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

Annual Report
December 31, 2012

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 Van Kampen V.I. American Franchise Fund

Annual Report to Shareholders ■ December 31, 2012

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, 2012, 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 US 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.
VK-VIAMFR-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, 2012, Invesco Van Kampen V.I. American Franchise Fund had positive returns but underperformed the Fund's style-specific benchmark, the Russell 1000 Growth Index.

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

Fund vs. Indexes

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

Series I Shares	13.73%
Series II Shares	13.40
S&P 500 Index▼ (Broad Market Index)	16.00
Russell 1000 Growth Index■ (Style-Specific Index)	15.26
Lipper VUF Large-Cap Growth Funds Index◆ (Peer Group Index)	16.39

Source(s): ▼Invesco, S&P-Dow Jones via FactSet Research Systems Inc.; ■Invesco, Russell via FactSet Research Systems Inc.; ◆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 valuation 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. At the end of this distillation process, we have a set of stocks to analyze in greater depth.

Our fundamental analysis focuses on identifying companies with strong drivers of growth. To accomplish this goal, we conduct comprehensive bottom-up analysis in order 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 utilize 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, as 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 we divide 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 a company's fundamentals.
- The catalysts for growth are no longer present or are reflected in the stock price.
- There is a more attractive investment opportunity.

Market conditions and your Fund

The year 2012 began with improving economic data in the US and a rally in equities that continued almost uninterrupted into the spring. However, the ongoing eurozone sovereign debt crisis intensified in April and May, dominating headlines and creating significant volatility in global equity markets.

This negative news from overseas precipitated a slowdown in the US, where economic data began to decelerate as manufacturing, employment, consumer spending and consumer confidence weakened over the summer. While corporate earnings remained solid until late in the year, financial markets were influenced negatively by these weakening economic data. Fears about the fate of the eurozone began to subside after the European Central Bank announced new measures to support member economies through potentially unlimited purchases of sovereign debt, among other measures. At the same time, continued risk aversion among investors and corporations, along with tepid employment growth, prompted the US Federal Reserve to initiate a third round of quantitative easing and to promise to remain accommodative until the labor market outlook improved materially. Near year end, market psychology turned negative – first, due to uncertainty about the outcome of the presidential election, and then due to the apparent inability of the White House and Congress to reach an agreement on legislation averting the "fiscal cliff" – a variety of tax increases and spending cuts scheduled to take effect in January 2013.

Despite volatility for much of the year, major equity market indexes delivered double-digit gains, and all 10 sectors of the S&P 500 Index had positive returns.[1]

Portfolio Composition

By sector

Information Technology	31.4%
Consumer Discretionary	21.1
Industrials	13.0
Health Care	12.1
Financials	8.5
Energy	6.0
Telecommunication Services	2.2
Materials	2.1
Consumer Staples	1.7
Money Market Funds Plus Other Assets Less Liabilities	1.9

Top 10 Equity Holdings*

1.	Apple Inc.	7.2%
2.	Google Inc.-Class A	3.7
3.	QUALCOMM, Inc.	3.6
4.	DISH Network Corp.-Class A	3.0
5.	General Electric Co.	2.5
6.	Goldman Sachs Group, Inc. (The)	2.5
7.	DIRECTV	2.3
8.	Sprint Nextel Corp.	2.2
9.	Pfizer Inc.	2.2
10.	Weatherford International Ltd.	2.2

Top Five Industries*

1.	Computer Hardware	7.2%
2.	Internet Software and Services	7.1
3.	Cable and Satellite	6.4
4.	Pharmaceuticals	5.8
5.	Oil and Gas Equipment and Services	4.7

Total Net Assets	$720.7 million
Total Number of Holdings*	73

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.

In this environment, the Fund posted solid positive returns but underperformed the Russell 1000 Growth Index, its style-specific benchmark, during the reporting period. The Fund underperformed by the widest margin in the energy sector driven by stock selection. The largest detractor was **Weatherford International**, an oilfield services firm with a strong position in artificial lift, which enables hydraulic fracturing (fracking) wells to produce more oil after their initial output falls off. The stock was pressured during the year due to issues with filing audited financial reports and the uncertain macroeconomic environment. **National Oilwell Varco** and **Occidental Petroleum** were also detractors in the sector.

The Fund also underperformed the style-specific index in the health care sector. The largest detractor was **Allscripts**, which provides clinical, financial, connectivity and information solutions to hospitals and physicians. Allscripts announced dramatically lower business fundamentals and earnings during the reporting period, and a power struggle in the boardroom led to the departure of a number of board members. Amid these events, the stock price was hit dramatically. We sold our position during the reporting period.

Given the strong performance from equity markets and the style-specific index during the reporting period, the Fund's modest cash position detracted from relative performance. Certain stocks in the materials and information technology sectors led the Fund to underperform the index in those sectors as well.

In contrast, the Fund outperformed the Russell 1000 Growth Index in a number of sectors, including consumer discretionary, telecommunication services, industrials and financials. Strong stock selection in the consumer discretionary sector included **Amazon**, **Gap** and Italian fashion company **Prada**. The portfolio also benefited from several satellite and cable providers, who were rewarded by investors for their consistent recurring revenues during a very uncertain economic period. **Comcast**, **DIRECTV** and **DISH Network** were all solid contributors in the consumer discretionary sector.

