 2.11% for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

Early in the period, the U.S. Federal Reserve (the "Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Security selection in the *health care* sector was a primary factor in the fund's underperformance relative to the S&P 500 Index. Not holding pharmaceutical giant Pfizer detracted from relative performance as the stock outpaced the benchmark over the reporting period. Shares of Pfizer benefited on the news that the Food & Drug Administration ("FDA") panel voted in favor of data supporting both effectiveness and safety of Pfizer's Prevnar-13, a pneumococcal disease prevention drug. Additionally, the company's announcement of an increase in both dividends and in its share repurchase target helped push the stock higher. Holdings of cardiovascular medical device maker St. Jude Medical held back relative results as shares came under pressure after its pulmonary artery pressure monitoring system failed to garner a positive vote at its advisory panel. The FDA's recall of its Riata defibrillator leads, which the company stopped selling last year, also pressured the stock.

Stock selection in the *retailing* sector was another negative factor for relative performance. Holdings of office supply retailer Staples [(h)] hurt relative performance as the stock underperformed the benchmark over the reporting period. The fund eliminated its exposure to Staples after a steep decline in the company's stock price due to an earnings announcement in the second quarter 2011 that missed consensus estimates.

In the *energy* sector, security selection held back relative performance. The fund's underweight position in integrated oil and gas company Exxon Mobil, which outperformed the S&P 500 Index over the reporting period, detracted from relative results. Holdings of global integrated energy company Hess negatively impacted the fund's return as the company's stock underperformed the benchmark.

An overweight position in the *financial services* sector led to relative underperformance against the benchmark as uncertainty surrounding regulatory reform and the European sovereign debt crisis persisted throughout 2011. Holdings of investment banking firm Goldman Sachs Group, financial services firm Bank of America, and global financial services provider Bank of New York Mellon weighed on relative results. The fund's holdings of global financial services firm JPMorgan Chase also held back relative performance.

Elsewhere, holdings of enterprise software products maker Oracle weakened relative results as the stock underperformed the benchmark over the reporting period.

During the reporting period, the fund's currency exposure, resulting primarily from holdings of foreign currency denominated securities, was a detractor from relative performance. All of MFS' investment decisions are driven by the fundamentals of each individual opportunity and, as such, it is common for our portfolios to have different currency exposure than the benchmark.

Contributors to Performance

Stock selection in the *basic materials* sector benefited relative performance. Not owning precious metals company Freeport-McMoRan helped relative results as the stock underperformed the benchmark over the reporting period.

Security selection in the *technology* sector also boosted the fund's performance relative to the benchmark. The timing of the fund's ownership in shares of computer products and services provider Hewlett Packard [h] enabled the fund to eliminate its exposure to the firm and avoid the impact of the stock's underperformance relative to the benchmark.

Elsewhere, not holding shares of financial services firm Citigroup, whose share performance was in line with other poor-performing financial firms suffering from the uncertainty in Europe, contributed to relative performance. Holdings of global payments technology companies, MasterCard and Visa, contributed to relative returns as shares of both firms strongly outperformed the benchmark. Owning shares of tobacco product maker Philip Morris International also boosted relative returns as the company reported strong earnings results near the end of the reporting period in addition to its solid return of capital to shareholders via both dividends and share repurchases.

Respectfully,

T. Kevin Beatty	Nicole Zatlyn
Portfolio Manager	Portfolio Manager

(h) Security was not held in the fund at period end.

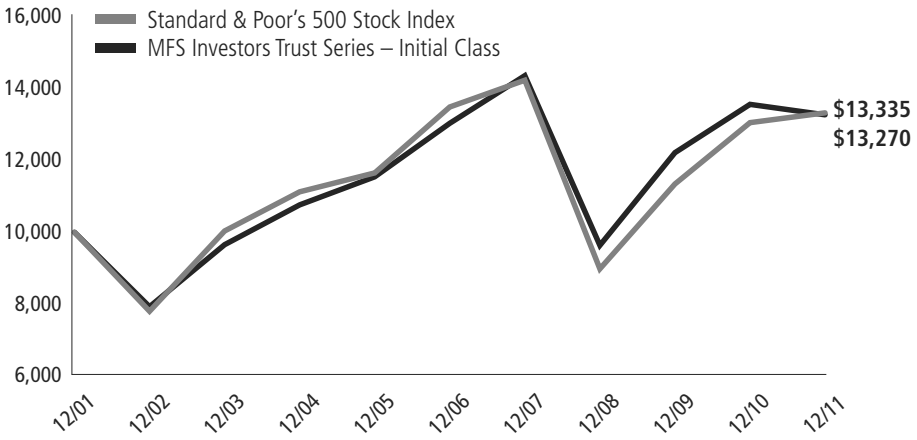
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	10/09/95	(2.18)%	0.36%	2.87%
Service Class	5/01/00	(2.42)%	0.11%	2.62%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	2.11%	(0.25)%	2.92%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Standard & Poor's 500 Stock Index – a market capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.83%	$1,000.00	$929.49	$4.04
	Hypothetical (h)	0.83%	$1,000.00	$1,021.02	$4.23
Service Class	Actual	1.08%	$1,000.00	$928.80	$5.25
	Hypothetical (h)	1.08%	$1,000.00	$1,019.76	$5.50

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 99.3%		
Aerospace – 2.0%		
United Technologies Corp.	156,780	$ 11,459,050
Alcoholic Beverages – 2.5%		
Diageo PLC	274,577	$ 5,997,570
Heineken N.V.	170,069	7,851,309
		$ 13,848,879
Apparel Manufacturers – 2.5%		
LVMH Moet Hennessy Louis Vuitton S.A.	37,412	$ 5,270,923
NIKE, Inc., "B"	70,180	6,763,247
VF Corp.	17,120	2,174,069
		$ 14,208,239
Automotive – 0.5%		
Bayerische Motoren Werke AG	45,714	$ 3,056,219
Biotechnology – 1.1%		
Gilead Sciences, Inc. (a)	157,900	$ 6,462,847
Broadcasting – 3.4%		
Viacom, Inc., "B"	138,780	$ 6,302,000
Walt Disney Co.	348,960	13,086,000
		$ 19,388,000
Brokerage & Asset Managers – 2.3%		
Blackrock, Inc.	41,038	$ 7,314,613
Franklin Resources, Inc.	61,500	5,907,690
		$ 13,222,303
Business Services – 0.7%		
Accenture PLC, "A"	72,750	$ 3,872,483
Cable TV – 1.0%		
Comcast Corp., "A"	226,860	$ 5,378,851
Chemicals – 2.1%		
3M Co.	106,610	$ 8,713,235
Celanese Corp.	74,380	3,292,803
		$ 12,006,038
Computer Software – 3.7%		
Check Point Software Technologies Ltd. (a)	88,330	$ 4,640,858
Oracle Corp.	530,220	13,600,143
VeriSign, Inc.	73,690	2,632,207
		$ 20,873,208
Computer Software – Systems – 6.6%		
Apple, Inc. (a)	53,320	$ 21,594,600
EMC Corp. (a)	534,930	11,522,392
International Business Machines Corp.	22,140	4,071,103
		$ 37,188,095
Construction – 2.8%		
Owens Corning (a)	154,330	$ 4,432,358
Sherwin-Williams Co.	73,490	6,560,452
Stanley Black & Decker, Inc.	69,070	4,669,132
		$ 15,661,942

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Consumer Products – 4.3%		
Colgate-Palmolive Co.	54,740	$ 5,057,429
Procter & Gamble Co.	197,660	13,185,899
Reckitt Benckiser Group PLC	119,137	5,870,873
		$ 24,114,201
Electrical Equipment – 2.4%		
Danaher Corp.	286,060	$ 13,456,262
Electronics – 2.6%		
Altera Corp.	72,860	$ 2,703,106
ASML Holding N.V.	66,413	2,775,399
Microchip Technology, Inc.	245,160	8,980,211
		$ 14,458,716
Energy – Independent – 3.0%		
Apache Corp.	50,490	$ 4,573,384
EOG Resources, Inc.	53,260	5,246,643
Occidental Petroleum Corp.	77,960	7,304,852
		$ 17,124,879
Energy – Integrated – 4.2%		
Chevron Corp.	120,220	$ 12,791,408
Exxon Mobil Corp.	97,170	8,236,129
Hess Corp.	48,330	2,745,144
		$ 23,772,681
Engineering – Construction – 0.8%		
Fluor Corp.	88,660	$ 4,455,165
Food & Beverages – 3.0%		
General Mills, Inc.	100,840	$ 4,074,944
Groupe Danone	86,541	5,440,118
PepsiCo, Inc.	112,261	7,448,517
		$ 16,963,579
General Merchandise – 2.9%		
Kohl's Corp.	129,720	$ 6,401,682
Target Corp.	199,430	10,214,805
		$ 16,616,487
Insurance – 2.5%		
ACE Ltd.	115,150	$ 8,074,318
Aon Corp.	127,330	5,959,044
		$ 14,033,362
Internet – 2.3%		
Google, Inc., "A" (a)	19,940	$ 12,879,246
Major Banks – 7.3%		
Bank of America Corp.	679,480	$ 3,777,909
Bank of New York Mellon Corp.	203,603	4,053,736
Goldman Sachs Group, Inc.	71,270	6,444,946
JPMorgan Chase & Co.	342,820	11,398,765
State Street Corp.	86,420	3,483,590
SunTrust Banks, Inc.	108,040	1,912,308
Wells Fargo & Co.	374,580	10,323,425
		$ 41,394,679

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical & Health Technology & Services – 0.5%		
VCA Antech, Inc. (a)	149,310	$ 2,948,873
Medical Equipment – 5.6%		
Baxter International, Inc.	74,060	$ 3,664,489
Becton, Dickinson & Co.	65,420	4,888,182
Covidien PLC	96,290	4,334,013
Medtronic, Inc.	170,980	6,539,985
St. Jude Medical, Inc.	207,240	7,108,332
Thermo Fisher Scientific, Inc. (a)	116,760	5,250,697
		$ 31,785,698
Natural Gas – Pipeline – 0.4%		
Kinder Morgan, Inc.	64,900	$ 2,087,833
Network & Telecom – 1.6%		
Cisco Systems, Inc.	495,582	$ 8,960,123
Oil Services – 3.4%		
Cameron International Corp. (a)	107,770	$ 5,301,206
Halliburton Co.	122,240	4,218,502
National Oilwell Varco, Inc.	72,840	4,952,392
Schlumberger Ltd.	71,220	4,865,038
		$ 19,337,138
Other Banks & Diversified Financials – 4.0%		
American Express Co.	148,170	$ 6,989,179
MasterCard, Inc., "A"	19,230	7,169,329
Visa, Inc., "A"	80,120	8,134,584
		$ 22,293,092
Pharmaceuticals – 4.4%		
Abbott Laboratories	168,780	$ 9,490,499
Johnson & Johnson	168,256	11,034,228
Teva Pharmaceutical Industries Ltd., ADR	104,270	4,208,337
		$ 24,733,064
Railroad & Shipping – 1.2%		
Canadian National Railway Co.	88,090	$ 6,920,350
Specialty Chemicals – 2.4%		
Linde AG	50,142	$ 7,459,830
Praxair, Inc.	59,350	6,344,515
		$ 13,804,345
Specialty Stores – 0.7%		
Hennes & Mauritz AB, "B"	114,610	$ 3,677,452
Telephone Services – 2.4%		
American Tower Corp., "A" (a)	116,300	$ 6,979,163
AT&T, Inc.	217,890	6,588,994
		$ 13,568,157
Tobacco – 2.3%		
Philip Morris International, Inc.	165,330	$ 12,975,098
Trucking – 0.3%		
Expeditors International of Washington, Inc.	45,040	$ 1,844,838
Utilities – Electric Power – 3.6%		
Alliant Energy Corp.	102,990	$ 4,542,889
American Electric Power Co., Inc.	111,820	4,619,284
Exelon Corp.	118,560	5,141,947
Wisconsin Energy Corp.	167,900	5,869,784
		$ 20,173,904
Total Common Stocks (Identified Cost, $513,963,360)		**$561,005,376**
MONEY MARKET FUNDS – 0.7%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	3,692,509	$ 3,692,509
Total Investments (Identified Cost, $517,655,869)		**$564,697,885**
OTHER ASSETS, LESS LIABILITIES – 0.0%		**194,580**
Net Assets – 100.0%		**$564,892,465**

(a) Non-income producing security.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

The following abbreviations are used in this report and are defined:

ADR American Depository Receipt

PLC Public Limited Company

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $513,963,360)	$561,005,376	
Underlying affiliated funds, at cost and value	3,692,509	
Total investments, at value (identified cost, $517,655,869)	$564,697,885	
Cash	146,823	
Receivables for		
Fund shares sold	56,100	
Interest and dividends	679,880	
Other assets	6,743	
Total assets		$565,587,431
Liabilities		
Payable for fund shares reacquired	$581,322	
Payable to affiliates		
Investment adviser	35,604	
Shareholder servicing costs	501	
Distribution and/or service fees	1,611	
Payable for independent Trustees' compensation	31	
Accrued expenses and other liabilities	75,897	
Total liabilities		$694,966
Net assets		$564,892,465
Net assets consist of		
Paid-in capital	$558,766,401	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	47,040,581	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(45,928,556)	
Undistributed net investment income	5,014,039	
Net assets		$564,892,465
Shares of beneficial interest outstanding		29,118,828

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$486,500,365	25,058,344	$19.41
Service Class	78,392,100	4,060,484	19.31

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Dividends	$10,447,447	
Interest	8,666	
Dividends from underlying affiliated funds	5,172	
Foreign taxes withheld	(171,053)	
Total investment income		$10,290,232
Expenses		
Management fee	$4,627,876	
Distribution and/or service fees	178,448	
Shareholder servicing costs	67,795	
Administrative services fee	99,935	
Independent Trustees' compensation	18,701	
Custodian fee	76,021	
Shareholder communications	101,492	
Auditing fees	48,261	
Legal fees	9,568	
Miscellaneous	33,525	
Total expenses		$5,261,622
Reduction of expenses by investment adviser	(2,680)	
Net expenses		$5,258,942
Net investment income		$5,031,290
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$23,643,753	
Foreign currency transactions	(16,000)	
Net realized gain (loss) on investments and foreign currency transactions		$23,627,753
Change in unrealized appreciation (depreciation)		
Investments	$(39,366,420)	
Translation of assets and liabilities in foreign currencies	(12,414)	
Net unrealized gain (loss) on investments and foreign currency translation		$(39,378,834)
Net realized and unrealized gain (loss) on investments and foreign currency		$(15,751,081)
Change in net assets from operations		$(10,719,791)

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For years ended 12/31	2011	2010
Change in net assets		
From operations		
Net investment income	$5,031,290	$5,467,583
Net realized gain (loss) on investments and foreign currency transactions	23,627,753	22,401,863
Net unrealized gain (loss) on investments and foreign currency translation	(39,378,834)	41,402,512
Change in net assets from operations	$(10,719,791)	$69,271,958
Distributions declared to shareholders		
From net investment income	$(5,466,481)	$(7,580,322)
Change in net assets from fund share transactions	$(84,509,302)	$(79,178,737)
Total change in net assets	$(100,695,574)	$(17,487,101)
Net assets		
At beginning of period	665,588,039	683,075,140
At end of period (including undistributed net investment income of $5,014,039 and $5,465,230, respectively)	$564,892,465	$665,588,039

See Notes to Financial Statements

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$20.04	$18.24	$14.64	$23.52	$21.69
Income (loss) from investment operations					
Net investment income (d)	$0.17	$0.16	$0.19	$0.24	$0.17
Net realized and unrealized gain (loss) on investments and foreign currency	(0.61)	1.86	3.67	(7.54)	2.04
Total from investment operations	$(0.44)	$2.02	$3.86	$(7.30)	$2.21
Less distributions declared to shareholders					
From net investment income	$(0.19)	$(0.22)	$(0.26)	$(0.17)	$(0.19)
From net realized gain on investments	—	—	—	(1.41)	(0.19)
Total distributions declared to shareholders	$(0.19)	$(0.22)	$(0.26)	$(1.58)	$(0.38)
Net asset value, end of period (x)	$19.41	$20.04	$18.24	$14.64	$23.52
Total return (%) (k)(r)(s)(x)	(2.18)	11.10	26.90	(33.08)	10.31
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.82	0.83	0.86	0.84	0.85
Expenses after expense reductions (f)	0.82	0.83	0.86	0.84	0.85
Net investment income	0.84	0.87	1.25	1.25	0.74
Portfolio turnover	22	22	34	29	37
Net assets at end of period (000 omitted)	$486,500	$603,279	$636,809	$560,356	$917,158

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$19.95	$18.16	$14.56	$23.39	$21.57
Income (loss) from investment operations					
Net investment income (d)	$0.12	$0.11	$0.15	$0.19	$0.11
Net realized and unrealized gain (loss) on investments and foreign currency	(0.61)	1.86	3.65	(7.51)	2.03
Total from investment operations	$(0.49)	$1.97	$3.80	$(7.32)	$2.14
Less distributions declared to shareholders					
From net investment income	$(0.15)	$(0.18)	$(0.20)	$(0.10)	$(0.13)
From net realized gain on investments	—	—	—	(1.41)	(0.19)
Total distributions declared to shareholders	$(0.15)	$(0.18)	$(0.20)	$(1.51)	$(0.32)
Net asset value, end of period (x)	$19.31	$19.95	$18.16	$14.56	$23.39
Total return (%) (k)(r)(s)(x)	(2.42)	10.88	26.56	(33.25)	10.03
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.07	1.08	1.11	1.09	1.11
Expenses after expense reductions (f)	1.07	1.08	1.11	1.09	1.11
Net investment income	0.60	0.63	0.99	1.00	0.49
Portfolio turnover	22	22	34	29	37
Net assets at end of period (000 omitted)	$78,392	$62,309	$46,267	$38,259	$65,180

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Investors Trust Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the

fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$497,836,137	$—	$—	$497,836,137
United Kingdom	5,997,570	5,870,873	—	11,868,443
France	5,440,118	5,270,923	—	10,711,041
Netherlands	2,775,399	7,851,309	—	10,626,708
Germany	7,459,830	3,056,219	—	10,516,049
Israel	8,849,196	—	—	8,849,196
Canada	6,920,350	—	—	6,920,350
Sweden	—	3,677,452	—	3,677,452
Mutual Funds	3,692,509	—	—	3,692,509
Total Investments	$538,971,109	$25,726,776	$—	$564,697,885

For further information regarding security characteristics, see the Portfolio of Investments.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. For the year ended December 31, 2011, custody fees were not reduced.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$5,466,481	$7,580,322

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$518,839,393
Gross appreciation	87,217,215
Gross depreciation	(41,358,723)
Net unrealized appreciation (depreciation)	$45,858,492
Undistributed ordinary income	5,014,039
Capital loss carryforwards	(44,745,032)
Other temporary differences	(1,435)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(44,745,032)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$4,901,513	$7,105,436
Service Class	564,968	474,886
Total	$5,466,481	$7,580,322

Notes to Financial Statements – continued

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

Effective May 1, 2011, the investment adviser has agreed in writing to reduce its management fee to 0.60% of average daily net assets in excess of $2.5 billion. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2013. For the period May 1, 2011 through December 31, 2011, the fund's average daily net assets did not exceed $2.5 billion and therefore, the management fee was not reduced.