Likewise, the Fund outperformed its style-specific benchmark in the telecommunication services sector due to strong stock selection. The largest contributor in this sector was **Sprint Nextel**, which was up strongly during the year as management deftly executed several innovative business strategies. The struggles of several lower-end competitors also recently contributed to success for Sprint. The Fund also benefited from positive stock selection in the industrials and financials sectors and from an underweight allocation to the relatively poor performing consumer staples sector.

As we've discussed, the stock market experienced heavy volatility during the last 12 months. We would like to caution investors against making investment decisions based on short-term performance. We thank you for your commitment to Invesco Van Kampen V.I. American Franchise Fund.

1 Source: Lipper Inc.

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.

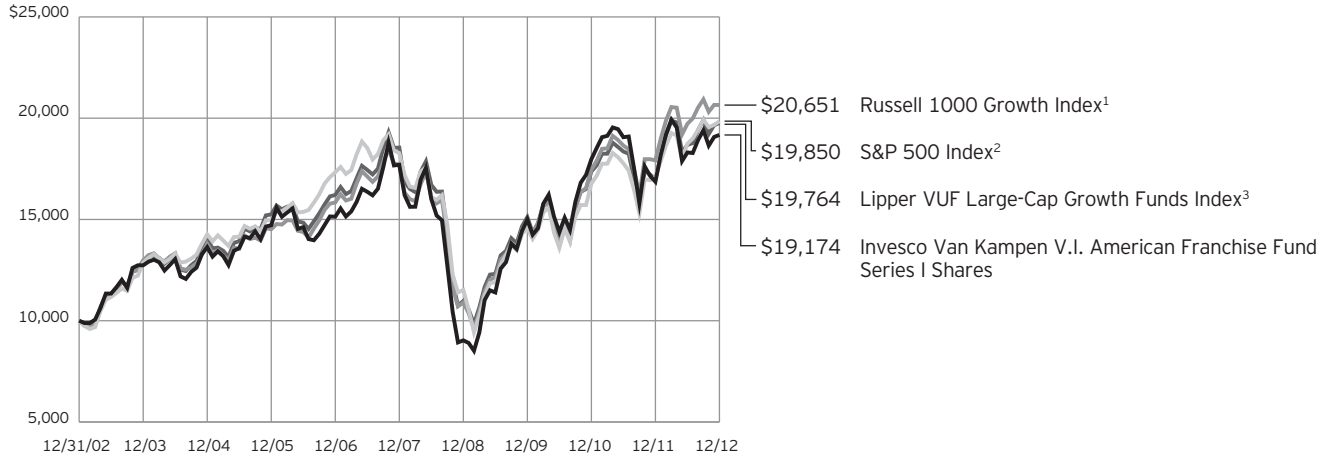
Erik Voss
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco Van Kampen V.I. American Franchise Fund. He joined Invesco in 2010. Mr. Voss earned a BS in mathematics and an MS in finance from the University of Wisconsin.

Ido Cohen
Portfolio manager, is manager of Invesco Van Kampen V.I. American Franchise Fund. He joined Invesco in 2010. Mr. Cohen earned a BS in economics from the Wharton School of the University of Pennsylvania.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/02



1 Source(s): Invesco, Russell via FactSet Research Systems Inc.
2 Source(s): Invesco, S&P-Dow Jones via FactSet Research Systems Inc.
3 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns
As of 12/31/12

Series I Shares	
Inception (7/3/95)	7.74%
10 Years	6.73
5 Years	1.61
1 Year	13.73
Series II Shares	
Inception (9/18/00)	-3.24%
10 Years	6.46
5 Years	1.36
1 Year	13.40

Effective June 1, 2010, Class I and Class II shares of the predecessor fund, Van Kampen Life Investment Trust Capital Growth Portfolio, advised by Van Kampen Asset Management were reorganized into Series I and Series II shares, respectively, of Invesco Van Kampen V.I. Capital Growth Fund. Returns shown above for Series I and Series II shares are blended returns of the predecessor fund and Invesco Van Kampen V.I. Capital Growth Fund (renamed Invesco Van Kampen V.I. American Franchise Fund on April 30, 2012). Share class returns will differ from the predecessor fund because of different 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 0.90% and 1.15%, 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 0.95% and 1.20%, 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 Van Kampen V.I. American Franchise 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, 2014. See current prospectus for more information.

Invesco Van Kampen V.I. American Franchise Fund's investment objective is to seek capital growth.

- Unless otherwise stated, information presented in this report is as of December 31, 2012, 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 and increased tax liability.

Market risk. Market risk is the possibility that the market values of securities owned by the Fund will decline. Market risk may affect a single issuer, industry, sector of the economy or the market as a whole. Investments in common stocks and other equity securities generally are affected by changes in the stock markets, which fluctuate substantially over time, sometimes suddenly and sharply. Different types of stocks tend to shift in and out of favor depending on market and economic conditions. Thus, the value of the Fund's investments will vary and at times may be lower or higher than that of other types of investments.

Growth investing risk. The Fund emphasizes a growth style of investing. Investments in growth-oriented equity securities may have above-average volatility of price movement. The returns on growth securities may or may not move in tandem with the returns on other styles of investing or the overall stock markets.