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $66,891, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $904.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0162% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $5,515 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $2,680, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $138,263,760 and $221,155,669, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	956,445	$17,827,008	1,482,988	$25,496,825
Service Class	1,634,433	32,550,264	1,096,120	20,064,145
	2,590,878	$50,377,272	2,579,108	$45,560,970
Shares issued to shareholders in reinvestment of distributions				
Initial Class	258,655	$4,901,513	364,756	$7,105,436
Service Class	29,956	564,968	24,453	474,886
	288,611	$5,466,481	389,209	$7,580,322
Shares reacquired				
Initial Class	(6,254,861)	$(125,918,742)	(6,663,657)	$(122,417,272)
Service Class	(727,691)	(14,434,313)	(544,147)	(9,902,757)
	(6,982,552)	$(140,353,055)	(7,207,804)	$(132,320,029)
Net change				
Initial Class	(5,039,761)	$(103,190,221)	(4,815,913)	$(89,815,011)
Service Class	936,698	18,680,919	576,426	10,636,274
	(4,103,063)	$(84,509,302)	(4,239,487)	$(79,178,737)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $4,818 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	4,905,692	114,361,873	(115,575,056)	3,692,509

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$5,172	$3,692,509

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Investors Trust Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Investors Trust Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Investors Trust Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Managers
T. Kevin Beatty
Nicole Zatlyn

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 2nd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 5th quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel

during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was approximately at the Lipper expense group median, and the Fund's total expense ratio was higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion and that MFS has agreed in writing to further reduce its advisory fee on average daily net assets over $2.5 billion, which may not be changed without the Trustees' approval. The Trustees concluded that the existing breakpoints were sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site *(mfs.com)*. This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

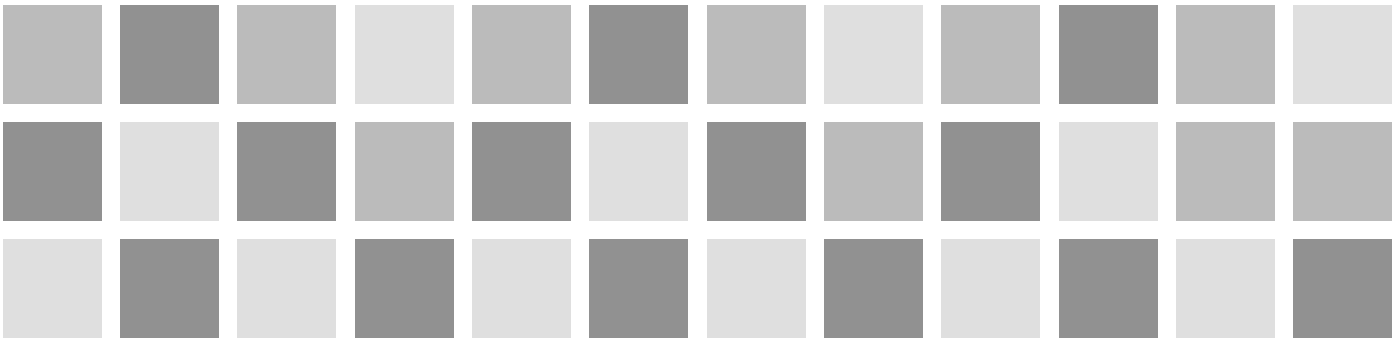
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

MFS® INVESTMENT MANAGEMENT

MFS® Core Equity Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VVS-ANN

MFS® CORE EQUITY SERIES

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

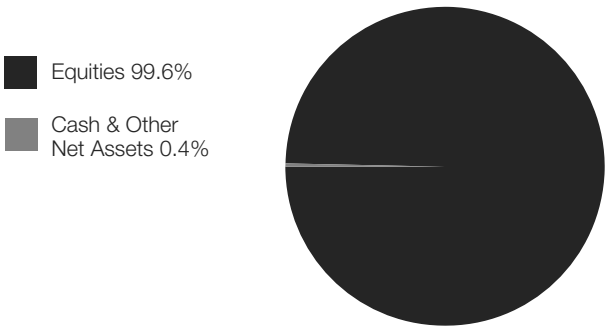
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS Core Equity Series

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

Apple, Inc.	4.3%
Exxon Mobil Corp.	3.3%
Danaher Corp.	2.1%
JPMorgan Chase & Co.	2.0%
Chevron Corp.	1.9%
Google, Inc., "A"	1.9%
Philip Morris International, Inc.	1.7%
Pfizer, Inc.	1.7%
Target Corp.	1.6%
ACE Ltd.	1.5%

Equity sectors (i)

Technology	15.9%
Financial Services	15.4%
Health Care	12.1%
Energy	11.0%
Industrial Goods & Services	8.7%
Consumer Staples	8.0%
Retailing	7.2%
Utilities & Communications	7.0%
Leisure	4.9%
Basic Materials	3.5%
Special Products & Services	2.5%
Transportation	2.0%
Autos & Housing	1.4%

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value.

Percentages are based on net assets as of 12/31/11.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS Core Equity Series (the "fund") provided a total return of –1.02%, while Service Class shares of the fund provided a total return of –1.28%. These compare with a return of 1.03% for the fund's benchmark, the Russell 3000 Index.

Market Environment

Early in the period, the U.S. Federal Reserve (the "Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Stock selection in the *health care* sector was a major detractor from performance relative to the Russell 3000 Index. Within this sector, the fund's ownership in shares of specialty pharmaceutical and medication delivery device supplier Hospira Inc. (h) hurt results as the company underperformed the benchmark. Hospira's stock price plunged after reporting that a quality-improvement initiative led to production issues which negatively affected the firm's operating margin.

In the *consumer staples* sector, security selection also dampened relative results. The fund's holdings of cosmetics and beauty supply company Avon Products (h) weighed on relative performance as the stock slumped over the reporting period. Shares of Avon came under pressure after posting disappointing results in the second quarter and over concerns of the company's weak organic sales growth.

Elsewhere, the fund's holdings of project management provider Fluor, semiconductor company Advanced Micro Devices, and the timing of the fund's ownership in shares of fiber optics manufacturer Finisar, detracted from relative performance. Other holdings that were among the fund's top relative detractors over the reporting period included global automaker General Motors, diversified mining company Teck Resources (b), and investment banking firm Goldman Sachs Group.

Contributors to Performance

Security selection in the *basic materials* sector was a positive factor for performance relative to the benchmark. The fund's ownership in shares of industrial, medical, and specialty gases distributor Airgas Inc. and containers manufacturer Graham Packaging (h) aided relative results as both stocks outperformed the benchmark. Shares of Graham Packaging soared on the announcement of the company's sale to packaging and storage product company Reynolds Group Holdings that was completed in the third quarter of 2011.

Individual stocks in other sectors that benefited relative performance included railroad company Kansas City Southern, pharmaceutical and medical products maker Abbott Laboratories, computer and personal electronics maker Apple, and closing out of the fund's position in poor-performing computer products and service provider Hewlett-Packard Co. (h) Eliminating exposure to financial services firm Bank of America (h) also helped relative performance as many financial firms were dealing with the fallout from Europe's mounting sovereign debt crisis.

Respectfully,

Joseph MacDougall
Portfolio Manager

Note to Contract Owners: Katrina Mead is no longer a co-manager of the fund.

(b) Security is not a benchmark constituent.

(h) Security was not held in the fund at period end.

Management Review – continued

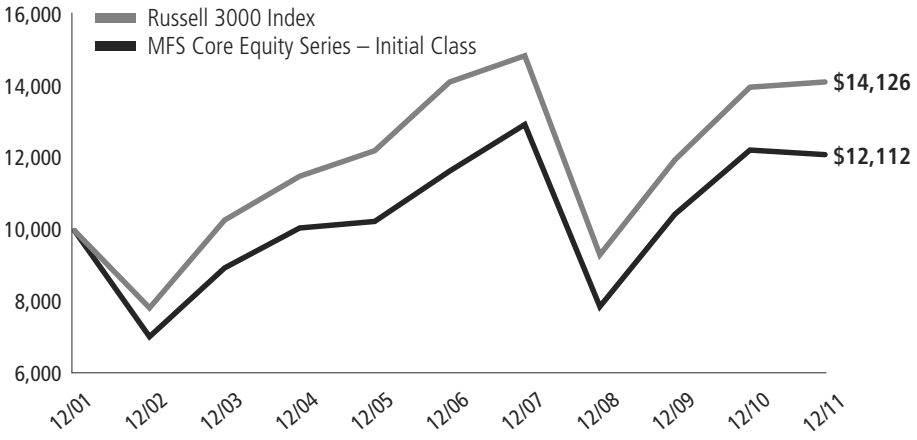
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	8/14/96	(1.02)%	0.77%	1.93%
Service Class	5/01/00	(1.28)%	0.52%	1.68%

Comparative benchmark

Russell 3000 Index (f)	1.03%	(0.01)%	3.51%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Russell 3000 Index – constructed to provide a comprehensive barometer for the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

MFS Core Equity Series

EXPENSE TABLE

Fund expenses borne by the contract holders during the period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.90%	$1,000.00	$940.53	$4.40
	Hypothetical (h)	0.90%	$1,000.00	$1,020.67	$4.58
Service Class	Actual	1.15%	$1,000.00	$939.61	$5.62
	Hypothetical (h)	1.15%	$1,000.00	$1,019.41	$5.85

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
COMMON STOCKS – 98.9%		
Aerospace – 2.8%		
Boeing Co.	2,260	$ 165,767
Honeywell International, Inc.	7,490	407,082
Lockheed Martin Corp.	2,500	202,250
Precision Castparts Corp.	1,630	268,608
Textron, Inc.	5,440	100,586
United Technologies Corp.	6,320	461,929
		$ 1,606,222
Apparel Manufacturers – 0.8%		
NIKE, Inc., "B"	3,070	$ 295,856
VF Corp.	1,310	166,357
		$ 462,213
Automotive – 0.8%		
Delphi Automotive PLC (a)	6,730	$ 144,964
General Motors Co. (a)	10,810	219,119
LKQ Corp. (a)	2,830	85,126
		$ 449,209
Biotechnology – 1.7%		
Amgen, Inc.	4,500	$ 288,945
Anacor Pharmaceuticals, Inc. (a)	13,040	80,848
Gilead Sciences, Inc. (a)	15,370	629,094
		$ 998,887
Broadcasting – 1.5%		
News Corp., "A"	20,750	$ 370,180
Viacom, Inc., "B"	11,120	504,959
		$ 875,139
Brokerage & Asset Managers – 1.2%		
Affiliated Managers Group, Inc. (a)	1,180	$ 113,221
Blackrock, Inc.	754	134,393
CME Group, Inc.	670	163,259
Franklin Resources, Inc.	960	92,218
FXCM, Inc. "A"	9,530	92,918
GFI Group, Inc.	19,320	79,598
		$ 675,607
Business Services – 1.7%		
Accenture PLC, "A"	4,110	$ 218,775
Automatic Data Processing, Inc.	5,430	293,274
FleetCor Technologies, Inc. (a)	11,590	346,193
Jones Lang LaSalle, Inc.	2,440	149,474
		$ 1,007,716
Cable TV – 1.2%		
Comcast Corp., "Special A"	15,670	$ 369,185
DIRECTV, "A" (a)	5,190	221,924
Time Warner Cable, Inc.	1,860	118,240
		$ 709,349
Chemicals – 0.5%		
Celanese Corp.	6,540	$ 289,526

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – 3.4%		
Autodesk, Inc. (a)	10,820	$ 328,171
Check Point Software Technologies Ltd. (a)	6,160	323,646
Oracle Corp.	28,660	735,129
Red Hat, Inc. (a)	8,180	337,752
VeriSign, Inc.	7,490	267,543
		$ 1,992,241
Computer Software – Systems – 6.9%		
Apple, Inc. (a)	6,100	$ 2,470,500
EMC Corp. (a)	23,760	511,790
International Business Machines Corp.	4,500	827,460
NICE Systems Ltd., ADR (a)	4,950	170,528
		$ 3,980,278
Construction – 0.6%		
Owens Corning (a)	6,950	$ 199,604
Stanley Black & Decker, Inc.	1,720	116,272
		$ 315,876
Consumer Products – 1.8%		
Colgate-Palmolive Co.	6,640	$ 613,470
Procter & Gamble Co.	6,700	446,957
		$ 1,060,427
Consumer Services – 0.8%		
DeVry, Inc.	3,860	$ 148,456
HomeAway, Inc. (a)	5,650	131,363
Priceline.com, Inc. (a)	430	201,115
		$ 480,934
Containers – 0.5%		
Silgan Holdings, Inc.	8,000	$ 309,120
Electrical Equipment – 3.2%		
AMETEK, Inc.	4,090	$ 172,189
Amphenol Corp., "A"	5,370	243,744
Danaher Corp.	25,370	1,193,405
Sensata Technologies Holding B.V. (a)	8,320	218,650
		$ 1,827,988
Electronics – 2.3%		
Advanced Micro Devices, Inc. (a)	11,391	$ 61,511
Altera Corp.	7,380	273,798
ASML Holding N.V.	5,680	237,367
Hittite Microwave Corp. (a)	3,190	157,522
KLA-Tencor Corp.	2,050	98,913
Linear Technology Corp.	3,850	115,616
Microchip Technology, Inc.	10,070	368,864
		$ 1,313,591
Energy – Independent – 3.9%		
Apache Corp.	2,890	$ 261,776
Arch Coal, Inc.	3,080	44,691
Cabot Oil & Gas Corp.	2,360	179,124
Canadian Natural Resources Ltd.	2,110	79,015

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Energy – Independent – continued		
CONSOL Energy, Inc.	1,270	$ 46,609
Energy XXI (Bermuda) Ltd. (a)	3,643	116,139
EQT Corp.	2,160	118,346
Marathon Oil Corp.	4,870	142,545
Marathon Petroleum Corp.	2,475	82,393
Noble Energy, Inc.	2,870	270,899
Occidental Petroleum Corp.	5,810	544,397
Peabody Energy Corp.	1,440	47,678
Pioneer Natural Resources Co.	1,030	92,164
QEP Resources, Inc.	1,750	51,275
SM Energy Co.	1,914	139,913
Walter Energy, Inc.	620	37,547
		$ 2,254,511
Energy – Integrated – 5.3%		
Chevron Corp.	10,610	$ 1,128,904
Exxon Mobil Corp. (s)	22,830	1,935,071
		$ 3,063,975
Engineering – Construction – 1.1%		
Fluor Corp.	12,490	$ 627,623
Food & Beverages – 3.9%		
Bunge Ltd.	5,070	$ 290,004
Coca-Cola Enterprises, Inc.	4,150	106,987
General Mills, Inc.	11,180	451,784
Kraft Foods, Inc., "A"	13,040	487,174
Mead Johnson Nutrition Co., "A"	4,010	275,607
PepsiCo, Inc. (s)	10,140	672,789
		$ 2,284,345
Food & Drug Stores – 1.1%		
CVS Caremark Corp.	11,430	$ 466,115
Kroger Co.	6,010	145,562
		$ 611,677
Gaming & Lodging – 0.7%		
Las Vegas Sands Corp. (a)	4,680	$ 199,976
Royal Caribbean Cruises Ltd.	8,780	217,481
		$ 417,457
General Merchandise – 2.3%		
Kohl's Corp.	8,270	$ 408,125
Target Corp.	18,460	945,521
		$ 1,353,646
Health Maintenance Organizations – 1.0%		
Aetna, Inc.	10,120	$ 426,963
WellPoint, Inc.	2,210	146,413
		$ 573,376
Insurance – 3.6%		
ACE Ltd.	12,090	$ 847,751
Aflac, Inc.	1,180	51,047
Aon Corp.	8,060	377,208
Chubb Corp.	3,780	261,652
Hartford Financial Services Group, Inc.	6,240	101,400
MetLife, Inc.	6,020	187,704
Prudential Financial, Inc.	3,440	$ 172,413
Willis Group Holdings PLC	2,580	100,104
		$ 2,099,279
Internet – 2.2%		
Google, Inc., "A" (a)	1,710	$ 1,104,489
QuinStreet, Inc. (a)	19,330	180,929
		$ 1,285,418
Leisure & Toys – 0.2%		
Hasbro, Inc.	4,060	$ 129,473
Machinery & Tools – 1.4%		
Cummins, Inc.	1,450	$ 127,629
Flowserve Corp.	2,020	200,626
Joy Global, Inc.	3,610	270,642
WABCO Holdings, Inc. (a)	4,920	213,528
		$ 812,425
Major Banks – 4.6%		
Bank of New York Mellon Corp.	16,198	$ 322,502
Goldman Sachs Group, Inc.	4,710	425,925
JPMorgan Chase & Co. (s)	35,650	1,185,363
PNC Financial Services Group, Inc.	10,650	614,186
SunTrust Banks, Inc.	5,040	89,208
		$ 2,637,184
Medical & Health Technology & Services – 1.3%		
AmerisourceBergen Corp.	5,010	$ 186,322
Cross Country Healthcare, Inc. (a)	36,120	200,466
Express Scripts, Inc. (a)	4,630	206,915
Henry Schein, Inc. (a)	1,330	85,692
Quest Diagnostics, Inc.	1,030	59,802
		$ 739,197
Medical Equipment – 2.8%		
Covidien PLC	7,250	$ 326,323
Heartware International, Inc. (a)	1,830	126,270
Medtronic, Inc.	9,750	372,938
NxStage Medical, Inc. (a)	4,850	86,233
NxStage Medical, Inc. (a)	16,058	285,511
Sirona Dental Systems, Inc. (a)	1,640	72,226
St. Jude Medical, Inc.	5,600	192,080
Thermo Fisher Scientific, Inc. (a)	3,150	141,656
		$ 1,603,237
Metals & Mining – 0.6%		
Cliffs Natural Resources, Inc.	3,020	$ 188,297
Teck Resources Ltd., "B"	4,956	174,694
		$ 362,991
Natural Gas – Distribution – 0.6%		
AGL Resources, Inc.	5,240	$ 221,442
ONEOK, Inc.	1,560	135,236
		$ 356,678
Natural Gas – Pipeline – 0.4%		
Kinder Morgan, Inc.	7,810	$ 251,248

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Network & Telecom – 1.0%		
Acme Packet, Inc. (a)	3,890	$ 120,240
F5 Networks, Inc. (a)	1,570	166,608
Finisar Corp. (a)	7,270	121,736
Fortinet, Inc. (a)	7,630	166,410
		$ 574,994
Oil Services – 1.8%		
Cameron International Corp. (a)	6,480	$ 318,751
Dresser-Rand Group, Inc. (a)	1,730	86,344
Halliburton Co.	4,490	154,950
Schlumberger Ltd.	6,130	418,740
Transocean, Inc.	2,100	80,619
		$ 1,059,404
Other Banks & Diversified Financials – 3.1%		
American Express Co.	2,330	$ 109,906
BankUnited, Inc.	5,030	110,610
Brookline Bancorp, Inc.	13,080	110,395
CapitalSource, Inc.	27,730	185,791
EuroDekania Ltd. (a)(z)	50,820	127,787
Fifth Third Bancorp	19,330	245,878
Prosperity Bancshares, Inc.	2,710	109,349
Visa, Inc., "A"	5,580	566,537
Western Union Co.	6,620	120,881
Zions Bancorporation	7,830	127,472
		$ 1,814,606
Pharmaceuticals – 5.3%		
Abbott Laboratories	14,210	$ 799,028
Johnson & Johnson	8,560	561,365
Merck & Co., Inc.	11,890	448,253
Pfizer, Inc.	44,549	964,040
Teva Pharmaceutical Industries Ltd., ADR	7,510	303,104
		$ 3,075,790
Pollution Control – 0.2%		
Waste Connections, Inc.	3,520	$ 116,653
Precious Metals & Minerals – 0.4%		
Goldcorp, Inc.	4,890	$ 216,383
Printing & Publishing – 0.5%		
Moody's Corp.	7,670	$ 258,326
Railroad & Shipping – 0.8%		
Kansas City Southern Co. (a)	7,100	$ 482,871
Real Estate – 2.9%		
BioMed Realty Trust, Inc., REIT	6,010	$ 108,661
Mid-America Apartment Communities, Inc., REIT	7,560	472,878
Public Storage, Inc., REIT	4,110	552,631
Tanger Factory Outlet Centers, Inc., REIT	19,290	565,583
		$ 1,699,753
Restaurants – 0.8%		
McDonald's Corp.	4,800	$ 481,584
Specialty Chemicals – 1.5%		
Airgas, Inc.	10,490	$ 819,059
Ferro Corp. (a)	12,430	60,783
		$ 879,842
Specialty Stores – 3.0%		
Amazon.com, Inc. (a)	2,080	$ 360,048
Home Depot, Inc.	7,750	325,810
PetSmart, Inc.	7,660	392,881
Tiffany & Co.	2,490	164,987
Tractor Supply Co.	3,080	216,062
Urban Outfitters, Inc. (a)	10,220	281,663
		$ 1,741,451
Telecommunications – Wireless – 0.3%		
SBA Communications Corp. (a)	3,820	$ 164,107
Telephone Services – 2.7%		
American Tower Corp., "A" (a)	4,200	$ 252,042
AT&T, Inc.	23,220	702,173
CenturyLink, Inc.	4,572	170,078
Verizon Communications, Inc.	11,050	443,326
		$ 1,567,619
Tobacco – 2.3%		
Lorillard, Inc.	3,140	$ 357,960
Philip Morris International, Inc.	12,350	969,228
		$ 1,327,188
Trucking – 1.2%		
Atlas Air Worldwide Holdings, Inc. (a)	2,110	$ 81,087
Expeditors International of Washington, Inc.	10,040	411,238
Swift Transportation Co. (a)	25,000	206,000
		$ 698,325
Utilities – Electric Power – 2.4%		
AES Corp. (a)	15,040	$ 178,074
American Electric Power Co., Inc.	7,900	326,349
Calpine Corp. (a)	10,820	176,691
CMS Energy Corp.	12,170	268,714
PG&E Corp.	4,690	193,322
Public Service Enterprise Group, Inc.	7,450	245,925
		$ 1,389,075
Total Common Stocks (Identified Cost, $55,569,163)		**$57,366,034**
CONVERTIBLE PREFERRED STOCKS – 0.6%		
Utilities – Electric Power – 0.6%		
PPL Corp., 8.75%	3,270	$ 181,485
PPL Corp., 9.5%	3,660	204,338
Total Convertible Preferred Stocks (Identified Cost, $352,234)		**$ 385,823**
MONEY MARKET FUNDS – 0.5%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	284,156	$ 284,156
Total Investments (Identified Cost, $56,205,553)		**$58,036,013**

Portfolio of Investments – continued

Issuer/Expiration Date/ Strike Price	Number of Contracts	Value ($)
PUT OPTIONS WRITTEN – 0.0%		
Computer Software – 0.0%		
CommVault Systems, Inc. – January 2012 @ $36 (Premiums Received, $1,711)	(16)	$ (560)
OTHER ASSETS, LESS LIABILITIES – (0.0)%		**(27,380)**
Net Assets – 100.0%		**$58,008,073**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short and/or certain derivative transactions. At December 31, 2011, the value of securities pledged amounted to $559,265.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
EuroDekania Ltd.	6/25/07	$737,167	$127,787
% of Net assets			0.2%

The following abbreviations are used in this report and are defined:

ADR American Depository Receipt

PLC Public Limited Company

REIT Real Estate Investment Trust

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $55,921,397)	$57,751,857	
Underlying affiliated funds, at cost and value	284,156	
Total investments, at value (identified cost, $56,205,553)	$58,036,013	
Cash	1,920	
Deposits with brokers	13,390	
Receivables for		
Investments sold	28,461	
Fund shares sold	2,675	
Interest and dividends	61,903	
Receivable from investment adviser	5,779	
Other assets	1,005	
Total assets		$58,151,146
Liabilities		
Payables for		
Investments purchased	$29,244	
Fund shares reacquired	88,858	
Written options outstanding, at value (premiums received, $1,711)	560	
Payable to affiliates		
Shareholder servicing costs	101	
Distribution and/or service fees	73	
Payable for independent Trustees' compensation	11	
Accrued expenses and other liabilities	24,226	
Total liabilities		$143,073
Net assets		$58,008,073
Net assets consist of		
Paid-in capital	$77,104,078	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	1,831,631	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(21,373,019)	
Undistributed net investment income	445,383	
Net assets		$58,008,073
Shares of beneficial interest outstanding		3,784,653

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$54,471,042	3,553,173	$15.33
Service Class	3,537,031	231,480	15.28

See Notes to Financial Statements

MFS Core Equity Series

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Dividends	$1,028,206	
Interest	7,324	
Dividends from underlying affiliated funds	606	
Foreign taxes withheld	(3,339)	
Total investment income		$1,032,797
Expenses		
Management fee	$476,653	
Distribution and/or service fees	9,933	
Shareholder servicing costs	7,436	
Administrative services fee	19,465	
Independent Trustees' compensation	3,162	
Custodian fee	21,491	
Shareholder communications	39,633	
Auditing fees	50,473	
Legal fees	1,068	
Dividend and interest expense on securities sold short	2,913	
Miscellaneous	12,527	
Total expenses		$644,754
Reduction of expenses by investment adviser	(59,137)	
Net expenses		$585,617
Net investment income		$447,180
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$4,081,943	
Written option transactions	1,074	
Securities sold short	(242,708)	
Foreign currency transactions	(763)	
Net realized gain (loss) on investments and foreign currency transactions		$3,839,546
Change in unrealized appreciation (depreciation)		
Investments	$(4,897,834)	
Written options	1,151	
Securities sold short	172,898	
Translation of assets and liabilities in foreign currencies	3	
Net unrealized gain (loss) on investments and foreign currency translation		$(4,723,782)
Net realized and unrealized gain (loss) on investments and foreign currency		$(884,236)
Change in net assets from operations		$(437,056)

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For year ended 12/31	2011	2010
Change in net assets		
From operations		
Net investment income	$447,180	$583,252
Net realized gain (loss) on investments and foreign currency transactions	3,839,546	4,789,711
Net unrealized gain (loss) on investments and foreign currency translation	(4,723,782)	4,765,002
Change in net assets from operations	$(437,056)	$10,137,965
Distributions declared to shareholders		
From net investment income	$(586,002)	$(705,029)
Change in net assets from fund share transactions	$(8,193,687)	$(8,847,188)
Total change in net assets	$(9,216,745)	$585,748
Net assets		
At beginning of period	67,224,818	66,639,070
At end of period (including undistributed net investment income of $445,383 and $582,549, respectively)	$58,008,073	$67,224,818

See Notes to Financial Statements

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$15.65	$13.49	$10.38	$17.18	$15.51
Income (loss) from investment operations					
Net investment income (d)	$0.11	$0.13	$0.14	$0.16	$0.09
Net realized and unrealized gain (loss) on investments and foreign currency	(0.28)	2.18	3.16	(6.85)	1.64
Total from investment operations	$(0.17)	$2.31	$3.30	$(6.69)	$1.73
Less distributions declared to shareholders					
From net investment income	$(0.15)	$(0.15)	$(0.19)	$(0.11)	$(0.06)
Net asset value, end of period (x)	$15.33	$15.65	$13.49	$10.38	$17.18
Total return (%) (k)(r)(s)(x)	(1.02)	17.21	32.43	(39.15)	11.15
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.00	1.01	1.01	0.95	1.03
Expenses after expense reductions (f)	0.91	0.91	0.90	0.90	0.90
Net investment income	0.72	0.93	1.20	1.13	0.53
Portfolio turnover	68	69	90	109	151
Net assets at end of period (000 omitted)	$54,471	$62,602	$61,856	$54,049	$115,251
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.90	0.90	0.90	N/A	N/A

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$15.59	$13.45	$10.32	$17.07	$15.41
Income (loss) from investment operations					
Net investment income (d)	$0.07	$0.09	$0.11	$0.12	$0.04
Net realized and unrealized gain (loss) on investments and foreign currency	(0.27)	2.17	3.17	(6.81)	1.63
Total from investment operations	$(0.20)	$2.26	$3.28	$(6.69)	$1.67
Less distributions declared to shareholders					
From net investment income	$(0.11)	$(0.12)	$(0.15)	$(0.06)	$(0.01)
Net asset value, end of period (x)	$15.28	$15.59	$13.45	$10.32	$17.07
Total return (%) (k)(r)(s)(x)	(1.28)	16.86	32.24	(39.32)	10.87
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.25	1.26	1.26	1.20	1.27
Expenses after expense reductions (f)	1.16	1.16	1.15	1.15	1.15
Net investment income	0.47	0.67	0.95	0.87	0.25
Portfolio turnover	68	69	90	109	151
Net assets at end of period (000 omitted)	$3,537	$4,623	$4,783	$4,571	$9,288
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.15	1.15	1.15	N/A	N/A

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower. Excluding the effect of the proceeds received from a non-recurring litigation settlement against Enron Corp, the Initial Class and Service Class total returns for the year end December 31, 2008 would have each been lower by approximately 0.87%.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS Core Equity Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. Events that occur on a frequent basis after foreign markets close (such as developments in foreign markets and significant movements in the U.S. markets) and prior to the determination of the fund's net asset value may be deemed to have a material effect on the value of securities traded in foreign markets. Accordingly, the fund's foreign equity securities may often be valued at fair value. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an

investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as written options. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$55,888,136	$86,233	$—	$55,974,369
Israel	797,278	—	—	797,278
Canada	470,092	—	—	470,092
United Kingdom	144,964	—	127,787	272,751
Netherlands	237,367	—	—	237,367
Mutual Funds	284,156	—	—	284,156
Total Investments	$57,821,993	$86,233	$127,787	$58,036,013
Other Financial Instruments				
Written Options	$(560)	$—	$—	$(560)

For further information regarding security characteristics, see the Portfolio of Investments.

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

	Equity Securities
Balance as of 12/31/10	$78,293
Change in unrealized appreciation	49,494
Balance as of 12/31/11	$127,787

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2011 is $49,494.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were written options. The fund's period end derivatives, as presented in the Portfolio of Investments, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at December 31, 2011 as reported in the Statement of Assets and Liabilities:

		Fair Value
Risk	**Derivative Contracts**	**Liability Derivatives**
Equity	Written Equity Options	$(560)

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	Investment Transactions (Purchased Options)	Written Options
Equity	$(14,759)	$1,074

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	Written Options
Equity	$1,151

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Written Options – In exchange for a premium, the fund wrote put options on securities that it anticipated the price would increase. At the time the option was written, the fund believed the premium received exceeded the potential loss that could result from adverse price changes in the options' underlying securities. In a written option, the fund as the option writer grants the buyer the right to purchase from, or sell to, the fund a specified number of shares or units of a particular security, currency or index at a specified price within a specified period of time.

The premium received is initially recorded as a liability on the Statement of Assets and Liabilities. The option is subsequently marked-to-market daily with the difference between the premium received and the market value of the written option being recorded as unrealized appreciation or depreciation. When a written option expires, the fund realizes a gain equal to the amount of the premium received. The difference between the premium received and the amount paid on effecting a closing transaction is considered a realized gain or loss. When a written put option is exercised, the premium reduces the cost basis of the security purchased by the fund.

At the initiation of the written option contract, for exchange traded options, the fund is required to deposit securities or cash as collateral with the custodian for the benefit of the broker. For over-the-counter options, the fund may post collateral subject to the terms of an ISDA Master Agreement as generally described above if the market value of the options contract moves against it. The fund, as writer of an option, may have no control over whether the underlying securities may be sold (call) or purchased

Notes to Financial Statements – continued

(put) and, as a result, bears the market risk of an unfavorable change in the price of the securities underlying the written option. Losses from writing options can exceed the premium received and can exceed the potential loss from an ordinary buy and sell transaction. Although the fund's market risk may be significant, the maximum counterparty credit risk to the fund is equal to the market value of any collateral posted to the broker. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above.

Written Option Transactions

	Number of contracts	Premiums received
Outstanding, beginning of period	—	$—
Options written	135	10,967
Options closed	(16)	(1,450)
Options exercised	(77)	(4,149)
Options expired	(26)	(3,657)
Outstanding, end of period	16	$1,711

Short Sales – The fund entered into short sales whereby it sells a security it does not own in anticipation of a decline in the value of that security. The fund will realize a gain if the security price decreases and a loss if the security price increases between the date of the short sale and the date on which the fund replaces the borrowed security. Losses from short sales can exceed the proceeds of the security sold; and they can also exceed the potential loss from an ordinary buy and sell transaction. The amount of any premium, dividends, or interest the fund may be required to pay in connection with a short sale will be recognized as a fund expense. During the year ended December 31, 2011, this expense amounted to $2,913. The fund segregates cash or marketable securities in an amount that, when combined with the amount of proceeds from the short sale deposited with the broker, at least equals the current market value of the security sold short. At December 31, 2011, the fund had no short sales outstanding.

Security Loans – State Street Bank and Trust Company ("State Street"), as lending agent, loans the securities of the fund to certain qualified institutions (the "Borrowers") approved by the fund. The loans are collateralized by cash and/or U.S. Treasury and federal agency obligations in an amount typically at least equal to the market value of the securities loaned. The market value of the loaned securities is determined at the close of business of the fund and any additional required collateral is delivered to the fund on the next business day. State Street provides the fund with indemnification against Borrower default. The fund bears the risk of loss with respect to the investment of cash collateral. On loans collateralized by cash, the cash collateral is invested in a money market fund or short-term securities. A portion of the income generated upon investment of the collateral is remitted to the Borrowers, and the remainder is allocated between the fund and the lending agent. On loans collateralized by U.S. Treasury and/or federal agency obligations, a fee is received from the Borrower, and is allocated between the fund and the lending agent. Income from securities lending is included in interest income on the Statement of Operations. The dividend and interest income earned on the securities loaned is accounted for in the same manner as other dividend and interest income.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. For the year ended December 31, 2011, custody fees were not reduced.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for

federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$586,002	$705,029

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$56,239,778
Gross appreciation	6,318,650
Gross depreciation	(4,522,415)
Net unrealized appreciation (depreciation)	$1,796,235
Undistributed ordinary income	445,383
Capital loss carryforwards	(21,325,098)
Other temporary differences	(12,525)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(12,320,793)
12/31/17	(9,004,305)
Total	$(21,325,098)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$560,229	$663,488
Service Class	25,773	41,541
Total	$586,002	$705,029

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.75%
Average daily net assets in excess of $1 billion	0.65%

Notes to Financial Statements – continued

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.75% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that total annual operating expenses do not exceed 0.90% of average daily net assets for the Initial Class shares and 1.15% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2013. For the year ended December 31, 2011, this reduction amounted to $58,861 and is reflected as a reduction of total expenses in the Statements of Operations.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $6,889, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $547.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0306% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $568 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $276, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated $43,486,275 and $51,996,592, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	432,255	$6,792,348	251,174	$3,529,038
Service Class	22,622	357,190	19,762	274,095
	454,877	$7,149,538	270,936	$3,803,133
Shares issued to shareholders in reinvestment of distributions				
Initial Class	38,215	$560,229	45,507	$663,488
Service Class	1,762	25,773	2,855	41,541
	39,977	$586,002	48,362	$705,029
Shares reacquired				
Initial Class	(917,874)	$(14,513,082)	(880,123)	$(12,221,995)
Service Class	(89,506)	(1,416,145)	(81,719)	(1,133,355)
	(1,007,380)	$(15,929,227)	(961,842)	$(13,355,350)
Net change				
Initial Class	(447,404)	$(7,160,505)	(583,442)	$(8,029,469)
Service Class	(65,122)	(1,033,182)	(59,102)	(817,719)
	(512,526)	$(8,193,687)	(642,544)	$(8,847,188)

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $499 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	104,440	16,054,369	(15,874,653)	284,156

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$606	$284,156

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS Core Equity Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS Core Equity Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS Core Equity Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [i]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Manager
Joseph MacDougall

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

In considering the Fund's investment performance, the Trustees took into account that, effective May 1, 2007, the Fund changed its name (formerly, the Fund was named MFS Capital Opportunities Series) and made related changes to its investment policies and strategies. Notwithstanding these changes, the Trustees considered the Fund's prior investment performance prior to May 1, 2007 to be relevant. Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class shares was in the 3rd quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for each of the one- and five-year periods ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

Board Review of Investment Advisory Agreement – continued

In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year regarding the Fund's performance. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that they were satisfied with MFS' responses and efforts relating to investment performance.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate was lower than the Lipper expense group median, and the Fund's total expense ratio was approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees concluded that the existing breakpoint was sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site (*mfs.com*). This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 100% of the ordinary income dividends paid during the fiscal year qualify for the corporate dividends received deduction.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

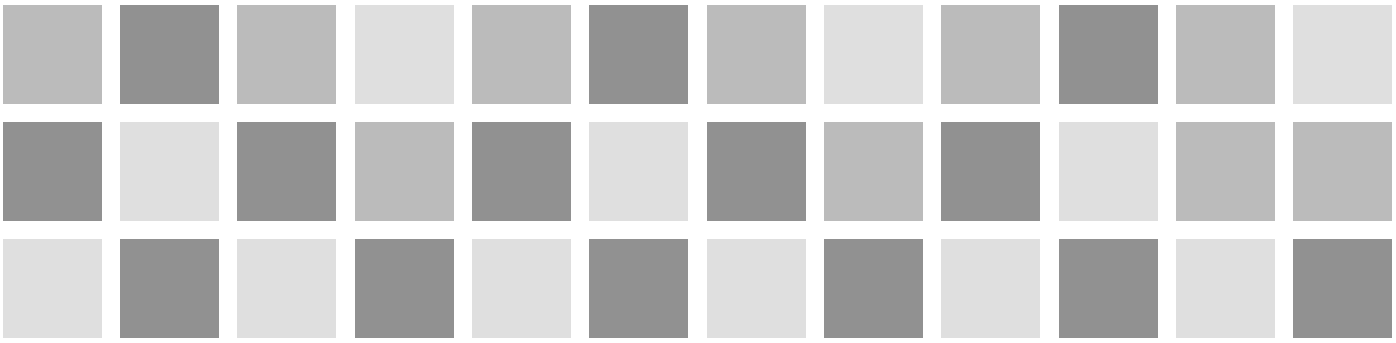
If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

MFS® INVESTMENT MANAGEMENT

MFS® High Income Series

MFS® Variable Insurance Trust



ANNUAL REPORT

December 31, 2011

VHI-ANN

MFS® HIGH INCOME SERIES

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The report is prepared for the general information of contract owners. It is authorized for distribution to prospective investors only when preceded or accompanied by a current prospectus.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK OR CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY OR NCUA/NCUSIF

LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

We are indeed living through some volatile times. Economic uncertainty is everywhere, as it seems no place in the world has been unmoved by crisis. We have seen a devastating earthquake and tsunami that have led to disruptions in the Japanese markets and supply chains. Protests have changed the face of the Middle East and left in their wake lingering tensions and resultant higher oil prices. We have seen debt limits tested in Europe and the United States and policymakers grappling to craft often unpopular monetary and fiscal responses at a time when consumers and businesses struggle with what appears to be a slowing global economy. On top of all of that, we have seen long-term U.S. debt lose its Standard & Poor's AAA rating and the long-term debt ratings of 15 eurozone nations put on negative watch.