Foreign risks. The risks of investing in securities of foreign issuers, including emerging market issuers, can include fluctuations in foreign currencies, foreign currency exchange controls, political and economic instability, differences in securities regulation and trading, and foreign taxation issues.

Real estate investment trusts (REITs) risk. Investing in REITs makes the Fund more susceptible to risks associated with the ownership of real estate and with the real estate industry in general and may involve duplication of management fees and certain other expenses. In addition, REITs depend upon specialized management skills, may be less diversified, may have lower trading volume, and may be subject to more abrupt or erratic price movements than the overall securities markets. REITs must comply with certain requirements of the federal income tax law to maintain their federal income tax status.

About indexes used in this report

The **S&P 500® Index** is an unmanaged index considered representative of the US 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 mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co.

The **Lipper VUF Large-Cap Growth Funds Index** is an unmanaged index considered representative of large-cap 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 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.

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.

Schedule of Investments[a]

December 31, 2012

	Shares	Value
Common Stocks & Other Equity Interests–98.11%		
Aerospace & Defense–2.68%		
Boeing Co. (The)	154,375	$ 11,633,700
United Technologies Corp.	93,499	7,667,853
		19,301,553
Air Freight & Logistics–1.12%		
Expeditors International of Washington, Inc.	203,569	8,051,154
Apparel Retail–0.98%		
Gap, Inc. (The)	226,982	7,045,521
Apparel, Accessories & Luxury Goods–2.15%		
Coach, Inc.	125,301	6,955,458
Prada S.p.A. (Italy)	881,000	8,517,669
		15,473,127
Application Software–3.88%		
Autodesk, Inc.[b]	97,705	3,453,872
Citrix Systems, Inc.[b]	172,668	11,352,921
Salesforce.com, Inc.[b]	78,316	13,164,919
		27,971,712
Automobile Manufacturers–1.60%		
General Motors Co.[b]	400,282	11,540,130
Biotechnology–4.25%		
Amgen Inc.	91,917	7,934,275
Biogen Idec Inc.[b]	34,494	5,059,235
Celgene Corp.[b]	96,658	7,607,951
Gilead Sciences, Inc.[b]	136,173	10,001,907
		30,603,368
Broadcasting–1.02%		
CBS Corp.–Class B	192,590	7,328,050
Cable & Satellite–6.42%		
Comcast Corp.–Class A	219,558	8,207,078
DIRECTV[b]	323,416	16,222,547
DISH Network Corp.–Class A	599,403	21,818,269
		46,247,894
Casinos & Gaming–0.84%		
Las Vegas Sands Corp.	131,724	6,080,380
Communications Equipment–3.86%		
F5 Networks, Inc.[b]	20,899	2,030,338
QUALCOMM, Inc.	415,647	25,778,427
		27,808,765
Computer Hardware–7.18%		
Apple Inc.	97,052	51,726,775
Computer Storage & Peripherals–2.01%		
EMC Corp.[b]	571,542	14,460,013
Construction & Engineering–0.82%		
Foster Wheeler AG (Switzerland)[b]	242,988	$ 5,909,468
Construction & Farm Machinery & Heavy Trucks–1.89%		
Cummins Inc.	125,969	13,648,741
Consumer Finance–1.79%		
Capital One Financial Corp.	222,381	12,882,531
Data Processing & Outsourced Services–1.84%		
Visa Inc.–Class A	87,436	13,253,549
Department Stores–0.45%		
Macy's, Inc.	84,173	3,284,430
Diversified Banks–1.36%		
Wells Fargo & Co.	286,180	9,781,632
Fertilizers & Agricultural Chemicals–2.05%		
Monsanto Co.	109,140	10,330,101
Mosaic Co. (The)	78,232	4,430,278
		14,760,379
General Merchandise Stores–0.82%		
Dollar General Corp.[b]	134,048	5,910,176
Health Care Equipment–0.27%		
Intuitive Surgical, Inc.[b]	3,939	1,931,567
Health Care Services–1.34%		
Express Scripts Holding Co.[b]	179,336	9,684,144
Health Care Technology–0.37%		
Cerner Corp.[b]	34,226	2,657,307
Home Improvement Retail–1.58%		
Home Depot, Inc. (The)	94,775	5,861,834
Lowe's Cos., Inc.	156,585	5,561,899
		11,423,733
Hypermarkets & Super Centers–1.35%		
Wal-Mart Stores, Inc.	142,354	9,712,813
Industrial Conglomerates–3.62%		
Danaher Corp.	144,600	8,083,140
General Electric Co.	856,504	17,978,019
		26,061,159
Industrial Machinery–0.94%		
Ingersoll-Rand PLC	141,636	6,792,863
Integrated Oil & Gas–0.18%		
Occidental Petroleum Corp.	16,582	1,270,347
Internet Retail–3.17%		
Amazon.com, Inc.[b]	36,920	9,276,889
Priceline.com Inc.[b]	21,848	13,570,448
		22,847,337

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

	Shares	Value
Internet Software & Services–7.14%		
Baidu, Inc.–ADR (China)[(b)]	46,520	$ 4,665,491
eBay Inc.[(b)]	211,644	10,798,077
Facebook Inc.–Class A[(b)]	347,918	9,265,056
Google Inc.–Class A[(b)]	37,673	26,727,110
		51,455,734
Investment Banking & Brokerage–2.48%		
Goldman Sachs Group, Inc. (The)	140,292	17,895,648
IT Consulting & Other Services–1.76%		
Cognizant Technology Solutions Corp.–Class A[(b)]	171,654	12,710,979
Movies & Entertainment–0.77%		
Walt Disney Co. (The)	111,765	5,564,779
Oil & Gas Equipment & Services–4.71%		
Cameron International Corp.[(b)]	93,825	5,297,359
National Oilwell Varco Inc.	53,208	3,636,767
Schlumberger Ltd.	135,481	9,387,478
Weatherford International Ltd.[(b)]	1,398,408	15,648,186
		33,969,790
Oil & Gas Exploration & Production–0.84%		
Anadarko Petroleum Corp.	81,074	6,024,609
Oil & Gas Refining & Marketing–0.31%		
Marathon Petroleum Corp.	35,990	2,267,370
Packaged Foods & Meats–0.35%		
Mondelez International Inc.–Class A	98,756	2,515,315
Pharmaceuticals–5.81%		
Abbott Laboratories	139,924	9,165,022
Allergan, Inc.	73,923	6,780,957
Johnson & Johnson	144,358	10,119,496
Pfizer Inc.	631,642	15,841,581
		41,907,056
Property & Casualty Insurance–0.91%		
ACE Ltd.	81,932	6,538,174
Railroads–0.98%		
Union Pacific Corp.	56,416	$ 7,092,620
Restaurants–1.27%		
Chipotle Mexican Grill, Inc.[(b)]	10,964	3,261,352
Starbucks Corp.	110,286	5,913,535
		9,174,887
Semiconductors–1.95%		
Broadcom Corp.–Class A	217,576	7,225,699
Maxim Integrated Products, Inc.	233,419	6,862,519
		14,088,218
Specialized REIT's–2.00%		
American Tower Corp.	186,831	14,436,431
Systems Software–1.79%		
Check Point Software Technologies Ltd. (Israel)[(b)]	89,033	4,241,532
Oracle Corp.	259,627	8,650,772
		12,892,304
Trucking–0.98%		
J.B. Hunt Transport Services, Inc.	118,155	7,055,035
Wireless Telecommunication Services–2.23%		
Sprint Nextel Corp.[(b)]	2,830,906	16,051,237
Total Common Stocks & Other Equity Interests (Cost $560,082,990)		707,090,804
Money Market Funds–1.87%		
Liquid Assets Portfolio–Institutional Class[(c)]	6,730,221	6,730,221
Premier Portfolio–Institutional Class[(c)]	6,730,221	6,730,221
Total Money Market Funds (Cost $13,460,442)		13,460,442
TOTAL INVESTMENTS–99.98% (Cost $573,543,432)		720,551,246
OTHER ASSETS LESS LIABILITIES–0.02%		123,620
NET ASSETS–100.00%		$720,674,866

Investment Abbreviations:

ADR – American Depositary Receipt
REIT – Real Estate Investment Trust

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) 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, 2012

Assets:	
Investments, at value (Cost $560,082,990)	$ 707,090,804
Investments in affiliated money market funds, at value and cost	13,460,442
Total investments, at value (Cost $573,543,432)	720,551,246
Foreign currencies, at value (Cost $927)	851
Receivable for:	
Investments sold	1,061,845
Fund shares sold	309,732
Dividends	371,418
Fund expenses absorbed	15,800
Investment for trustee deferred compensation and retirement plans	213,782
Other assets	387
Total assets	722,525,061
Liabilities:	
Payable for:	
Fund shares reacquired	795,764
Accrued fees to affiliates	598,667
Accrued other operating expenses	49,174
Trustee deferred compensation and retirement plans	406,590
Total liabilities	1,850,195
Net assets applicable to shares outstanding	$ 720,674,866
Net assets consist of:	
Shares of beneficial interest	$ 798,888,685
Undistributed net investment income	2,413,124
Undistributed net realized gain (loss)	(227,636,140)
Unrealized appreciation	147,009,197
	$ 720,674,866
Net Assets:	
Series I	$ 496,340,818
Series II	$ 224,334,048
Shares outstanding, $0.01 par value per share, with an unlimited number of shares authorized:	
Series I	13,681,672
Series II	6,310,576
Series I:	
Net asset value per share	$ 36.28
Series II:	
Net asset value per share	$ 35.55

Statement of Operations

For the year ended December 31, 2012

Investment income:	
Dividends (net of foreign withholding taxes of $12,557)	$ 8,038,365
Dividends from affiliated money market funds (includes securities lending income of $624)	10,863
Total investment income	8,049,228
Expenses:	
Advisory fees	3,887,163
Administrative services fees	1,460,129
Custodian fees	33,069
Distribution fees – Series II	464,701
Transfer agent fees	72,851
Trustees' and officers' fees and benefits	42,401
Other	124,438
Total expenses	6,084,752
Less: Fees waived	(583,776)
Net expenses	5,500,976
Net investment income	2,548,252
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities (includes net gains (losses) from securities sold to affiliates of $(479,714))	15,713,066
Foreign currencies	1,424
	15,714,490
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(8,897,809)
Foreign currencies	(522)
	(8,898,331)
Net realized and unrealized gain	6,816,159
Net increase in net assets resulting from operations	$ 9,364,411