When markets become volatile, managing risk becomes a top priority for investors and their advisors. At MFS® risk management is foremost in our minds in all market climates. Our analysts and portfolio managers keep risks firmly in mind when evaluating securities. Additionally, we have a team of quantitative analysts that measures and assesses the risk profiles of our portfolios and securities on an ongoing basis. The chief investment risk officer, who oversees the team, reports directly to the firm's president and chief investment officer so the risk associated with each portfolio can be assessed objectively and independently of the portfolio management team.

As always, we continue to be mindful of the many economic challenges faced at the local, national, and international levels. It is in times such as these that we want to remind investors of the merits of maintaining a long-term view, adhering to basic investing principles such as asset allocation and diversification, and working closely with their advisors to research and identify appropriate investment opportunities.

Respectfully,

Robert J. Manning

Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

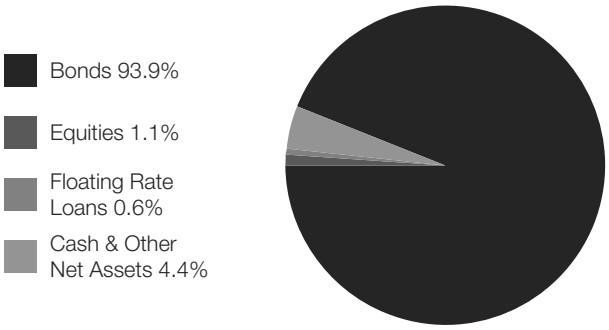
February 15, 2012

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

MFS High Income Series

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top five industries (i)

Energy Independent	8.6%
Broadcasting	6.1%
Medical & Health Technology & Services	5.6%
Utilities – Electric Power	5.2%
Telecommunications – Wireless	4.7%

Composition including fixed income credit quality (a)(i)

A	0.1%
BBB	4.7%
BB	26.9%
B	46.0%
CCC	15.4%
CC	0.6%
C	0.1%
D	0.1%
Not Rated	0.6%
Non-Fixed Income	1.1%
Cash & Other	4.4%

Portfolio facts (i)

Average Duration (d)	4.3
Average Effective Maturity (m)	7.1 yrs.

(a) For all securities other than those specifically described below, ratings are assigned to underlying securities utilizing ratings from Moody's, Fitch, and Standard & Poor's rating agencies and applying the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). All ratings are subject to change. Not Rated includes fixed income securities, which have not been rated by any rating agency. Non-Fixed Income includes equity securities (including convertible bonds and equity derivatives) and commodities. Cash & Other includes cash, other assets less liabilities, offsets to derivative positions, and short-term securities. The fund may not hold all of these instruments. The fund is not rated by these agencies.

(d) Duration is a measure of how much a bond's price is likely to fluctuate with general changes in interest rates, e.g., if rates rise 1.00%, a bond with a 5-year duration is likely to lose about 5.00% of its value due to the interest rate move.

(i) For purposes of this presentation, the components include the market value of securities, and reflect the impact of the equivalent exposure of derivative positions. These amounts may be negative from time to time. The bond component will include any accrued interest amounts. Equivalent exposure is a calculated amount that translates the derivative position into a reasonable approximation of the amount of the underlying asset that the portfolio would have to hold at a given point in time to have the same price sensitivity that results from the portfolio's ownership of the derivative contract. When dealing with derivatives, equivalent exposure is a more representative measure of the potential impact of a position on portfolio performance than market value. Where the fund holds convertible bonds, these are treated as part of the equity portion of the portfolio.

(m) In determining an instrument's effective maturity for purposes of calculating the fund's dollar-weighted average effective maturity, MFS uses the instrument's stated maturity or, if applicable, an earlier date on which MFS believes it is probable that a maturity-shortening device (such as a put, pre-refunding or prepayment) will cause the instrument to be repaid. Such an earlier date can be substantially shorter than the instrument's stated maturity.

Percentages are based on net assets as of 12/31/11.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2011, Initial Class shares of the MFS High Income Series (the "fund") provided a total return of 4.10%, while Service Class shares of the fund provided a total return of 3.85%. These compare with a return of 4.96% for the fund's benchmark, the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index. Effective September 15, 2011 the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index replaced the Barclays Capital U.S. High-Yield Corporate Bond Index as the fund's primary benchmark. The Barclays Capital U.S. High-Yield Corporate Bond Index generated a return of 4.98% over the reporting period.

Market Environment

Early in the period, the U.S. Federal Reserve (the "Fed") responded to weak economic growth by loosening monetary policy further. More easing by the Fed improved market sentiment and drove risk-asset prices markedly higher. The December 2010 agreement on a surprisingly large (relative to expectations) expansionary U.S. fiscal package also boosted sentiment. During the subsequent several months, the renewed positive market sentiment, coupled with better indications of global macroeconomic activity, pushed many asset valuations to post-crisis highs. At the same time, the yields of the perceived "safest" global sovereign credits rose, indicating a renewed risk-seeking environment.

However, towards the middle of the period, a weakening macroeconomic backdrop and renewed concerns over peripheral euro zone sovereign debt caused a flight-to-quality move that pushed high-quality sovereign bond yields lower. In the U.S., concerns about sovereign debt default and the long-term sustainability of the trend in U.S. fiscal policy resulted in one agency downgrading U.S. credit quality. Amidst this turmoil, global equity markets declined sharply. As a result of these developments, global consumer and producer sentiment indicators fell precipitously and highly-rated sovereign bond yields hit multi-decade lows. Towards the end of the reporting period, uncertainty in financial markets spiked higher as markets more seriously contemplated the possible failure of the euro zone.

Detractors from Performance

Relative to the Barclays Capital U.S. High-Yield Corporate Bond Index, the fund's greater exposure to "BBB" and "B" rated (r) securities detracted from performance as these credit quality sectors underperformed higher-rated securities over the reporting period.

The fund's greater exposure to the *financial* sector also hindered relative results. This market segment underperformed the benchmark as Europe's mounting sovereign debt crisis put pressure on most financial companies.

Among individual securities, the fund's holdings of automotive financial services firm Ally Financial were among the fund's top relative detractors for the reporting period. Debt holdings of aviation company Hawker Beechcraft Acquisition, cement manufacturer Cemex Espana, and small arms manufacturer Heckler & Koch GmbH also held back relative returns.

Contributors to Performance

The fund's lesser exposure to "BB" rated securities contributed to performance. Yield curve (y) positioning, particularly the fund's greater exposure to shifts at the long end of the yield curve (centered around maturities of 10 years or more), was another positive factor for the fund's results as the yield curve flattened over the reporting period.

Top individual contributors during the reporting period included the fund's debt holdings of energy company Energy Future Holdings, insurance company American International Group, integrated telecommunications services company Sprint Capital, and funeral homes operator Service Corporation International.

Respectfully,

William Adams	David Cole
Portfolio Manager	Portfolio Manager

Note to Contract Owners: Effective May 1, 2011, William Adams replaced John Addeo as a co-manager of the fund.

(r) Bonds rated "BBB", "Baa", or higher are considered investment grade; bonds rated "BB", "Ba", or below are considered non-investment grade. The source for bond quality ratings is Moody's Investors Service, Standard & Poor's and Fitch, Inc. and are applied using the following hierarchy: If all three agencies provide a rating, the middle rating (after dropping the highest and lowest ratings) is assigned; if two of the three agencies rate a security, the lower of the two is assigned. Ratings are shown in the S&P and Fitch scale (e.g., AAA). For securities which are not rated by any of the three agencies, the security is considered Not Rated.

(y) A yield curve graphically depicts the yields of different maturity bonds of the same credit quality and type; a normal yield curve is upward sloping, with short-term rates lower than long-term rates.

The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other conditions, and MFS disclaims any responsibility to update such views. These views may not be relied upon as investment advice or an indication of trading intent on behalf of any MFS portfolio. References to specific securities are not recommendations of such securities, and may not be representative of any MFS portfolio's current or future investments.

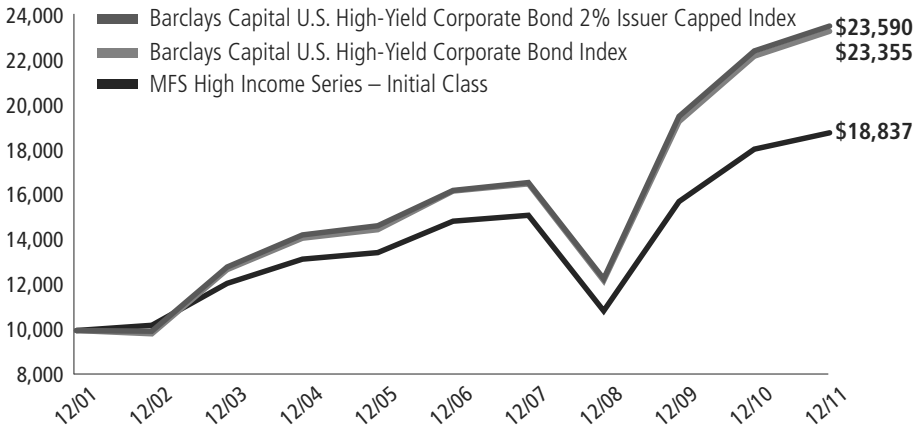
MFS High Income Series

PERFORMANCE SUMMARY THROUGH 12/31/11

The following chart illustrates the historical performance of the fund in comparison to its benchmark(s). Benchmarks are unmanaged and may not be invested in directly. Benchmark returns do not reflect any fees or expenses. The performance of other share classes will be greater than or less than that of the class depicted below. (See Notes to Performance Summary.)

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value fluctuate so your units, when sold, may be worth more or less than the original cost; current performance may be lower or higher than quoted. The performance shown does not reflect the deduction of taxes, if any, that a contract holder would pay on fund distributions or the redemption of contract units. The returns for the fund shown also do not reflect the deduction of expenses associated with variable products, such as mortality and expense risk charges, separate account charges, and sales charges imposed by the insurance company separate accounts. Such expenses would reduce the overall returns shown.

Growth of a Hypothetical $10,000 Investment



Total Returns through 12/31/11

Average annual total returns

Share class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	4.10%	4.82%	6.54%
Service Class	5/01/00	3.85%	4.56%	6.28%

Comparative benchmarks

Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)(z)	4.96%	7.74%	8.96%
Barclays Capital U.S. High-Yield Corporate Bond Index (f)(z)	4.98%	7.54%	8.85%

(f) Source: FactSet Research Systems Inc.

(z) Effective September 15, 2011, the Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index replaced the Barclays Capital U.S. High-Yield Corporate Bond Index as the fund's primary benchmark as the new benchmark more appropriately aligns with the fund's investment strategy.

Benchmark Definitions

Barclays Capital U.S. High-Yield Corporate Bond Index – a market capitalization-weighted index that measures the performance of non-investment grade, fixed rate debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded.

Barclays Capital U.S. High-Yield Corporate Bond 2% Issuer Capped Index – a component of the Barclays Capital U.S. High-Yield Corporate Bond Index, which measures performance of non-investment grade, fixed rate debt. The index limits the maximum exposure to any one issuer to 2%.

It is not possible to invest directly in an index.

Notes to Performance Summary

Average annual total return represents the average annual change in value for each share class for the periods presented.

Performance results reflect any applicable expense subsidies and waivers in effect during the periods shown. Without such subsidies and waivers the fund's performance results would be less favorable. Please see the prospectus and financial statements for complete details. All results are historical and assume the reinvestment of any dividends and capital gains distributions.

Performance Summary – continued

Performance results do not include adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles and may differ from amounts reported in the financial highlights.

From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

MFS High Income Series

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2011 through December 31, 2011

As a contract holder of the fund, you incur ongoing costs, including management fees; distribution and/or service (12b-1) fees; and other fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of $1,000 invested at the beginning of the period and held for the entire period July 1, 2011 through December 31, 2011.

Actual Expenses

The first line for each share class in the following table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line for each share class in the following table provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight the fund's ongoing costs only and do not take into account the fees and expenses imposed under the variable contracts through which your investment in the fund is made. Therefore, the second line for each share class in the table is useful in comparing ongoing costs associated with an investment in vehicles (such as the fund) which fund benefits under variable annuity and variable life insurance contracts and to qualified pension and retirement plans only, and will not help you determine the relative total costs of investing in the fund through variable annuity and variable life insurance contracts. If the fees and expenses imposed under the variable contracts were included, your costs would have been higher.

Share Class		Annualized Expense Ratio	Beginning Account Value 7/01/11	Ending Account Value 12/31/11	Expenses Paid During Period (p) 7/01/11-12/31/11
Initial Class	Actual	0.80%	$1,000.00	$997.86	$4.03
	Hypothetical (h)	0.80%	$1,000.00	$1,021.17	$4.08
Service Class	Actual	1.05%	$1,000.00	$997.45	$5.29
	Hypothetical (h)	1.05%	$1,000.00	$1,019.91	$5.35

(h) 5% class return per year before expenses.

(p) Expenses paid is equal to each class' annualized expense ratio, as shown above, multiplied by the average account value over the period, multiplied by the number of days in the period, divided by the number of days in the year.

PORTFOLIO OF INVESTMENTS – 12/31/11

The Portfolio of Investments is a complete list of all securities owned by your fund. It is categorized by broad-based asset classes.

Issuer	Shares/Par	Value ($)
BONDS – 92.1%		
Aerospace – 1.6%		
BE Aerospace, Inc., 8.5%, 2018	$ 410,000	$ 448,916
Bombardier, Inc., 7.5%, 2018 (n)	1,370,000	1,465,900
Bombardier, Inc., 7.75%, 2020 (n)	550,000	599,500
CPI International, Inc., 8%, 2018	1,040,000	865,800
Hawker Beechcraft Acquisition Co. LLC, 8.5%, 2015	1,220,000	225,700
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 386,000	317,234
Huntington Ingalls Industries, Inc., 7.125%, 2021 (n)	$ 1,090,000	1,068,200
		$ 4,991,250
Apparel Manufacturers – 0.7%		
Hanesbrands, Inc., 8%, 2016	$ 570,000	$ 619,875
Hanesbrands, Inc., 6.375%, 2020	535,000	543,025
Phillips-Van Heusen Corp., 7.375%, 2020	1,065,000	1,155,525
		$ 2,318,425
Asset-Backed & Securitized – 0.6%		
Arbor Realty Mortgage Securities, CDO, FRN, 2.711%, 2038 (z)	$ 568,229	$ 73,870
ARCap REIT, Inc., CDO, "H", FRN, 6.01%, 2045 (a)(d)(z)	156,251	8
Citigroup Commercial Mortgage Trust, FRN, 5.697%, 2049	985,952	344,798
Crest Ltd., CDO, 7%, 2040 (a)(p)	939,086	46,954
CWCapital Cobalt Ltd., CDO, 6.23%, 2045 (a)(p)(z)	1,129,138	22,583
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.72%, 2050 (z)	516,539	10,331
First Union National Bank Commercial Mortgage Trust, 6.75%, 2032	750,000	407,384
G-Force LLC, CDO, "A2", 4.83%, 2036 (z)	624,920	594,455
JPMorgan Chase Commercial Mortgage Securities Corp., "C", FRN, 6.058%, 2051	750,000	325,875
Wachovia Bank Commercial Mortgage Trust, FRN, 5.744%, 2047	579,683	91,706
		$ 1,917,964
Automotive – 3.0%		
Accuride Corp., 9.5%, 2018	$ 1,415,000	$ 1,365,475
Allison Transmission, Inc., 7.125%, 2019 (n)	900,000	882,000
Chrysler Group LLC/CG Co-Issuer, Inc., 8.25%, 2021 (n)	700,000	637,000
Ford Motor Co., 7.45%, 2031	1,005,000	1,206,000
Ford Motor Credit Co. LLC, 12%, 2015	2,426,000	2,971,826
General Motors Financial Co., Inc., 6.75%, 2018 (n)	905,000	923,100
Jaguar Land Rover PLC, 7.75%, 2018 (n)	200,000	190,500
Jaguar Land Rover PLC, 8.125%, 2021 (n)	910,000	855,400
Lear Corp., 8.125%, 2020	625,000	687,500
		$ 9,718,801

Issuer	Shares/Par	Value ($)
BONDS – continued		
Basic Industry – 0.4%		
Trimas Corp., 9.75%, 2017	$1,050,000	$ 1,139,250
Broadcasting – 5.5%		
Allbritton Communications Co., 8%, 2018	$ 755,000	$ 749,338
AMC Networks, Inc., 7.75%, 2021 (n)	631,000	686,213
Clear Channel Communications, Inc., 9%, 2021	763,000	642,828
EH Holding Corp., 7.625%, 2021 (n)	645,000	677,250
Gray Television, Inc., 10.5%, 2015	300,000	283,500
Inmarsat Finance PLC, 7.375%, 2017 (n)	1,040,000	1,086,800
Intelsat Bermuda Ltd., 11.25%, 2017	1,370,000	1,325,475
Intelsat Jackson Holdings Ltd., 9.5%, 2016	1,710,000	1,786,950
Intelsat Jackson Holdings Ltd., 11.25%, 2016	1,335,000	1,402,584
LBI Media, Inc., 8.5%, 2017 (z)	645,000	355,556
Liberty Media Corp., 8.5%, 2029	1,215,000	1,178,550
Local TV Finance LLC, 9.25%, 2015 (p)(z)	1,542,946	1,473,513
Newport Television LLC, 13%, 2017 (n)(p)	507,855	431,924
Nexstar Broadcasting Group, Inc., 8.875%, 2017	430,000	440,750
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	585,000	637,650
Sinclair Broadcast Group, Inc., 8.375%, 2018	175,000	180,688
SIRIUS XM Radio, Inc., 13%, 2013 (n)	300,000	340,500
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	1,095,000	1,199,025
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	835,000	876,750
Univision Communications, Inc., 6.875%, 2019 (n)	595,000	574,175
Univision Communications, Inc., 7.875%, 2020 (n)	820,000	832,300
Univision Communications, Inc., 8.5%, 2021 (n)	675,000	614,250
		$ 17,776,569
Brokerage & Asset Managers – 0.4%		
E*TRADE Financial Corp., 12.5%, 2017	$1,055,000	$ 1,192,150
Building – 1.8%		
Associated Materials LLC, 9.125%, 2017	$ 275,000	$ 239,938
Building Materials Holding Corp., 6.875%, 2018 (n)	815,000	855,750
Building Materials Holding Corp., 7%, 2020 (n)	480,000	516,000
Building Materials Holding Corp., 6.75%, 2021 (n)	445,000	467,250
CEMEX S.A., 9.25%, 2020	2,130,000	1,624,125
Masonite International Corp., 8.25%, 2021 (n)	585,000	573,300
Nortek, Inc., 10%, 2018 (n)	320,000	303,200
Nortek, Inc., 8.5%, 2021 (n)	1,120,000	946,400
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 8.625%, 2017 (n)	391,000	398,820
		$ 5,924,783

Portfolio of Investments – continued

Issuer		Shares/Par		Value ($)
BONDS – continued				
Business Services – 1.4%				
Ceridian Corp., 12.25%, 2015 (p)	$	500,000	$	387,500
iGate Corp., 9%, 2016 (n)		917,000		946,803
Interactive Data Corp., 10.25%, 2018		920,000		1,007,400
Iron Mountain, Inc., 8.375%, 2021		1,170,000		1,246,050
SunGard Data Systems, Inc., 10.25%, 2015		595,000		616,569
SunGard Data Systems, Inc., 7.375%, 2018		315,000		322,481
			$	4,526,803
Cable TV – 3.8%				
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	$	270,000	$	280,800
Cablevision Systems Corp., 8.625%, 2017		750,000		830,625
CCH II LLC, 13.5%, 2016		1,120,000		1,293,600
CCO Holdings LLC, 7.875%, 2018		1,135,000		1,210,194
CCO Holdings LLC, 8.125%, 2020		1,640,000		1,795,800
Cequel Communications Holdings, 8.625%, 2017 (n)		585,000		620,100
DISH DBS Corp., 6.75%, 2021		355,000		382,513
EchoStar Corp., 7.125%, 2016		825,000		888,938
Insight Communications Co., Inc., 9.375%, 2018 (n)		905,000		1,033,963
Mediacom LLC, 9.125%, 2019		845,000		896,756
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR	270,000		335,470
UPCB Finance III Ltd., 6.625%, 2020 (n)	$	1,472,000		1,449,920
Virgin Media Finance PLC, 9.5%, 2016		410,000		460,225
Virgin Media Finance PLC, 8.375%, 2019		120,000		131,700
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR	440,000		575,165
			$	12,185,769
Chemicals – 3.2%				
Celanese U.S. Holdings LLC, 6.625%, 2018	$	835,000	$	887,188
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018		1,600,000		1,500,000
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020		270,000		222,750
Huntsman International LLC, 8.625%, 2021		1,170,000		1,240,200
Lyondell Chemical Co., 8%, 2017		158,000		172,615
Lyondell Chemical Co., 11%, 2018		880,787		962,260
LyondellBasell Industries, Inc., 6%, 2021 (n)		1,055,000		1,094,563
Momentive Performance Materials, Inc., 12.5%, 2014		1,240,000		1,314,400
Momentive Performance Materials, Inc., 11.5%, 2016		907,000		675,715
Nalco Co., 8.25%, 2017		175,000		198,625
Polypore International, Inc., 7.5%, 2017		975,000		1,009,125
Solutia, Inc., 7.875%, 2020		805,000		875,438
			$	10,152,879

Issuer	Shares/Par	Value ($)
BONDS – continued		
Computer Software – 0.6%		
Lawson Software, Inc., 11.5%, 2018 (n)	$ 835,000	$ 809,950
Syniverse Holdings, Inc., 9.125%, 2019	965,000	1,018,075
		$ 1,828,025
Computer Software – Systems – 1.2%		
Audatex North America, Inc., 6.75%, 2018 (n)	$ 615,000	$ 621,150
CDW LLC/CDW Finance Corp., 12.535%, 2017	465,000	467,325
CDW LLC/CDW Finance Corp., 8.5%, 2019	1,045,000	1,052,838
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	1,145,000	1,225,150
Eagle Parent, Inc., 8.625%, 2019 (n)	345,000	329,475
		$ 3,695,938
Conglomerates – 1.6%		
Amsted Industries, Inc., 8.125%, 2018 (n)	$1,340,000	$ 1,420,400
Dynacast International LLC, 9.25%, 2019 (z)	745,000	700,300
Griffon Corp., 7.125%, 2018	1,280,000	1,267,200
Tomkins LLC/Tomkins, Inc., 9%, 2018	1,593,000	1,766,239
		$ 5,154,139
Consumer Products – 1.4%		
Easton-Bell Sports, Inc., 9.75%, 2016	$ 890,000	$ 970,100
Elizabeth Arden, Inc., 7.375%, 2021	910,000	946,400
Jarden Corp., 7.5%, 2020	1,095,000	1,166,175
Libbey Glass, Inc., 10%, 2015	805,000	861,350
Visant Corp., 10%, 2017	665,000	608,475
		$ 4,552,500
Consumer Services – 1.1%		
Realogy Corp., 11.5%, 2017	$ 845,000	$ 659,100
Service Corp. International, 6.75%, 2015	565,000	607,375
Service Corp. International, 7%, 2017	1,515,000	1,643,775
Service Corp. International, 7%, 2019	445,000	468,363
		$ 3,378,613
Containers – 1.8%		
Exopack Holding Corp., 10%, 2018 (z)	$ 545,000	$ 545,000
Graham Packaging Co. LP/GPC Capital Corp., 9.875%, 2014	630,000	640,238
Greif, Inc., 6.75%, 2017	1,070,000	1,118,150
Greif, Inc., 7.75%, 2019	310,000	334,800
Packaging Dynamics Corp., 8.75%, 2016 (z)	375,000	375,000
Reynolds Group, 8.75%, 2016 (n)	470,000	494,675
Reynolds Group, 7.125%, 2019 (n)	1,195,000	1,215,913
Reynolds Group, 8.25%, 2021 (n)	615,000	544,275
Sealed Air Corp., 8.125%, 2019 (n)	165,000	180,675
Sealed Air Corp., 8.375%, 2021 (n)	165,000	182,325
		$ 5,631,051
Defense Electronics – 0.6%		
Ducommun, Inc., 9.75%, 2018 (n)	$ 845,000	$ 857,675
ManTech International Corp., 7.25%, 2018	720,000	733,500
MOOG, Inc., 7.25%, 2018	300,000	316,500
		$ 1,907,675

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Electrical Equipment – 0.1%		
Avaya, Inc., 9.75%, 2015	$ 360,000	$ 324,000
Electronics – 0.8%		
Freescale Semiconductor, Inc., 9.25%, 2018 (n)	$1,065,000	$ 1,138,219
Freescale Semiconductor, Inc., 8.05%, 2020	480,000	451,200
NXP B.V., 9.75%, 2018 (n)	108,000	117,720
Sensata Technologies B.V., 6.5%, 2019 (n)	960,000	948,000
		$ 2,655,139
Energy – Independent – 8.4%		
ATP Oil & Gas Corp., 11.875%, 2015	$ 605,000	$ 397,788
Bill Barrett Corp., 9.875%, 2016	915,000	1,006,500
Bill Barrett Corp., 7.625%, 2019	250,000	261,250
BreitBurn Energy Partners LP, 8.625%, 2020	445,000	465,581
Carrizo Oil & Gas, Inc., 8.625%, 2018	420,000	424,200
Carrizo Oil & Gas, Inc., 8.625%, 2018 (n)	170,000	170,850
Chaparral Energy, Inc., 8.875%, 2017	1,465,000	1,516,275
Chesapeake Energy Corp., 6.875%, 2020	435,000	465,450
Concho Resources, Inc., 8.625%, 2017	625,000	682,813
Concho Resources, Inc., 6.5%, 2022	1,270,000	1,327,150
Connacher Oil & Gas Ltd., 8.5%, 2019 (n)	635,000	574,675
Continental Resources, Inc., 8.25%, 2019	925,000	1,017,500
Denbury Resources, Inc., 8.25%, 2020	1,040,000	1,162,200
Energy XXI Gulf Coast, Inc., 9.25%, 2017	1,425,000	1,546,125
EXCO Resources, Inc., 7.5%, 2018	1,305,000	1,233,225
Harvest Operations Corp., 6.875%, 2017 (n)	1,600,000	1,656,000
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)	350,000	374,500
Laredo Petroleum, Inc., 9.5%, 2019 (n)	615,000	651,900
LINN Energy LLC, 6.5%, 2019 (n)	445,000	441,663
LINN Energy LLC, 8.625%, 2020	535,000	580,475
LINN Energy LLC, 7.75%, 2021	361,000	375,440
Newfield Exploration Co., 6.625%, 2014	150,000	151,688
Newfield Exploration Co., 6.625%, 2016	855,000	880,650
Newfield Exploration Co., 6.875%, 2020	650,000	695,500
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)	1,954,000	1,914,920
Pioneer Natural Resources Co., 7.5%, 2020	605,000	709,569
QEP Resources, Inc., 6.875%, 2021	1,265,000	1,363,038
Quicksilver Resources, Inc., 9.125%, 2019	440,000	466,400
Range Resources Corp., 8%, 2019	1,045,000	1,165,175
SandRidge Energy, Inc., 8%, 2018 (n)	1,595,000	1,610,950
SM Energy Co., 6.5%, 2021 (n)	890,000	916,700
Swift Energy Co., 7.875%, 2022 (n)	445,000	439,438
Whiting Petroleum Corp., 6.5%, 2018	245,000	256,025
		$ 26,901,613
Engineering – Construction – 0.2%		
B-Corp. Merger Sub, Inc., 8.25%, 2019 (n)	$ 800,000	$ 752,000
Entertainment – 1.1%		
AMC Entertainment, Inc., 8.75%, 2019	$1,010,000	$ 1,045,350
AMC Entertainment, Inc., 9.75%, 2020	760,000	722,000
Cinemark USA, Inc., 8.625%, 2019	1,055,000	1,147,313
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	450,000	475,875
		$ 3,390,538

Issuer	Shares/Par	Value ($)
BONDS – continued		
Financial Institutions – 4.4%		
CIT Group, Inc., 5.25%, 2014 (n)	$ 795,000	$ 792,019
CIT Group, Inc., 7%, 2017	5,355,000	5,355,000
CIT Group, Inc., 6.625%, 2018 (n)	1,189,000	1,230,615
Credit Acceptance Corp., 9.125%, 2017	625,000	653,125
GMAC, Inc., 8%, 2031	175,000	168,875
International Lease Finance Corp., 8.75%, 2017	940,000	968,200
International Lease Finance Corp., 7.125%, 2018 (n)	928,000	960,480
Nationstar Mortgage LLC, 10.875%, 2015	1,610,000	1,593,900
SLM Corp., 8.45%, 2018	295,000	303,850
SLM Corp., 8%, 2020	1,540,000	1,555,400
Springleaf Finance Corp., 6.9%, 2017	655,000	471,600
		$ 14,053,064
Food & Beverages – 1.4%		
ARAMARK Corp., 8.5%, 2015	$ 355,000	$ 363,875
B&G Foods, Inc., 7.625%, 2018	955,000	1,014,688
Constellation Brands, Inc., 7.25%, 2016	240,000	263,700
Pinnacle Foods Finance LLC, 9.25%, 2015	1,195,000	1,226,369
Pinnacle Foods Finance LLC, 10.625%, 2017	375,000	393,750
Pinnacle Foods Finance LLC, 8.25%, 2017	275,000	286,000
TreeHouse Foods, Inc., 7.75%, 2018	850,000	920,125
		$ 4,468,507
Forest & Paper Products – 1.9%		
Boise, Inc., 8%, 2020	$ 1,065,000	$ 1,126,238
Cascades, Inc., 7.75%, 2017	695,000	688,050
Georgia-Pacific Corp., 8%, 2024	870,000	1,115,431
Graphic Packaging Holding Co., 7.875%, 2018	710,000	756,150
Millar Western Forest Products Ltd., 8.5%, 2021 (z)	200,000	152,000
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 715,000	953,151
Tembec Industries, Inc., 11.25%, 2018	$ 880,000	906,400
Xerium Technologies, Inc., 8.875%, 2018 (z)	415,000	375,575
		$ 6,072,995
Gaming & Lodging – 4.5%		
Boyd Gaming Corp., 7.125%, 2016	$ 1,090,000	$ 942,850
FelCor Lodging LP, REIT, 6.75%, 2019	495,000	475,200
Firekeepers Development Authority, 13.875%, 2015 (n)	925,000	1,049,875
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(d)(n)	1,190,000	744
GWR Operating Partnership LLP, 10.875%, 2017	470,000	511,125
Harrah's Operating Co., Inc., 11.25%, 2017	1,945,000	2,064,131
Harrah's Operating Co., Inc., 10%, 2018	461,000	299,650
Harrah's Operating Co., Inc., 10%, 2018	207,000	141,795
Host Hotels & Resorts, Inc., 6.75%, 2016	920,000	945,300
MGM Mirage, 10.375%, 2014	670,000	765,475

Issuer	Shares/Par	Value ($)
BONDS – continued		
Gaming & Lodging – continued		
MGM Mirage, 6.625%, 2015	$ 360,000	$ 342,000
MGM Mirage, 7.5%, 2016	180,000	172,350
MGM Resorts International, 11.375%, 2018	1,100,000	1,210,000
MGM Resorts International, 9%, 2020	1,020,000	1,129,650
Penn National Gaming, Inc., 8.75%, 2019	1,450,000	1,576,875
Seven Seas Cruises S. de R.L., 9.125%, 2019 (n)	665,000	679,963
Wyndham Worldwide Corp., 7.375%, 2020	645,000	736,187
Wynn Las Vegas LLC, 7.75%, 2020	1,135,000	1,259,850
		$ 14,303,020
Health Maintenance Organizations – 0.2%		
AMERIGROUP Corp., 7.5%, 2019	$ 725,000	$ 746,750
Industrial – 1.3%		
Altra Holdings, Inc., 8.125%, 2016	$ 710,000	$ 754,375
Dematic S.A., 8.75%, 2016 (z)	1,230,000	1,214,625
Hillman Group, Inc., 10.875%, 2018	565,000	559,350
Hyva Global B.V., 8.625%, 2016 (n)	695,000	573,375
Mueller Water Products, Inc., 8.75%, 2020	866,000	940,693
		$ 4,042,418
Insurance – 0.4%		
American International Group, Inc., 8.175% to 2038, FRN to 2068	$ 760,000	$ 676,400
MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)	500,000	571,250
		$ 1,247,650
Insurance – Property & Casualty – 1.1%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	$1,325,000	$ 1,662,875
USI Holdings Corp., 9.75%, 2015 (z)	780,000	746,850
XL Group PLC, 6.5% to 2017, FRN to 2049	1,415,000	1,107,238
		$ 3,516,963
Machinery & Tools – 1.2%		
Case Corp., 7.25%, 2016	$ 545,000	$ 584,513
Case New Holland, Inc., 7.875%, 2017	2,140,000	2,418,200
CNH Capital LLC, 6.25%, 2016 (n)	255,000	262,650
Rental Service Corp., 9.5%, 2014	175,000	179,813
RSC Equipment Rental, Inc., 8.25%, 2021	485,000	491,063
		$ 3,936,239
Major Banks – 0.4%		
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (a)(d)(n)	$ 530,000	$ 331,913
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	1,580,000	1,076,375
		$ 1,408,288
Medical & Health Technology & Services – 5.5%		
Beagle Acquisition Corp., 11%, 2019 (n)	$ 435,000	$ 455,119
Biomet, Inc., 10%, 2017	835,000	901,800
Biomet, Inc., 10.375%, 2017 (p)	375,000	405,938
Biomet, Inc., 11.625%, 2017	605,000	656,425
Davita, Inc., 6.375%, 2018	1,215,000	1,243,856

Issuer	Shares/Par	Value ($)
BONDS – continued		
Medical & Health Technology & Services – continued		
Davita, Inc., 6.625%, 2020	$ 485,000	$ 498,338
Emergency Medical Services Corp., 8.125%, 2019 (z)	355,000	354,113
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	865,000	969,881
HCA, Inc., 8.5%, 2019	2,595,000	2,841,525
HCA, Inc., 7.5%, 2022	610,000	623,725
Health Management Associates, Inc., 7.375%, 2020 (n)	440,000	457,600
HealthSouth Corp., 8.125%, 2020	1,385,000	1,395,388
Teleflex, Inc., 6.875%, 2019	545,000	568,163
Tenet Healthcare Corp., 9.25%, 2015	575,000	604,469
United Surgical Partners International, Inc., 8.875%, 2017	565,000	563,588
United Surgical Partners International, Inc., 9.25%, 2017 (p)	495,000	497,475
Universal Health Services, Inc., 7%, 2018	715,000	741,813
Universal Hospital Services, Inc., 8.5%, 2015 (p)	1,630,000	1,646,300
Universal Hospital Services, Inc., FRN, 4.12%, 2015	310,000	279,775
Vanguard Health Systems, Inc., 0%, 2016	4,000	2,500
Vanguard Health Systems, Inc., 8%, 2018	1,430,000	1,419,275
VWR Funding, Inc., 10.25%, 2015 (p)	493,072	509,097
		$ 17,636,163
Metals & Mining – 2.5%		
AK Steel Corp., 7.625%, 2020	$ 805,000	$ 756,700
Arch Coal, Inc., 7%, 2019 (n)	925,000	943,500
Arch Coal, Inc., 7.25%, 2020	385,000	393,663
Cloud Peak Energy, Inc., 8.25%, 2017	1,335,000	1,421,775
Cloud Peak Energy, Inc., 8.5%, 2019	1,340,000	1,447,200
Consol Energy, Inc., 8%, 2017	595,000	651,525
Consol Energy, Inc., 8.25%, 2020	510,000	563,550
Fortescue Metals Group Ltd., 6.875%, 2018 (n)	260,000	248,950
Fortescue Metals Group Ltd., 8.25%, 2019 (n)	765,000	778,388
Peabody Energy Corp., 6%, 2018 (n)	420,000	428,400
Peabody Energy Corp., 6.25%, 2021 (n)	420,000	434,700
		$ 8,068,351
Natural Gas – Distribution – 0.1%		
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021	$ 540,000	$ 475,200
Natural Gas – Pipeline – 2.6%		
Atlas Pipeline Partners LP, 8.75%, 2018	$ 825,000	$ 866,250
Atlas Pipeline Partners LP/Finance Corp., 8.75%, 2018 (n)	635,000	663,575
Crosstex Energy, Inc., 8.875%, 2018	1,435,000	1,567,738
El Paso Corp., 7%, 2017	985,000	1,079,217
El Paso Corp., 7.75%, 2032	1,415,000	1,634,325
Energy Transfer Equity LP, 7.5%, 2020	1,150,000	1,256,375
Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066	750,000	802,500