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, 2012 and 2011

	2012	2011
Operations:		
Net investment income (loss)	$ 2,548,252	$ (583,465)
Net realized gain	15,714,490	13,210,743
Change in net unrealized appreciation (depreciation)	(8,898,331)	(34,132,830)
Net increase (decrease) in net assets resulting from operations	9,364,411	(21,505,552)
Share transactions-net:		
Series I	370,787,226	64,098,694
Series II	131,813,205	(18,673,081)
Net increase in net assets resulting from share transactions	502,600,431	45,425,613
Net increase in net assets	511,964,842	23,920,061
Net assets:		
Beginning of year	208,710,024	184,789,963
End of year (includes undistributed net investment income (loss) of $2,413,124 and $(55,300), respectively)	$720,674,866	$208,710,024

Notes to Financial Statements

December 31, 2012

NOTE 1—Significant Accounting Policies

Invesco Van Kampen V.I. American Franchise Fund, formerly Invesco Van Kampen V.I. Capital 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-five 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 to seek capital growth.

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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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' prices 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 became 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 declared and paid to separate accounts of participating insurance companies annually and recorded on the 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 the 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 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.

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	0.695%
Next $250 million	0.67%
Next $500 million	0.645%
Next $550 million	0.62%
Next $3.45 billion	0.60%
Next $250 million	0.595%
Next $2.25 billion	0.57%
Next $2.5 billion	0.545%
Over $10 billion	0.52%

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(s) discretionary investment management services to the Fund based on the percentage of assets allocated to such Sub-Adviser(s).

Effective July 1, 2012, the Adviser has contractually agreed, through at least June 30, 2014, to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.90% and Series II shares to 1.15% of average daily net assets. Prior to July 1, 2012, the Adviser had contractually agreed to waive advisory fees and/or reimburse expenses to the extent necessary to limit total annual fund operating expenses after fee waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.84% and Series II shares to 1.09% 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 Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 30, 2014.

Further, the Adviser has contractually agreed, through at least June 30, 2013, 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, 2012, the Adviser waived advisory fees of $583,776.

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, 2012, Invesco was paid $139,412 for accounting and fund administrative services and reimbursed $1,320,717 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, 2012, 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, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2012, the Fund incurred $7,767 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

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, 2012. 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
Equity Securities	$712,033,577	$8,517,669	$–	$720,551,246

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, 2012, the Fund engaged in securities purchases of $2,233,441 and securities sales of $1,346,851, which resulted in net realized gains (losses) of $(479,714).

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.

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. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. 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

There were no ordinary income or long-term capital gain distributions paid during the years ended December 31, 2012 and 2011.

Tax Components of Net Assets at Period-End:

	2012
Undistributed ordinary income	$ 2,829,665
Net unrealized appreciation – investments	144,105,590
Net unrealized appreciation – other investments	1,383
Temporary book/tax differences	(381,118)
Capital loss carryforward	(224,769,339)
Shares of beneficial interest	798,888,685
Total net assets	$ 720,674,866

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, straddle loss deferral and partnership adjustments.

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 $15,160,733 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, 2012, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$205,588,670	$–	$205,588,670
December 31, 2017	5,236,281	–	5,236,281
December 31, 2018	13,944,388	–	13,944,388
Total capital loss carryforward	$224,769,339	$–	$224,769,339

* Capital loss carryforward as of the date listed above is reduced for limitation, if any, to the extent required by the Internal Revenue Service. To the extent that unrealized gains as of May 2, 2011, the date of the reorganization of Invesco V.I. Large Cap Growth Fund and April 30, 2012, the date of the reorganizations of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund are realized on securities held in each fund at such date of reorganizations, the capital loss carryforward may be further limited for up to five years from the date of the reorganizations.

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, 2012 was $997,558,036 and $629,829,098, 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	$156,748,867
Aggregate unrealized (depreciation) of investment securities	(12,643,277)
Net unrealized appreciation of investment securities	$144,105,590

Cost of investments for tax purposes is $576,445,656.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of fair funds settlements, on December 31, 2012, undistributed net investment income was increased by $266,252 and undistributed net realized gain was decreased by $266,252. Further, as a result of tax deferrals and capital loss carryforward acquired in the reorganizations of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund, undistributed net investment income was decreased by $346,080, undistributed net realized gain was decreased by $214,838,695 and shares of beneficial interest was increased by $215,184,775. These reclassifications had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Years ended December 31,			
	2012[a]		2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	789,397	$ 28,721,163	148,444	$ 4,995,733
Series II	320,230	11,081,001	311,666	10,470,974
Issued in connection with acquisitions:[b][c]				
Series I	11,970,981	445,461,917	2,764,202	102,182,035
Series II	4,415,803	161,335,668	17,638	641,933
Reacquired:				
Series I	(2,934,105)	(103,395,854)	(1,259,447)	(43,079,074)
Series II	(1,160,262)	(40,603,464)	(876,910)	(29,785,988)
Net increase in share activity	13,402,044	$ 502,600,431	1,105,593	$ 45,425,613