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Natural Gas – Pipeline – continued		
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	$ 391,000	$ 406,640
		$ 8,276,620
Network & Telecom – 2.6%		
CenturyLink, Inc., 7.6%, 2039	$ 292,000	$ 286,529
Cincinnati Bell, Inc., 8.25%, 2017	315,000	316,575
Cincinnati Bell, Inc., 8.75%, 2018	1,310,000	1,216,663
Citizens Communications Co., 9%, 2031	650,000	593,125
Frontier Communications Corp., 8.25%, 2017	295,000	301,638
Frontier Communications Corp., 8.125%, 2018	1,205,000	1,214,038
Frontier Communications Corp., 8.5%, 2020	820,000	839,475
Qwest Communications International, Inc., 7.125%, 2018 (n)	1,445,000	1,502,800
Windstream Corp., 8.125%, 2018	215,000	230,319
Windstream Corp., 7.75%, 2020	1,420,000	1,467,925
Windstream Corp., 7.75%, 2021	440,000	451,000
		$ 8,420,087
Oil Services – 1.2%		
Chesapeake Energy Corp., 6.625%, 2019 (n)	$ 325,000	$ 338,000
Dresser-Rand Group, Inc., 6.5%, 2021 (z)	180,000	184,050
Edgen Murray Corp., 12.25%, 2015	645,000	580,500
Expro Finance Luxembourg, 8.5%, 2016 (n)	605,000	532,400
McJunkin Red Man Holding Corp., 9.5%, 2016	515,000	522,725
Pioneer Drilling Co., 9.875%, 2018	1,375,000	1,436,875
Pioneer Drilling Co., 9.875%, 2018 (n)	80,000	83,600
Unit Corp., 6.625%, 2021	205,000	205,000
		$ 3,883,150
Other Banks & Diversified Financials – 1.5%		
Capital One Financial Corp., 10.25%, 2039	$ 1,345,000	$ 1,395,438
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	710,000	640,903
LBG Capital No.1 PLC, 7.875%, 2020 (n)	900,000	682,200
Santander UK PLC, 8.963% to 2030, FRN to 2049	2,155,000	1,939,500
		$ 4,658,041
Pharmaceuticals – 0.4%		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 385,000	$ 503,269
Endo Pharmaceuticals Holdings, Inc., 7%, 2019	$ 375,000	399,375
Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)	450,000	444,375
		$ 1,347,019
Pollution Control – 0.3%		
WCA Waste Corp., 7.5%, 2019 (n)	$ 895,000	$ 903,950

Issuer	Shares/Par	Value ($)
BONDS – continued		
Printing & Publishing – 0.5%		
American Media, Inc., 13.5%, 2018 (z)	$ 94,618	$ 76,641
Nielsen Finance LLC, 11.5%, 2016	501,000	573,645
Nielsen Finance LLC, 7.75%, 2018	885,000	955,800
		$ 1,606,086
Railroad & Shipping – 0.3%		
Kansas City Southern de Mexico S.A. de C.V., 6.125%, 2021	$ 455,000	$ 467,513
Kansas City Southern Railway, 8%, 2015	335,000	355,519
		$ 823,032
Real Estate – 1.0%		
CB Richard Ellis Group, Inc., 11.625%, 2017	$ 335,000	$ 386,088
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	465,000	430,125
Entertainment Properties Trust, REIT, 7.75%, 2020	1,015,000	1,066,963
Kennedy Wilson, Inc., 8.75%, 2019 (n)	580,000	565,500
MPT Operating Partnership LP, REIT, 6.875%, 2021	635,000	629,444
		$ 3,078,120
Retailers – 2.6%		
Academy Ltd., 9.25%, 2019 (n)	$ 270,000	$ 266,625
Burlington Coat Factory Warehouse Corp., 10%, 2019	840,000	821,100
J. Crew Group, Inc., 8.125%, 2019	750,000	716,250
Limited Brands, Inc., 6.9%, 2017	760,000	818,900
Limited Brands, Inc., 7%, 2020	300,000	324,750
Limited Brands, Inc., 6.95%, 2033	415,000	384,913
Neiman Marcus Group, Inc., 10.375%, 2015	860,000	893,334
QVC, Inc., 7.375%, 2020 (n)	705,000	752,588
Rite Aid Corp., 9.375%, 2015	790,000	762,350
Sally Beauty Holdings, Inc., 6.875%, 2019 (z)	420,000	438,900
Toys "R" Us Property Co. II LLC, 8.5%, 2017	355,000	367,425
Toys "R" Us, Inc., 10.75%, 2017	1,060,000	1,159,375
Yankee Aquisition Corp., 8.5%, 2015	215,000	217,150
YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p)	445,000	389,375
		$ 8,313,035
Specialty Chemicals – 0.1%		
Koppers, Inc., 7.875%, 2019	$ 355,000	$ 376,300
Specialty Stores – 0.5%		
Michaels Stores, Inc., 11.375%, 2016	$ 735,000	$ 779,027
Michaels Stores, Inc., 7.75%, 2018	785,000	792,850
		$ 1,571,877
Telecommunications – Wireless – 4.5%		
Clearwire Corp., 12%, 2015 (n)	$ 885,000	$ 847,388
Cricket Communications, Inc., 7.75%, 2016	275,000	283,938
Cricket Communications, Inc., 7.75%, 2020	860,000	752,500
Crown Castle International Corp., 9%, 2015	915,000	991,631
Crown Castle International Corp., 7.125%, 2019	1,315,000	1,420,200
Digicel Group Ltd., 12%, 2014 (n)	200,000	224,000

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Telecommunications – Wireless – continued		
Digicel Group Ltd., 8.25%, 2017 (n)	$1,155,000	$ 1,160,775
Digicel Group Ltd., 10.5%, 2018 (n)	930,000	934,650
MetroPCS Wireless, Inc., 7.875%, 2018	625,000	633,594
MetroPCS Wireless, Inc., 6.625%, 2020	210,000	195,825
NII Holdings, Inc., 10%, 2016	975,000	1,106,625
NII Holdings, Inc., 7.625%, 2021	720,000	714,600
Sprint Capital Corp., 6.875%, 2028	735,000	524,606
Sprint Nextel Corp., 6%, 2016	1,610,000	1,336,300
Sprint Nextel Corp., 8.375%, 2017	825,000	739,406
Sprint Nextel Corp., 9%, 2018 (n)	440,000	462,000
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	1,515,000	1,355,925
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	960,000	873,600
		$ 14,557,563
Telephone Services – 0.4%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	$ 470,000	$ 481,750
Level 3 Financing, Inc., 9.375%, 2019	815,000	850,656
		$ 1,332,406
Transportation – 0.1%		
Navios South American Logistics, Inc., 9.25%, 2019 (n)	$ 459,000	$ 367,200
Transportation – Services – 2.3%		
ACL I Corp., 10.625%, 2016 (n)(p)	$ 898,343	$ 687,919
Aguila American Resources Ltd., 7.875%, 2018 (n)	655,000	635,350
American Petroleum Tankers LLC, 10.25%, 2015	576,000	587,520
Avis Budget Car Rental LLC , 9.75%, 2020	365,000	375,038
Commercial Barge Line Co., 12.5%, 2017	1,890,000	2,036,475
Hertz Corp., 7.5%, 2018	740,000	773,300
Navios Maritime Acquisition Corp., 8.625%, 2017	1,065,000	772,125
Navios Maritime Holdings, Inc., 8.875%, 2017	650,000	619,125
Swift Services Holdings, Inc., 10%, 2018	925,000	973,563
		$ 7,460,415
Utilities – Electric Power – 5.0%		
AES Corp., 8%, 2017	$ 890,000	$ 979,000
Atlantic Power Corp., 9%, 2018 (z)	365,000	365,913
Calpine Corp., 8%, 2016 (n)	805,000	869,400
Calpine Corp., 7.875%, 2020 (n)	1,210,000	1,303,775
Covanta Holding Corp., 7.25%, 2020	1,165,000	1,224,600
Dolphin Subsidiary II, Inc., 7.25%, 2021 (n)	670,000	723,600
Edison Mission Energy, 7%, 2017	915,000	594,750
EDP Finance B.V., 6%, 2018 (n)	1,190,000	1,001,008
Enel Finance International S.A., 6%, 2039 (n)	405,000	325,963
Energy Future Holdings Corp., 10%, 2020	1,140,000	1,197,000
Energy Future Holdings Corp., 10%, 2020	2,725,000	2,874,875
GenOn Energy, Inc., 9.5%, 2018	645,000	653,063
GenOn Energy, Inc., 9.875%, 2020	1,445,000	1,466,675
NRG Energy, Inc., 7.375%, 2017	$ 590,000	$ 612,125
NRG Energy, Inc., 8.25%, 2020	1,415,000	1,422,075
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	470,000	398,913
		$ 16,012,735
Total Bonds (Identified Cost, $301,363,124)		**$294,979,118**
FLOATING RATE LOANS (g)(r) – 0.6%		
Aerospace – 0.1%		
Hawker Beechcraft Acquisition Co. LLC, Term Loan, 10.5%, 2014	$ 564,811	$ 437,729
Broadcasting – 0.0%		
Local TV Finance LLC, Term Loan B, 2.3%, 2013	$ 85,508	$ 82,220
Financial Institutions – 0.1%		
Springleaf Finance Corp., Term Loan, 5.5%, 2017	$ 452,233	$ 392,030
Oil Services – 0.3%		
Samson Investment Co., Bridge Term Loan, 2012 (o)	$ 855,000	$ 855,000
Utilities – Electric Power – 0.1%		
Dynegy Holdings, Inc., CoalCo. Term Loan, 9.25%, 2016	$ 121,283	$ 121,950
Dynegy Holdings, Inc., GasCo. Term Loan, 9.25%, 2016	181,924	184,133
		$ 306,083
Total Floating Rate Loans (Identified Cost, $2,222,006)		**$ 2,073,062**
COMMON STOCKS – 0.3%		
Automotive – 0.1%		
Accuride Corp. (a)	24,851	$ 176,939
Broadcasting – 0.1%		
New Young Broadcasting Holding Co., Inc. (a)	163	$ 440,100
Printing & Publishing – 0.1%		
American Media Operations, Inc. (a)	24,246	$ 288,285
Special Products & Services – 0.0%		
Mark IV Industries LLC, Common Units, "A" (a)	676	$ 25,012
Total Common Stocks (Identified Cost, $2,056,557)		**$ 930,336**
CONVERTIBLE PREFERRED STOCKS – 0.2%		
Automotive – 0.2%		
General Motors Co., 4.75% (Identified Cost, $791,000)	15,820	$ 541,835

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
PREFERRED STOCKS – 0.7%		
Other Banks & Diversified Financials – 0.7%		
Ally Financial, Inc., 7% (n)	511	$ 366,307
Ally Financial, Inc., "A", 8.5%	80,292	1,476,570
GMAC Capital Trust I, 8.125%	23,250	449,655
Total Preferred Stocks (Identified Cost, $3,032,693)		**$ 2,292,532**

	Strike Price	First Exercise		
WARRANTS – 0.2%				
Broadcasting – 0.2%				
New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (Identified Cost, $562,667) (a)	$0.01	7/14/10	295	$ 796,500

Issuer/Expiration Date/Strike Price	Number of Contracts	Value ($)
PUT OPTIONS PURCHASED – 0.0%		
Market Index Securities – 0.0%		
S&P 500 Index – January 2012 @ $1,150 (Premiums paid, $163,592)	104	$ 31,720
Issuer	**Shares/Par**	
MONEY MARKET FUNDS – 3.4%		
MFS Institutional Money Market Portfolio, 0.05%, at Cost and Net Asset Value (v)	10,895,508	$ 10,895,508
Total Investments (Identified Cost, $321,087,147)		**$312,540,611**
OTHER ASSETS, LESS LIABILITIES – 2.5%		**7,868,469**
Net Assets – 100.0%		**$320,409,080**

(a) Non-income producing security.

(d) In default. Interest and/or scheduled principal payment(s) have been missed.

(g) The rate shown represents a weighted average coupon rate on settled positions at period end, unless otherwise indicated.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was $78,500,620, representing 24.5% of net assets.

(o) All or a portion of this position has not settled. Upon settlement date, interest rates for unsettled amounts will be determined. The rate shown represents the weighted average coupon rate for settled amounts.

(p) Payment-in-kind security.

(r) Remaining maturities of floating rate loans may be less than stated maturities shown as a result of contractual or optional prepayments by the borrower. Such prepayments cannot be predicted with certainty. These loans may be subject to restrictions on resale. Floating rate loans generally have rates of interest which are determined periodically by reference to a base lending rate plus a premium.

(v) Underlying affiliated fund that is available only to investment companies managed by MFS. The rate quoted for the MFS Institutional Money Market Portfolio is the annualized seven-day yield of the fund at period end.

(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

Restricted Securities	Acquisition Date	Cost	Value
American Media, Inc., 13.5%, 2018	12/22/10	$96,000	$76,641
Arbor Realty Mortgage Securities, CDO, FRN, 2.711%, 2038	12/20/05	568,229	73,870
ARCap REIT, Inc., CDO, "H", FRN, 6.01%, 2045	6/21/11	5,696	8
Atlantic Power Corp., 9%, 2018	10/26/11	355,921	365,913
CWCapital Cobalt Ltd., CDO, 6.23%, 2045	3/20/06	1,056,828	22,583
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.72%, 2050	4/12/06	516,761	10,331
Dematic S.A., 8.75%, 2016	4/19/11-11/08/11	1,238,900	1,214,625
Dresser-Rand Group, Inc., 6.5%, 2021	12/14/11-12/20/11	183,592	184,050
Dynacast International LLC, 9.25%, 2019	7/12/11-7/15/11	753,112	700,300
Emergency Medical Services Corp., 8.125%, 2019	5/13/11	355,000	354,113
Exopack Holding Corp., 10%, 2018	5/25/11	546,920	545,000
G-Force LLC, CDO, "A2", 4.83%, 2036	2/14/11	608,176	594,455
Heckler & Koch GmbH, 9.5%, 2018	5/06/11-5/10/11	547,198	317,234
LBI Media, Inc., 8.5%, 2017	7/18/07	637,981	355,556
Local TV Finance LLC, 9.25%, 2015	11/13/07-2/16/11	1,517,114	1,473,513
Millar Western Forest Products Ltd., 8.5%, 2021	7/27/11-8/15/11	164,578	152,000

Restricted Securities – continued	Acquisition Date	Cost	Value
Packaging Dynamics Corp., 8.75%, 2016	1/25/11-2/01/11	379,824	375,000
Sally Beauty Holdings, Inc., 6.875%, 2019	11/03/11	420,000	438,900
USI Holdings Corp., 9.75%, 2015	5/07/07-6/08/07	786,066	746,850
Xerium Technologies, Inc., 8.875%, 2018	5/20/11	415,000	375,575
Total Restricted Securities			$8,376,517
% of Net assets			2.6%

The following abbreviations are used in this report and are defined:

CDO Collateralized Debt Obligation

FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.

PLC Public Limited Company

REIT Real Estate Investment Trust

Abbreviations indicate amounts shown in currencies other than the U.S. dollar. All amounts are stated in U.S. dollars unless otherwise indicated. A list of abbreviations is shown below:

EUR Euro

Derivative Contracts at 12/31/11

Forward Foreign Currency Exchange Contracts at 12/31/11

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
SELL	EUR	Barclays Bank PLC	1,227,688	1/12/12	$1,653,340	$1,589,013	$ 64,327
SELL	EUR	Credit Suisse Group	1,618,467	1/12/12	2,196,924	2,094,803	102,121
							$166,448
Liability Derivatives							
BUY	EUR	JPMorgan Chase Bank N.A.	156,820	1/12/12	$ 213,330	$ 202,974	$ (10,356)
BUY	EUR	Goldman Sachs International	367,728	1/12/12	496,933	475,954	(20,979)
							$ (31,335)

At December 31, 2011, the fund had sufficient cash and/or securities to cover any commitments under these derivative contracts.

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENT OF ASSETS AND LIABILITIES

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

At 12/31/11

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $310,191,639)	$301,645,103	
Underlying affiliated funds, at cost and value	10,895,508	
Total investments, at value (identified cost, $321,087,147)	$312,540,611	
Cash	536,830	
Receivables for		
Forward foreign currency exchange contracts	166,448	
Investments sold	103,991	
Fund shares sold	2,652,522	
Interest	5,829,378	
Other assets	3,923	
Total assets		$321,833,703
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$31,335	
Investments purchased	1,276,988	
Fund shares reacquired	48,351	
Payable to affiliates		
Investment adviser	18,734	
Shareholder servicing costs	268	
Distribution and/or service fees	138	
Payable for independent Trustees' compensation	6	
Accrued expenses and other liabilities	48,803	
Total liabilities		$1,424,623
Net assets		$320,409,080
Net assets consist of		
Paid-in capital	$333,269,304	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	(8,413,246)	
Accumulated net realized gain (loss) on investments and foreign currency transactions	(29,187,841)	
Undistributed net investment income	24,740,863	
Net assets		$320,409,080
Shares of beneficial interest outstanding		38,673,148

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$313,702,971	37,859,901	$8.29
Service Class	6,706,109	813,247	8.25

See Notes to Financial Statements

MFS High Income Series

FINANCIAL STATEMENTS | STATEMENT OF OPERATIONS

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Year ended 12/31/11

Net investment income		
Income		
Interest	$26,399,993	
Dividends	228,684	
Dividends from underlying affiliated funds	9,793	
Foreign taxes withheld	(1,104)	
Total investment income		$26,637,366
Expenses		
Management fee	$2,388,014	
Distribution and/or service fees	18,464	
Shareholder servicing costs	37,382	
Administrative services fee	59,822	
Independent Trustees' compensation	10,968	
Custodian fee	50,908	
Shareholder communications	62,472	
Auditing fees	66,529	
Legal fees	6,296	
Miscellaneous	24,945	
Total expenses		$2,725,800
Fees paid indirectly	(365)	
Reduction of expenses by investment adviser	(1,472)	
Net expenses		$2,723,963
Net investment income		$23,913,403
Realized and unrealized gain (loss) on investments and foreign currency transactions		
Realized gain (loss) (identified cost basis)		
Investment transactions	$5,082,837	
Futures contracts	(465,589)	
Foreign currency transactions	53,752	
Net realized gain (loss) on investments and foreign currency transactions		$4,671,000
Change in unrealized appreciation (depreciation)		
Investments	$(14,502,185)	
Futures contracts	(99,717)	
Translation of assets and liabilities in foreign currencies	154,777	
Net unrealized gain (loss) on investments and foreign currency translation		$(14,447,125)
Net realized and unrealized gain (loss) on investments and foreign currency		$(9,776,125)
Change in net assets from operations		$14,137,278

See Notes to Financial Statements

FINANCIAL STATEMENTS | STATEMENTS OF CHANGES IN NET ASSETS

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

For years ended 12/31	2011	2010
Change in net assets		
From operations		
Net investment income	$23,913,403	$27,654,465
Net realized gain (loss) on investments and foreign currency transactions	4,671,000	11,817,825
Net unrealized gain (loss) on investments and foreign currency translation	(14,447,125)	10,091,693
Change in net assets from operations	$14,137,278	$49,563,983
Distributions declared to shareholders		
From net investment income	$(28,856,819)	$(27,232,133)
Change in net assets from fund share transactions	$(44,715,689)	$6,115,633
Total change in net assets	$(59,435,230)	$28,447,483
Net assets		
At beginning of period	379,844,310	351,396,827
At end of period (including undistributed net investment income of $24,740,863 and $28,411,204, respectively)	$320,409,080	$379,844,310

See Notes to Financial Statements

The financial highlights table is intended to help you understand the fund's financial performance for the past 5 years. Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

Initial Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$8.78	$8.25	$6.25	$9.52	$10.04
Income (loss) from investment operations					
Net investment income (d)	$0.61	$0.63	$0.63	$0.71	$0.71
Net realized and unrealized gain (loss) on investments and foreign currency	(0.28)	0.53	1.98	(3.18)	(0.52)
Total from investment operations	$0.33	$1.16	$2.61	$(2.47)	$0.19
Less distributions declared to shareholders					
From net investment income	$(0.82)	$(0.63)	$(0.61)	$(0.80)	$(0.71)
Net asset value, end of period (x)	$8.29	$8.78	$8.25	$6.25	$9.52
Total return (%) (k)(r)(s)(x)	4.10	14.73	45.08	(28.26)	1.77
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.79	0.80	0.81	0.87	0.88
Expenses after expense reductions (f)	0.79	0.80	0.81	0.82	0.83
Net investment income	7.01	7.55	8.89	8.66	7.21
Portfolio turnover	59	70	52	60	73
Net assets at end of period (000 omitted)	$313,703	$372,412	$344,186	$203,800	$324,081

Service Class	Years ended 12/31				
	2011	2010	2009	2008	2007
Net asset value, beginning of period	$8.74	$8.22	$6.22	$9.47	$9.99
Income (loss) from investment operations					
Net investment income (d)	$0.59	$0.61	$0.62	$0.69	$0.68
Net realized and unrealized gain (loss) on investments and foreign currency	(0.28)	0.53	1.96	(3.17)	(0.52)
Total from investment operations	$0.31	$1.14	$2.58	$(2.48)	$0.16
Less distributions declared to shareholders					
From net investment income	$(0.80)	$(0.62)	$(0.58)	$(0.77)	$(0.68)
Net asset value, end of period (x)	$8.25	$8.74	$8.22	$6.22	$9.47
Total return (%) (k)(r)(s)(x)	3.85	14.40	44.75	(28.43)	1.54
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.04	1.05	1.07	1.12	1.13
Expenses after expense reductions (f)	1.04	1.05	1.06	1.07	1.08
Net investment income	6.77	7.31	8.78	8.40	6.96
Portfolio turnover	59	70	52	60	73
Net assets at end of period (000 omitted)	$6,706	$7,432	$7,210	$6,442	$11,086

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) The total return does not reflect expenses that apply to separate accounts. Inclusion of these charges would reduce the total return figures for all periods shown.

(r) Certain expenses have been reduced without which performance would have been lower.

(s) From time to time the fund may receive proceeds from litigation settlements, without which performance would be lower.

(x) The net asset values per share and total returns have been calculated on net assets which include adjustments made in accordance with U.S. generally accepted accounting principles required at period end for financial reporting purposes.

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

(1) Business and Organization

MFS High Income Series (the fund) is a series of MFS Variable Insurance Trust (the trust). The trust is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The shareholders of each series of the trust are separate accounts of insurance companies, which offer variable annuity and/or life insurance products, and qualified retirement and pension plans.

(2) Significant Accounting Policies

General – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the preparation of these financial statements, management has evaluated subsequent events occurring after the date of the fund's Statement of Assets and Liabilities through the date that the financial statements were issued. The fund invests in high-yield securities rated below investment grade. Investments in high-yield securities involve greater degrees of credit and market risk than investments in higher-rated securities and tend to be more sensitive to economic conditions. The fund invests in foreign securities. Investments in foreign securities are vulnerable to the effects of changes in the relative values of the local currency and the U.S. dollar and to the effects of changes in each country's legal, political, and economic environment.

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-11, Balance Sheet (Topic 210) – Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). Effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods, ASU 2011-11 is intended to enhance disclosure requirements on the offsetting of financial assets and liabilities. Although still evaluating the potential impacts of ASU 2011-11 to the fund, management expects that the impact of the fund's adoption will be limited to additional financial statement disclosures.

Investment Valuations – Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as provided by a third-party pricing service. Equity securities, including restricted equity securities, are generally valued at the last sale or official closing price as provided by a third-party pricing service on the market or exchange on which they are primarily traded. Equity securities, for which there were no sales reported that day, are generally valued at the last quoted daily bid quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Equity securities held short, for which there were no sales reported for that day, are generally valued at the last quoted daily ask quotation as provided by a third-party pricing service on the market or exchange on which such securities are primarily traded. Short-term instruments with a maturity at issuance of 60 days or less generally are valued at amortized cost, which approximates market value. Exchange-traded options are generally valued at the last sale or official closing price as provided by a third-party pricing service on the exchange on which such options are primarily traded. Exchange-traded options for which there were no sales reported that day are generally valued at the last daily bid quotation as provided by a third-party pricing service on the exchange on which such options are primarily traded. Options not traded on an exchange are generally valued at a broker/dealer bid quotation. Foreign currency options are generally valued at valuations provided by a third-party pricing service. Futures contracts are generally valued at last posted settlement price as provided by a third-party pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as provided by a third-party pricing service on the market on which such futures contracts are primarily traded. Forward foreign currency exchange contracts are generally valued at the mean of bid and asked prices for the time period interpolated from rates provided by a third-party pricing service for proximate time periods. Open-end investment companies are generally valued at net asset value per share. Securities and other assets generally valued on the basis of information from a third-party pricing service may also be valued at a broker/dealer bid quotation. Values obtained from third-party pricing services can utilize both transaction data and market information such as yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data. The values of foreign securities and other assets and liabilities expressed in foreign currencies are converted to U.S. dollars using the mean of bid and asked prices for rates provided by a third-party pricing service.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value

based on information from third-party pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser generally relies on third-party pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of an investment used to determine the fund's net asset value may differ from quoted or published prices for the same investment. There can be no assurance that the fund could obtain the fair value assigned to an investment if it were to sell the investment at the same time at which the fund determines its net asset value per share.

Various inputs are used in determining the value of the fund's assets or liabilities. These inputs are categorized into three broad levels. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fund's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as forward foreign currency exchange contracts. The following is a summary of the levels used as of December 31, 2011 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$2,676,719	$1,627,919	$288,285	$4,592,923
Corporate Bonds	—	252,469,819	—	252,469,819
Commercial Mortgage-Backed Securities	—	1,169,763	—	1,169,763
Asset-Backed Securities (including CDOs)	—	748,201	—	748,201
Foreign Bonds	—	40,591,335	—	40,591,335
Floating Rate Loans	—	2,073,062	—	2,073,062
Mutual Funds	10,895,508	—	—	10,895,508
Total Investments	$13,572,227	$298,680,099	$288,285	$312,540,611
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$135,113	$—	$135,113

For further information regarding security characteristics, see the Portfolio of Investments.

The following is a reconciliation of level 3 assets for which significant unobservable inputs were used to determine fair value. The fund's policy is to recognize transfers between the levels as of the end of the period. The table presents the activity of level 3 securities held at the beginning and the end of the period.

	Equity Securities	Asset-Backed Securities	Corporate Bonds	Total
Balance as of 12/31/10	$0	$321,294	$96,132	$417,426
Realized gain (loss)	0	(544,624)	(319,686)	(864,310)
Change in unrealized appreciation (depreciation)	0	392,580	300,195	692,775
Sales	0	(169,250)	0	(169,250)
Transfers into level 3	288,285	—	—	288,285
Transfers out of level 3	—	—	(76,641)	(76,641)
Balance as of 12/31/11	$288,285	$—	$—	$288,285

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2011 is $0.

Foreign Currency Translation – Purchases and sales of foreign investments, income, and expenses are converted into U.S. dollars based upon currency exchange rates prevailing on the respective dates of such transactions or on the reporting date for foreign denominated receivables and payables. Gains and losses attributable to foreign currency exchange rates on sales of securities are recorded for financial statement purposes as net realized gains and losses on investments. Gains and losses

attributable to foreign exchange rate movements on receivables, payables, income and expenses are recorded for financial statement purposes as foreign currency transaction gains and losses. That portion of both realized and unrealized gains and losses on investments that results from fluctuations in foreign currency exchange rates is not separately disclosed.

Derivatives – The fund uses derivatives for different purposes, primarily to increase or decrease exposure to a particular market or segment of the market, or security, to increase or decrease interest rate or currency exposure, or as alternatives to direct investments. Derivatives are used for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to increase market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost.

The derivative instruments used by the fund were purchased options, futures contracts, and forward foreign currency exchange contracts. The fund's period end derivatives, as presented in the Portfolio of Investments and the associated Derivative Contract Tables, generally are indicative of the volume of its derivative activity during the period.

The following table presents, by major type of derivative contract, the fair value, on a gross basis, of the asset and liability components of derivatives held by the fund at December 31, 2011 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$166,448	$(31,335)
Equity	Purchased Equity Options	31,720	—
Total		$198,168	$(31,335)

(a) The value of purchased options outstanding is included in total investments, at value, within the fund's Statement of Assets and Liabilities.

The following table presents, by major type of derivative contract, the realized gain (loss) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	**Futures Contracts**	**Foreign Currency Transactions**	**Investment Transactions (Purchased Options)**
Interest Rate	$(465,589)	$—	$—
Foreign Exchange	—	58,762	—
Equity	—	—	357,910
Total	$(465,589)	$58,762	$357,910

The following table presents, by major type of derivative contract, the change in unrealized appreciation (depreciation) on derivatives held by the fund for the year ended December 31, 2011 as reported in the Statement of Operations:

Risk	**Futures Contracts**	**Translation of Assets and Liabilities in Foreign Currencies**	**Investments (Purchased Options)**
Interest Rate	$(99,717)	$—	$—
Foreign Exchange	—	156,699	—
Equity	—	—	(338,645)
Total	$(99,717)	$156,699	$(338,645)

Derivative counterparty credit risk is managed through formal evaluation of the creditworthiness of all potential counterparties. On certain over-the-counter derivatives, the fund attempts to reduce its exposure to counterparty credit risk whenever possible by entering into an International Swaps and Derivatives Association (ISDA) Master Agreement on a bilateral basis with each of the counterparties with whom it undertakes a significant volume of transactions. The ISDA Master Agreement gives each party to the agreement the right to terminate all transactions traded under such agreement if there is a certain deterioration in the credit quality of the other party. The ISDA Master Agreement gives the fund the right, upon an event of default by the applicable counterparty or a termination of the agreement, to close out all transactions traded under such agreement and to net amounts owed under each transaction to one net amount payable by one party to the other. This right to close out and net payments across all transactions traded under the ISDA Master Agreement could result in a reduction of the fund's credit risk to such counterparty equal to any amounts payable by the fund under the applicable transactions, if any. However, absent an event of default by the counterparty or a termination of the agreement, the ISDA Master Agreement does not result in an offset of reported amounts of assets and liabilities in the Statement of Assets and Liabilities across transactions between the fund and the applicable counterparty.

Collateral requirements differ by type of derivative. Collateral or margin requirements are set by the broker or exchange clearing house for exchange traded derivatives (i.e., futures and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swaps and over-the-counter options). For derivatives traded under an ISDA Master Agreement, the collateral requirements are netted across all transactions traded under such agreement and one amount is posted from one party to the other to collateralize such obligations. Cash collateral that has been pledged to cover obligations of the fund under derivative contracts, if any, will be reported separately on the Statement of Assets and Liabilities as restricted cash. Securities collateral pledged for the same purpose, if any, is noted in the Portfolio of Investments.

Purchased Options – The fund purchased call and put options for a premium. Purchased call and put options entitle the holder to buy and sell a specified number of shares or units of a particular security, currency or index at a specified price at a specified date or within a specified period of time. Purchasing call options may be used to hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or to increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against a decline in the value of portfolio securities or currency.

The premium paid is initially recorded as an investment in the Statement of Assets and Liabilities. That investment is subsequently marked-to-market daily with the difference between the premium paid and the market value of the purchased option being recorded as unrealized appreciation or depreciation. Premiums paid for purchased call and put options which have expired are treated as realized losses on investments in the Statement of Operations. Upon the exercise or closing of a purchased call option, the premium paid is added to the cost of the security or financial instrument. Upon the exercise or closing of a purchased put option, the premium paid is offset against the proceeds on the sale of the underlying security or financial instrument in order to determine the realized gain or loss on investments.

The risk in purchasing an option is that the fund pays a premium whether or not the option is exercised. The fund's maximum risk of loss due to counterparty credit risk is limited to the market value of the option. For over-the-counter options, this risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Futures Contracts – The fund entered into futures contracts which may be used to hedge against or obtain broad market, interest rate, duration, or currency exposure. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the fund is required to deposit with the broker, either in cash or securities, an initial margin in an amount equal to a certain percentage of the notional amount of the contract. Subsequent payments (variation margin) are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gain or loss by the fund until the contract is closed or expires at which point the gain or loss on futures is realized.

The fund bears the risk of interest rates, exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss. While futures may present less counterparty risk to the fund since the contracts are exchange traded and the exchange's clearinghouse guarantees payments to the broker, there is still counterparty credit risk due to the insolvency of the broker. The fund's maximum risk of loss due to counterparty credit risk is equal to the margin posted by the fund to the broker plus any gains or minus any losses on the outstanding futures contracts.

Forward Foreign Currency Exchange Contracts – The fund entered into forward foreign currency exchange contracts for the purchase or sale of a specific foreign currency at a fixed price on a future date. These contracts may be used to hedge the fund's currency risk or for non-hedging purposes. For hedging purposes, the fund may enter into contracts to deliver or receive foreign currency that the fund will receive from or use in its normal investment activities. The fund may also use contracts to hedge against declines in the value of foreign currency denominated securities due to unfavorable exchange rate movements. For non-hedging purposes, the fund may enter into contracts with the intent of changing the relative exposure of the fund's portfolio of securities to different currencies to take advantage of anticipated exchange rate changes.

Forward foreign currency exchange contracts are adjusted by the daily exchange rate of the underlying currency and any unrealized gains or losses are recorded as a receivable or payable for forward foreign currency exchange contracts until the contract settlement date. On contract settlement date, any gain or loss on the contract is recorded as realized gains or losses on foreign currency transactions.

Notes to Financial Statements – continued

Risks may arise upon entering into these contracts from unanticipated movements in the value of the contract and from the potential inability of counterparties to meet the terms of their contracts. Generally, the fund's maximum risk due to counterparty credit risk is the unrealized gain on the contract due to the use of Continuous Linked Settlement, an industry accepted settlement system. This risk is mitigated in cases where there is an ISDA Master Agreement between the fund and the counterparty providing for netting as described above and for posting of collateral by the counterparty to the fund to cover the fund's exposure to the counterparty under such ISDA Master Agreement.

Loans and Other Direct Debt Instruments – The fund invests in loans and loan participations or other receivables. These investments may include standby financing commitments, including revolving credit facilities, which obligate the fund to supply additional cash to the borrower on demand. Loan participations involve a risk of insolvency of the lending bank or other financial intermediary.

Indemnifications – Under the fund's organizational documents, its officers and Trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income – Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles. The fund earns certain fees in connection with its floating rate loan purchasing activities. These fees are in addition to interest payments earned and may include amendment fees, commitment fees, facility fees, consent fees, and prepayment fees. Commitment fees are recorded on an accrual basis as income in the accompanying financial statements. Dividends received in cash are recorded on the ex-dividend date. Certain dividends from foreign securities will be recorded when the fund is informed of the dividend if such information is obtained subsequent to the ex-dividend date. Dividend and interest payments received in additional securities are recorded on the ex-dividend or ex-interest date in an amount equal to the value of the security on such date. Debt obligations may be placed on non-accrual status or set to accrue at a rate of interest less than the contractual coupon when the collection of all or a portion of interest has become doubtful. Interest income for those debt obligations may be further reduced by the write-off of the related interest receivables when deemed uncollectible.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

Fees Paid Indirectly – The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the year ended December 31, 2011, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions – The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable income, including realized capital gains. As a result, no provision for federal income tax is required. The fund's federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service. Foreign taxes have been accrued by the fund in the accompanying financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities and wash sale loss deferrals.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/11	12/31/10
Ordinary income (including any short-term capital gains)	$28,856,819	$27,232,133

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/11	
Cost of investments	$322,455,378
Gross appreciation	7,818,295
Gross depreciation	(17,733,062)
Net unrealized appreciation (depreciation)	$(9,914,767)
Undistributed ordinary income	25,018,410
Capital loss carryforwards	(27,951,482)
Other temporary differences	(12,385)

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized after December 31, 2010 may be carried forward indefinitely, and their character is retained as short-term and/or long-term losses. Previously, net capital losses were carried forward for eight years and treated as short-term losses. As a transition rule, the Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

As of December 31, 2011, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(20,426,634)
12/31/17	(7,524,848)
Total	$(27,951,482)

Multiple Classes of Shares of Beneficial Interest – The fund offers multiple classes of shares, which differ in their respective distribution and/or service fees. The fund's income, realized and unrealized gain (loss), and common expenses are allocated to shareholders based on the daily net assets of each class. Dividends are declared separately for each class. Differences in per share dividend rates are generally due to differences in separate class expenses. The fund's distributions declared to shareholders as reported on the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/11	Year ended 12/31/10
Initial Class	$28,197,014	$26,701,187
Service Class	659,805	530,946
Total	$28,856,819	$27,232,133

(3) Transactions with Affiliates

Investment Adviser – The fund has an investment advisory agreement with MFS to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at the following annual rates:

First $1 billion of average daily net assets	0.70%
Average daily net assets in excess of $1 billion	0.65%

The management fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.70% of the fund's average daily net assets.

The investment adviser has agreed in writing to pay a portion of the fund's total annual operating expenses, exclusive of interest, taxes, extraordinary expenses, brokerage and transaction costs and investment-related expenses, such that total annual operating expenses do not exceed 0.85% of average daily net assets for the Initial Class shares and 1.10% of average daily net assets for the Service Class shares. This written agreement will continue until modified by the fund's Board of Trustees, but such agreement will continue at least until April 30, 2013. For the year ended December 31, 2011, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses related to this agreement.

Distributor – MFS Fund Distributors, Inc. (MFD), a wholly-owned subsidiary of MFS, is the distributor of shares of the fund. The Trustees have adopted a distribution plan for the Service Class shares pursuant to Rule 12b-1 under the Investment Company Act of 1940.

The fund's distribution plan provides that the fund will pay MFD distribution and/or service fees equal to 0.25% per annum of its average daily net assets attributable to Service Class shares as partial consideration for services performed and

expenses incurred by MFD and financial intermediaries (including participating insurance companies that invest in the fund to fund variable annuity and variable life insurance contracts, sponsors of qualified retirement and pension plans that invest in the fund, and affiliates of these participating insurance companies and plan sponsors) in connection with the sale and distribution of the Service Class shares. MFD may subsequently pay all, or a portion, of the distribution and/or service fees to financial intermediaries.

Shareholder Servicing Agent – MFS Service Center, Inc. (MFSC), a wholly-owned subsidiary of MFS, receives a fee from the fund for its services as shareholder servicing agent. For the year ended December 31, 2011, the fee was $36,982, which equated to 0.0108% annually of the fund's average daily net assets. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the year ended December 31, 2011, these costs amounted to $400.

Administrator – MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged an annual fixed amount of $17,500 plus a fee based on average daily net assets. The administrative services fee incurred for the year ended December 31, 2011 was equivalent to an annual effective rate of 0.0175% of the fund's average daily net assets.

Trustees' and Officers' Compensation – The fund pays compensation to independent Trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to Trustees or officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and Trustees of the fund are officers or directors of MFS, MFD, and MFSC.

Other – This fund and certain other funds managed by MFS (the funds) have entered into services agreements (the Agreements) which provide for payment of fees by the funds to Tarantino LLC and Griffin Compliance LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) and Assistant ICCO, respectively, for the funds. The ICCO and Assistant ICCO are officers of the funds and the sole members of Tarantino LLC and Griffin Compliance LLC, respectively. The funds can terminate the Agreements with Tarantino LLC and Griffin Compliance LLC at any time under the terms of the Agreements. For the year ended December 31, 2011, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $3,035 and are included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund in the amount of $1,472, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO and Assistant ICCO.