(a) There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 20% 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 April 30, 2012, the Fund acquired all the net assets of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund (the "Target Funds") pursuant to a plan of reorganization approved by the Trustees of the Fund on November 30, 2011 and by the shareholders of the Target Funds on April 2, 2012. The acquisition was accomplished by a tax-free exchange of 16,386,784 shares of the Fund for 23,847,677 shares outstanding of Invesco V.I. Capital Appreciation Fund and 2,145,577 shares outstanding of Invesco V.I. Leisure Fund as of the close of business on April 27, 2012. Each class of the Target Funds were exchanged for the like class of shares of the Fund, based on the relative net asset value of the Target Funds to the net asset value of the Fund on the close of business, April 27, 2012. Invesco V.I. Capital Appreciation Fund's net assets as of the close of business on April 27, 2012 of $586,894,436, including $120,477,190 of unrealized appreciation and Invesco V.I. Leisure Fund's net assets as of the close of business on April 27, 2012 of $19,903,149, including $5,495,250 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $226,713,532. The net assets immediately after the acquisition were $833,511,117.

The pro forma results of operations for the year ended December 31, 2012 assuming the reorganization had been completed on January 1, 2012, the beginning of the annual reporting period are as follows:

Net investment income	$ 2,254,431
Net realized/unrealized gains	92,187,134
Change in net assets resulting from operations	$94,441,565

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 Funds that have been included in the Fund's Statement of Operations since April 30, 2012.

(c) As of the open of business on May 2, 2011, the Fund acquired all the net assets of Invesco V.I. Large Cap Growth 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 2,781,840 shares of the Fund for 6,596,443 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 $102,823,968, including $19,535,310 of unrealized appreciation, were combined with those of the Fund. The net assets of the Fund immediately before the acquisition were $188,601,217. The net assets of the Fund immediately after the acquisition were $291,425,185.

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 (loss)	$ (731,640)
Net realized/unrealized gains (loss)	(13,447,533)
Change in net assets resulting from operations	$(14,179,173)

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 have been included in the Fund's Statement of Operations since May 2, 2011.

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)[a]	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends from net investment income	Return of capital distributions	Total distributions	Net asset value, end of period	Total return	Net assets, end of period (000's 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[c]														
Year ended 12/31/12	$31.90	$ 0.19	$ 4.19	$ 4.38	$ –	$ –	$ –	$36.28	13.73%[d]	$496,341	0.88%[e]	0.98%[e]	0.52%[e]	190%
Year ended 12/31/11	34.00	(0.05)	(2.05)	(2.10)	–	–	–	31.90	(6.18)%[d]	122,986	0.84	0.99	(0.15)	126
Year ended 12/31/10	28.37	0.03	5.60	5.63	–	–	–	34.00	19.84%[d]	74,870	0.79	0.90	0.12	158
Year ended 12/31/09	17.10	0.04	11.26	11.30	(0.03)	(0.00)[f]	(0.03)	28.37	66.07	74,214	0.84	0.84	0.17	13
Year ended 12/31/08	33.68	(0.01)	(16.43)	(16.44)	(0.14)	-	(0.14)	17.10	(48.99)	48,599	0.85	0.87	(0.04)	42
Series II[c]														
Year ended 12/31/12	31.35	0.10	4.10	4.20	–	–	–	35.55	13.40%[d]	224,334	1.13%[e]	1.23%[e]	0.27%[e]	190
Year ended 12/31/11	33.49	(0.14)	(2.00)	(2.14)	–	–	–	31.35	(6.39)%[d]	85,724	1.09	1.24	(0.40)	126
Year ended 12/31/10	28.01	(0.05)	5.53	5.48	–	–	–	33.49	19.56%[d]	109,920	1.04	1.15	(0.18)	158
Year ended 12/31/09	16.91	(0.02)	11.12	11.10	–	–	–	28.01	65.64%[g]	112,533	1.09	1.09	(0.07)	13
Year ended 12/31/08	33.29	(0.08)	(16.25)	(16.33)	(0.05)	–	(0.05)	16.91	(49.11)%[g]	69,198	1.10	1.12	(0.29)	42

[a] Calculated using average shares outstanding.
[b] Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the year ended December 31, 2012, the portfolio turnover calculation excludes the value of securities purchased of $14,357,093 and sold of $15,173,740 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Capital Appreciation Fund and Invesco V.I. Leisure Fund into the Fund. For the year ended December 31, 2011, the portfolio turnover calculation excludes the value of securities purchased of $81,993,574 and sold of $49,870,241 in the effort to realign the Fund's portfolio holdings after the reorganization of Invesco V.I. Large Cap Growth Fund into the Fund.
[c] On June 1, 2010, the predecessor Fund's former Class I and Class II shares were reorganized into Series I and Series II shares.
[d] 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.
[e] Ratios are based on average daily net assets (000's) of $387,711 and $185,880 for Series I and Series II, respectively.
[f] Amount is less than $0.01 per share.
[g] These returns include combined Rule 12b-1 fees and service fees of up to 0.25%.

NOTE 12—Subsequent Event

Effective May 1, 2013, the Fund will change its name to Invesco V.I. American Franchise Fund.