The fund invests in the MFS Institutional Money Market Portfolio which is managed by MFS and seeks a high level of current income consistent with preservation of capital and liquidity. Income earned on this investment is included in dividends from underlying affiliated funds on the Statement of Operations. This money market fund does not pay a management fee to MFS.

(4) Portfolio Securities

Purchases and sales of investments, other than purchased option transactions, and short-term obligations, were as follows:

	Purchases	Sales
U.S. Government securities	$1,039,776	$1,117,670
Investments (non-U.S. Government securities)	$193,628,729	$248,044,490

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. Transactions in fund shares were as follows:

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	7,341,306	$62,780,029	10,058,256	$84,434,070
Service Class	108,386	967,172	115,409	973,135
	7,449,692	$63,747,201	10,173,665	$85,407,205
Shares issued to shareholders in reinvestment of distributions				
Initial Class	3,507,091	$28,197,014	3,284,279	$26,701,187
Service Class	82,373	659,805	65,468	530,946
	3,589,464	$28,856,819	3,349,747	$27,232,133

	Year ended 12/31/11		Year ended 12/31/10	
	Shares	Amount	Shares	Amount
Shares reacquired				
Initial Class	(15,422,605)	$(135,365,132)	(12,619,148)	$(104,808,671)
Service Class	(228,069)	(1,954,577)	(207,525)	(1,715,034)
	(15,650,674)	$(137,319,709)	(12,826,673)	$(106,523,705)
Net change				
Initial Class	(4,574,209)	$(44,388,089)	723,387	$6,326,586
Service Class	(37,309)	(327,600)	(26,648)	(210,953)
	(4,611,518)	$(44,715,689)	696,739	$6,115,633

(6) Line of Credit

The fund and certain other funds managed by MFS participate in a $1.1 billion unsecured committed line of credit, subject to a $1 billion sublimit, provided by a syndication of banks under a credit agreement. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the higher of the Federal Reserve funds rate or one month LIBOR plus an agreed upon spread. A commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. In addition, the fund and other funds managed by MFS have established unsecured uncommitted borrowing arrangements with certain banks for temporary financing needs. Interest is charged to each fund, based on its borrowings, at a rate equal to the Federal Reserve funds rate plus an agreed upon spread. For the year ended December 31, 2011, the fund's commitment fee and interest expense were $2,651 and $0, respectively, and are included in miscellaneous expense on the Statement of Operations.

(7) Transactions in Underlying Affiliated Funds – Affiliated Issuers

An affiliated issuer may be considered one in which the fund owns 5% or more of the outstanding voting securities, or a company which is under common control. For the purposes of this report, the fund assumes the following to be affiliated issuers:

Underlying Affiliated Funds	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	5,221,763	137,599,445	(131,925,700)	10,895,508

Underlying Affiliated Funds	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$9,793	$10,895,508

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of MFS Variable Insurance Trust and the Shareholders of
MFS High Income Series:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of MFS High Income Series (the "Fund") (one of the series comprising MFS Variable Insurance Trust) as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of MFS High Income Series as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
February 15, 2012

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2012, are listed below, together with their principal occupations during the past five years. (Their titles may have varied during that period.) The address of each Trustee and officer is 500 Boylston Street, Boston, Massachusetts 02116.

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
INTERESTED TRUSTEES				
Robert J. Manning [k] (age 48)	Trustee	February 2004	Massachusetts Financial Services Company, Chairman, Chief Executive Officer and Director; President (until December 2009); Chief Investment Officer (until July 2010)	N/A
INDEPENDENT TRUSTEES				
David H. Gunning (age 69)	Trustee and Chair of Trustees	January 2004	Retired; Cleveland-Cliffs Inc. (mining products and service provider), Vice Chairman/Director (until May 2007)	Lincoln Electric Holdings, Inc. (welding equipment manufacturer), Director; Development Alternatives, Inc. (consulting), Director/Non-Executive Chairman; Portman Limited (mining), Director (until 2008)
Robert E. Butler (age 70)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 56)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 70)	Trustee	December 1993	Private investor and real estate consultant; Capitol Entertainment Management Company (video franchise), Vice Chairman	Atlantic Coast Tan (tanning salons), Vice Chairman (until 2007); Texas Donuts (donut franchise), Vice Chairman (until 2010)
Michael Hegarty (age 67)	Trustee	December 2004	Private investor	N/A
John P. Kavanaugh (age 57)	Trustee	January 2009	Private investor; The Hanover Insurance Group, Inc., Vice President and Chief Investment Officer (until 2006); Allmerica Investment Trust, Allmerica Securities Trust and Opus Investment Trust (investment companies), Chairman, President and Trustee (until 2006)	N/A
J. Dale Sherratt (age 73)	Trustee	June 1989	Insight Resources, Inc. (acquisition planning specialists), President; Wellfleet Investments (investor in health care companies), Managing General Partner	N/A
Laurie J. Thomsen (age 54)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (property and casualty insurance), Director
Robert W. Uek (age 70)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 46)	President	October 2008	Massachusetts Financial Services Company, Senior Vice President (since October 2008); State Street Bank and Trust (financial services provider), Senior Vice President, (until September 2008)	N/A
Christopher R. Bohane [k] (age 38)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 43)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Assistant Vice President	N/A

Trustees and Officers – continued

Name, Age	Position(s) Held with Fund	Trustee/Officer Since [h]	Principal Occupations During the Past Five Years	Other Directorships [j]
Ethan D. Corey [k] (age 48)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
David L. DiLorenzo [k] (age 43)	Treasurer	July 2005	Massachusetts Financial Services Company, Vice President	N/A
Robyn L. Griffin (age 36)	Assistant Independent Chief Compliance Officer	August 2008	Griffin Compliance LLC (provider of compliance services), Principal (since August 2008); State Street Corporation (financial services provider), Mutual Fund Administration Assistant Vice President (October 2006 – July 2008); Liberty Mutual Group (insurance), Personal Market Assistant Controller (April 2006 – October 2006); Deloitte & Touche LLP (professional services firm).	N/A
Brian E. Langenfeld [k] (age 38)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Ellen Moynihan [k] (age 54)	Assistant Treasurer	April 1997	Massachusetts Financial Services Company, Senior Vice President	N/A
Susan S. Newton [k] (age 61)	Assistant Secretary and Assistant Clerk	May 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
Susan A. Pereira [k] (age 41)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Mark N. Polebaum [k] (age 59)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 67)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 41)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Vice President and Assistant General Counsel	N/A
James O. Yost [k] (age 51)	Deputy Treasurer	September 1990	Massachusetts Financial Services Company, Senior Vice President	N/A

(h) Date first appointed to serve as Trustee/officer of an MFS fund. Each Trustee has served continuously since appointment unless indicated otherwise. For the period from December 15, 2004 until February 22, 2005, Mr. Manning served as Advisory Trustee. For the period October 2008, until January 2012, Mr. Corcoran served as Treasurer of the Funds. Prior to January 2012, Messrs. DiLorenzo and Yost served as Assistant Treasurers of the Funds.

(j) Directorships or trusteeships of companies required to report to the Securities and Exchange Commission (i.e., "public companies").

(k) "Interested person" of the Trust within the meaning of the Investment Company Act of 1940 (referred to as the 1940 Act), which is the principal federal law governing investment companies like the fund, as a result of position with MFS. The address of MFS is 500 Boylston Street, Boston, Massachusetts 02116.

Each Trustee has been elected by shareholders and each Trustee and officer holds office until his or her successor is chosen and qualified or until his or her earlier death, resignation, retirement or removal. The Trust does not hold annual meetings for the purpose of electing Trustees, and Trustees are not elected for fixed terms. Messrs. Butler, Kavanaugh, Uek and Ms. Thomsen are members of the Trust's Audit Committee.

Each of the Fund's Trustees and officers holds comparable positions with certain other funds of which MFS or a subsidiary is the investment adviser or distributor, and, in the case of the officers, with certain affiliates of MFS. As of January 1, 2012, the Trustees served as board members of 131 funds within the MFS Family of Funds.

Trustees and Officers – continued

The Statement of Additional Information for the Fund includes further information about the Trustees and is available without charge upon request by calling 1-800-225-2606.

Investment Adviser
Massachusetts Financial Services Company
500 Boylston Street, Boston, MA 02116-3741

Distributor
MFS Fund Distributors, Inc.
500 Boylston Street, Boston, MA 02116-3741

Portfolio Managers
William Adams
David Cole

Custodian
State Street Bank and Trust
1 Lincoln Street, Boston, MA 02111-2900

Independent Registered Public Accounting Firm
Deloitte & Touche LLP
200 Berkeley Street, Boston, MA 02116

BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

The Investment Company Act of 1940 requires that both the full Board of Trustees and a majority of the non-interested ("independent") Trustees, voting separately, annually approve the continuation of the Fund's investment advisory agreement with MFS. The Trustees consider matters bearing on the Fund and its advisory arrangements at their meetings throughout the year, including a review of performance data at each regular meeting. In addition, the independent Trustees met several times over the course of three months beginning in May and ending in July, 2011 ("contract review meetings") for the specific purpose of considering whether to approve the continuation of the investment advisory agreement for the Fund and the other investment companies that the Board oversees (the "MFS Funds"). The independent Trustees were assisted in their evaluation of the Fund's investment advisory agreement by independent legal counsel, from whom they received separate legal advice and with whom they met separately from MFS during various contract review meetings. The independent Trustees were also assisted in this process by the MFS Funds' Independent Chief Compliance Officer, a full-time senior officer appointed by and reporting to the independent Trustees.

In connection with their deliberations regarding the continuation of the investment advisory agreement, the Trustees, including the independent Trustees, considered such information and factors as they believed, in light of the legal advice furnished to them and their own business judgment, to be relevant. The investment advisory agreement for the Fund was considered separately, although the Trustees also took into account the common interests of all MFS Funds in their review. As described below, the Trustees considered the nature, quality, and extent of the various investment advisory, administrative, and shareholder services performed by MFS under the existing investment advisory agreement and other arrangements with the Fund.

In connection with their contract review meetings, the Trustees received and relied upon materials that included, among other items: (i) information provided by Lipper Inc., an independent third party, on the investment performance of the Fund for various time periods ended December 31, 2010 and the investment performance of a group of funds with substantially similar investment classifications/objectives (the "Lipper performance universe"), (ii) information provided by Lipper Inc. on the Fund's advisory fees and other expenses and the advisory fees and other expenses of comparable funds identified by Lipper Inc. (the "Lipper expense group"), (iii) information provided by MFS on the advisory fees of comparable portfolios of other clients of MFS, including institutional separate accounts and other clients, (iv) information as to whether and to what extent applicable expense waivers, reimbursements or fee "breakpoints" are observed for the Fund, (v) information regarding MFS' financial results and financial condition, including MFS' and certain of its affiliates' estimated profitability from services performed for the Fund and the MFS Funds as a whole, and compared to MFS' institutional business, (vi) MFS' views regarding the outlook for the mutual fund industry and the strategic business plans of MFS, (vii) descriptions of various functions performed by MFS for the Funds, such as compliance monitoring and portfolio trading practices, and (viii) information regarding the overall organization of MFS, including information about MFS' senior management and other personnel providing investment advisory, administrative and other services to the Fund and the other MFS Funds. The comparative performance, fee and expense information prepared and provided by Lipper Inc. was not independently verified and the independent Trustees did not independently verify any information provided to them by MFS.

The Trustees' conclusion as to the continuation of the investment advisory agreement was based on a comprehensive consideration of all information provided to the Trustees and not the result of any single factor. Some of the factors that figured particularly in the Trustees' deliberations are described below, although individual Trustees may have evaluated the information presented differently from one another, giving different weights to various factors. It is also important to recognize that the fee arrangements for the Fund and other MFS Funds are the result of years of review and discussion between the independent Trustees and MFS, that certain aspects of such arrangements may receive greater scrutiny in some years than in others, and that the Trustees' conclusions may be based, in part, on their consideration of these same arrangements during the course of the year and in prior years.

Based on information provided by Lipper Inc., the Trustees reviewed the Fund's total return investment performance as well as the performance of peer groups of funds over various time periods. The Trustees placed particular emphasis on the total return performance of the Fund's Initial Class shares in comparison to the performance of funds in its Lipper performance universe over the three-year period ended December 31, 2010, which the Trustees believed was a long enough period to reflect differing market conditions. The total return performance of the Fund's Initial Class was in the 4th quintile relative to the other funds in the universe for this three-year period (the 1st quintile being the best performers and the 5th quintile being the worst performers). The total return performance of the Fund's Initial Class shares was in the 2nd quintile for the one-year period and the 4th quintile for the five-year period ended December 31, 2010 relative to the Lipper performance universe. Because of the passage of time, these performance results are likely to differ from the performance results for more recent periods, including those shown elsewhere in this report.

Board Review of Investment Advisory Agreement – continued

The Trustees expressed continued concern to MFS about the substandard investment performance of the Fund. In the course of their deliberations, the Trustees took into account information provided by MFS in connection with the contract review meetings, as well as during investment review meetings conducted with portfolio management personnel during the course of the year, as to MFS' efforts to improve the Fund's performance, including the replacement of the senior portfolio manager in 2008 and MFS' efforts to strengthen its research process for this Fund and other high yield Funds. In addition, the Trustees requested that they receive a separate update on the Fund's performance at each of their regular meetings. After reviewing these and related factors, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that MFS' responses and efforts and plans to improve investment performance were sufficient to support approval of the continuance of the investment advisory agreement for an additional one-year period, but that they would continue to closely monitor the performance of the Fund.

In assessing the reasonableness of the Fund's advisory fee, the Trustees considered, among other information, the Fund's advisory fee and the total expense ratio of the Fund's Initial Class shares as a percentage of average daily net assets and the advisory fee and total expense ratios of peer groups of funds based on information provided by Lipper Inc. The Trustees considered that MFS currently observes an expense limitation for the Fund, which may not be changed without the Trustees' approval. The Trustees also considered that, according to the Lipper data (which takes into account any fee reductions or expense limitations that were in effect during the Fund's last fiscal year), the Fund's effective advisory fee rate and total expense ratio were each higher than the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts. In comparing these fees, the Trustees considered information provided by MFS as to the generally broader scope of services provided by MFS to the Fund in comparison to institutional accounts, the higher demands placed on MFS' investment personnel and trading infrastructure as a result of the daily cash in-flows and out-flows of the Fund, and the impact on MFS and expenses associated with the more extensive regulatory regime to which the Fund is subject in comparison to institutional accounts.

The Trustees also considered whether the Fund is likely to benefit from any economies of scale in the management of the Fund in the event of growth in assets of the Fund. They noted that the Fund's advisory fee rate schedule is subject to a contractual breakpoint that reduces the Fund's advisory fee rate on average daily net assets over $1 billion. The Trustees concluded that the existing breakpoint was sufficient to allow the Fund to benefit from economies of scale as its assets grow.

The Trustees also considered information prepared by MFS relating to MFS' costs and profits with respect to the Fund, the MFS Funds considered as a group, and other investment companies and accounts advised by MFS, as well as MFS' methodologies used to determine and allocate its costs to the MFS Funds, the Fund and other accounts and products for purposes of estimating profitability.

After reviewing these and other factors described herein, the Trustees concluded, within the context of their overall conclusions regarding the investment advisory agreement, that the advisory fees charged to the Fund represent reasonable compensation in light of the services being provided by MFS to the Fund.

In addition, the Trustees considered MFS' resources and related efforts to continue to retain, attract and motivate capable personnel to serve the Fund. The Trustees also considered current and developing conditions in the financial services industry, including the presence of large and well-capitalized companies which are spending, and appear to be prepared to continue to spend, substantial sums to engage personnel and to provide services to competing investment companies. In this regard, the Trustees also considered the financial resources of MFS and its ultimate parent, Sun Life Financial Inc. The Trustees also considered the advantages and possible disadvantages to the Fund of having an adviser that also serves other investment companies as well as other accounts.

The Trustees also considered the nature, quality, cost, and extent of administrative, transfer agency, and distribution services provided to the Fund by MFS and its affiliates under agreements and plans other than the investment advisory agreement, including any 12b-1 fees the Fund pays to MFS Fund Distributors, Inc., an affiliate of MFS. The Trustees also considered the nature, extent and quality of certain other services MFS performs or arranges for on the Fund's behalf, which may include securities lending programs, directed expense payment programs, class action recovery programs, and MFS' interaction with third-party service providers, principally custodians and sub-custodians. The Trustees concluded that the various non-advisory services provided by MFS and its affiliates on behalf of the Fund were satisfactory.

The Trustees also considered benefits to MFS from the use of the Fund's portfolio brokerage commissions, if applicable, to pay for investment research and various other factors. Additionally, the Trustees considered so-called "fall-out benefits" to MFS such as reputational value derived from serving as investment manager to the Fund.

Board Review of Investment Advisory Agreement – continued

Based on their evaluation of factors that they deemed to be material, including those factors described above, the Board of Trustees, including a majority of the independent Trustees, concluded that the Fund's investment advisory agreement with MFS should be continued for an additional one-year period, commencing August 1, 2011.

A discussion regarding the Board's most recent review and renewal of the fund's Investment Advisory Agreement with MFS is available by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of the MFS Web site *(mfs.com)*.

MFS High Income Series

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

Information regarding how the fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 is available without charge by visiting the Proxy Voting section of *mfs.com* or by visiting the SEC's Web site at *http://www.sec.gov*.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at *http://www.sec.gov* and may be reviewed and copied at the:

Public Reference Room
Securities and Exchange Commission
100 F Street, NE, Room 1580
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. Copies of the fund's Form N-Q also may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

FURTHER INFORMATION

From time to time, MFS may post important information about the fund or the MFS funds on the MFS web site *(mfs.com)*. This information is available by visiting the "News & Commentary" section of *mfs.com* or by clicking on the fund's name under "Variable Insurance Portfolios — VIT" in the "Products and Performance" section of *mfs.com*.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS® INVESTMENT MANAGEMENT

Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

What?	The types of personal information we collect and share depend on the product or service you have with us. This information can include: • Social Security number and account balances • Account transactions and transaction history • Checking account information and wire transfer instructions When you are *no longer* our customer, we continue to share your information as described in this notice.

How?	All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MFS chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does MFS share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes – to offer our products and services to you	No	We don't share
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes – information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes – information about your creditworthiness	No	We don't share
For nonaffiliates to market to you	No	We don't share

Questions?	Call **800-225-2606** or go to **mfs.com**.

Who we are

Who is providing this notice?	MFS Funds, MFS Investment Management, MFS Institutional Advisors, Inc., MFS Fund Distributors, Inc., MFS Heritage Trust Company, and MFS Service Center, Inc.

What we do

How does MFS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include procedural, electronic, and physical safeguards for the protection of the personal information we collect about you.
How does MFS collect my personal information?	We collect your personal information, for example, when you • open an account or provide account information • direct us to buy securities or direct us to sell your securities • make a wire transfer We also collect your personal information from others, such as credit bureaus, affiliates and other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only • sharing for affiliates' everyday business purposes – information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Definitions

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share personal information with affiliates, except for everyday business purposes as described on page one of this notice.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. • *MFS does not share with nonaffiliates so they can market to you.*
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. • *MFS doesn't jointly market.*

Other important information

If you own an MFS product or receive an MFS service in the name of a third party such as a bank or broker-dealer, their privacy policy may apply to you instead of ours.

M F S
INVESTMENT MANAGEMENT

Liberty Life Assurance Company of Boston
100 Liberty Way
Dover, NH 03820