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 Van Kampen V.I. American Franchise 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 Van Kampen V.I. American Franchise Fund, (formerly known as Invesco Van Kampen V.I. Capital Growth Fund; one of the funds constituting AIM Variable Insurance Funds (Invesco Variable Insurance Funds), hereafter referred to as the "Fund") at December 31, 2012, 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 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, 2012 by correspondence with the custodian, provide a reasonable basis for our opinion. The financial highlights of the Fund for the periods ended December 31, 2009 and prior were audited by another independent registered public accounting firm whose report dated February 19, 2010 expressed an unqualified opinion on those statements.

PRICEWATERHOUSECOOPERS LLP

February 15, 2013
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, 2012 through December 31, 2012.

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 (07/01/12)	Ending Account Value (12/31/12)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/12)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,047.70	$4.63	$1,020.61	$4.57	0.90%
Series II	1,000.00	1,046.20	5.91	1,019.36	5.84	1.15

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2012 through December 31, 2012, 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 184/366 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, 2012:

Federal and State Income Tax

Corporate Dividends Received Deduction*	0%

* 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 1000, 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 During Past 5 Years
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 and Chief Executive Officer, 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)	124	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 known as 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 Ltèe) (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 Ltèe; 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.	124	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 certain funds in the Fund Complex	137	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[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 Invesco Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Invesco Fund Complex.

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies 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)	124	ACE Limited (insurance company); and Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	137	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 General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	124	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis institute of Music
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	124	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: 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.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex	126	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)	124	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	124	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	124	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	124	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	137	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

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	124	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 Vice President, 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
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., INVESCO Global Asset Management Limited, Invesco Management Company Limited and INVESCO Management S.A.; 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

Trustees and Officers–(continued)

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 During Past 5 Years
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); and Vice President, 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: Vice President, Invesco Aim 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.; and 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	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., Van Kampen Funds Inc., 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: Regulatory Analyst III, Financial Industry Regulatory Authority (FINRA)	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; 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; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., 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; and 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.

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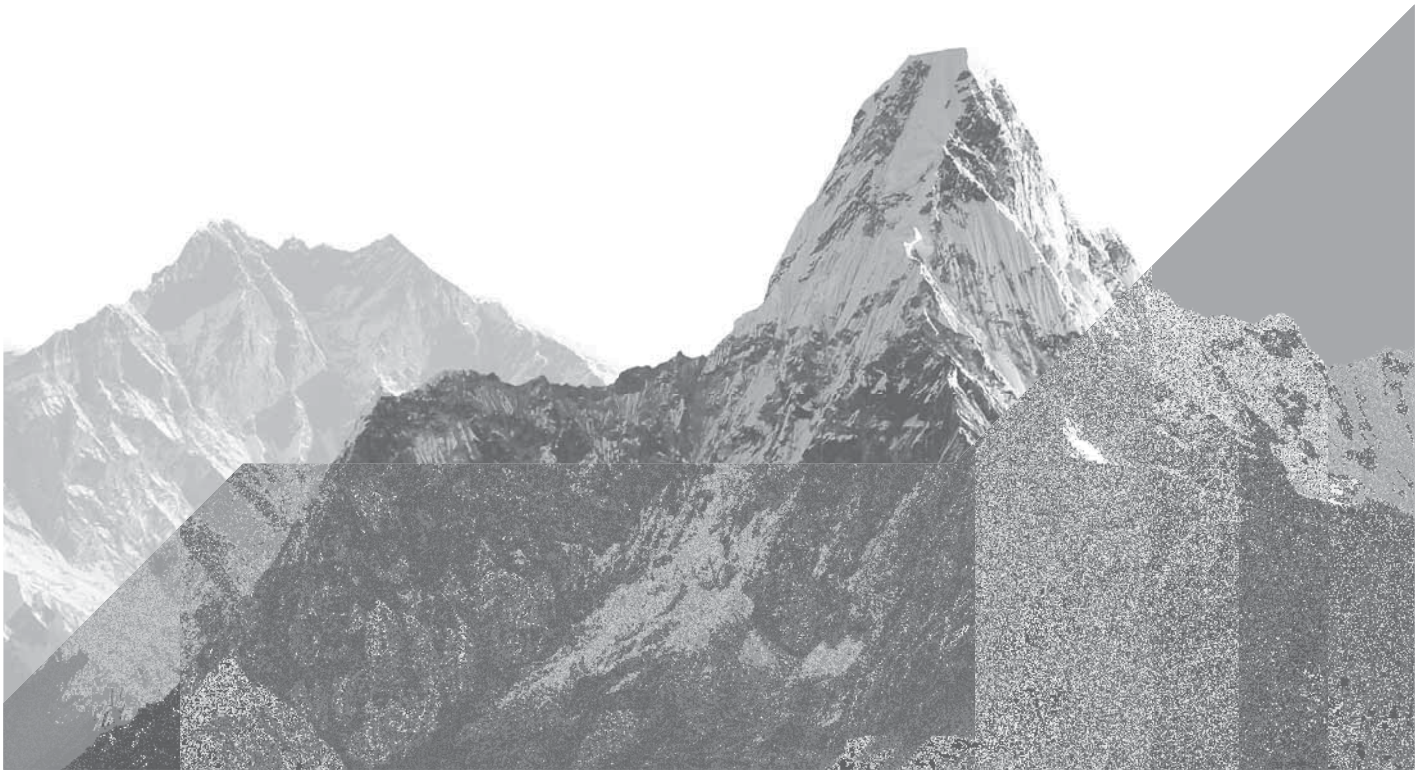
Custodian
State Street Bank and Trust Company
225 Franklin Street
Boston, MA 02110-2801

Invesco V.I. Government Securities Fund

Annual Report to Shareholders ■ December 31, 2012



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, 2012, 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 US 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, 2012, Invesco V.I. Government Securities Fund outperformed the Fund's style-specific index, the Barclays U.S. Government Bond Index. Sector allocation decisions were the main contributor to outperformance versus the style-specific benchmark for the year.

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

Fund vs. Indexes

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

Series I Shares	2.47%
Series II Shares	2.22
Barclays U.S. Aggregate Index▼ (Broad Market Index)	4.21
Barclays U.S. Government Bond Index■ (Style-Specific Index)	2.02
Lipper VUF General U.S. Government Funds Index■ (Peer Group Index)	3.42

Source(s): ▼Invesco, Barclays via FactSet Research Systems Inc.; ■Lipper Inc.

How we invest

We invest primarily in corporate bonds, US government securities, including US government agency mortgage-backed securities, and securities issued by foreign governments, their agencies or instrumentalities. Up to 50% of the Fund's total assets may be invested in foreign securities, including up to 15% in securities of issuers located in developing markets, and up to 35% in lower quality, high yield debt securities. The Fund can also invest in derivative instruments, specifically credit default swaps, credit default swap indices, interest rate futures and forward foreign currency contracts.

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

During 2012, most major segments of the US bond market produced positive performances, buoyed by generally slow economic growth, sustained low interest rates and investor demand for yield. The US showed positive, if lethargic, economic and employment progress while signs of recession across Europe and Japan, and slowing growth in China, weighed on global demand for US goods and services. With inflation expectations held in check by modest economic and employment growth prospects, the US Federal Reserve (the Fed), along with other major central banks around the world, continued their accommodative monetary policies and bond buying programs aimed at spurring economic activity by keeping interest rates low.

Throughout the year, US Treasuries experienced mild rallies and sell-offs as uncertainties with the slowing global economies, the US Presidential election, the pending "fiscal cliff" and geopolitical risks were reflected in market prices. Treasury yields ultimately remained very low and little changed across the maturity spectrum from start to finish.

The low yields provided by Treasuries, and increased investor confidence that rates would remain low for an extended period, increased demand for the segments of the bond market that provided relative value and higher yields than comparable-maturity Treasuries in return for the additional risks they carry. In lieu of significant rate declines, US bond market returns for 2012 were supported by demand for riskier assets such as corporate bonds and mortgage-backed securities (MBS).

Sector allocation decisions that incorporated a significant underweight position to US Treasuries and overweight exposure to higher-coupon agency debentures were advantageous for the Fund as non-Treasury sectors of the government bond market outperformed other bond sectors during the year. Likewise, allocations to off-benchmark Treasury Inflation-Protected Securities as well as short-average-life agency collateralized mortgage obligations and agency MBS benefited total return versus the style-specific index and contributed to a higher-than-index average portfolio yield-to-maturity for the reporting period. Our security selection decisions across the

Portfolio Composition

By security type

US Government Sponsored Mortgage-Backed Securities	72.1%
US Government Sponsored Agency Securities	19.8
US Treasury Securities	12.3
Foreign Bonds	2.7
Corporate Bonds and Notes	1.1
Money Market Funds Plus Other Assets Less Liabilities	-8.0

Top 10 Fixed Income Issuers*

1.	Federal National Mortgage Association	22.2%
2.	Federal Home Loan Mortgage Corp.	16.6
3.	Fannie Mae REMICs	13.1
4.	Freddie Mac REMICs	11.4
5.	Federal Home Loan Bank	8.9
6.	US Treasury Notes	8.2
7.	Ginnie Mae REMICs	7.1
8.	Government National Mortgage Association	4.0
9.	Federal Agricultural Mortgage Corp.	3.2
10.	Federal Farm Credit Bank	2.8

Total Net Assets	$1.1 billion
Total Number of Holdings*	892

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.

maturity, coupon, vintage and issuer strata of the residential MBS market were also helpful for the Fund's relative returns. Among agency MBS, an emphasis on 30-year, fixed-rate lower-coupon securities contributed to Fund returns as these securities benefited from favorable prepayment trends as well as a very positive market environment where demand exceeded available supply, especially following the Fed's September announcement of "QE3", an open-ended, bond purchasing program for lower coupon agency MBS.

The Fund also benefited from incremental income earned by engaging in mortgage dollar roll activity in the to-be-announced market, which involves the selling of an 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 was subsequently invested in short-term instruments to generate additional return for the Fund.

The Fund 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 shorter duration portfolio tending to be less sensitive to these changes. The Fund's duration and yield curve positioning were maintained close to the style-specific benchmark on average, but the timing of changes and degree of variance from the benchmark were negligible detractors to relative returns as rates fluctuated throughout the reporting period. Buying and selling US Treasury futures contracts were important tools we used for the management of interest rate risk and to maintain our targeted portfolio duration.

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.

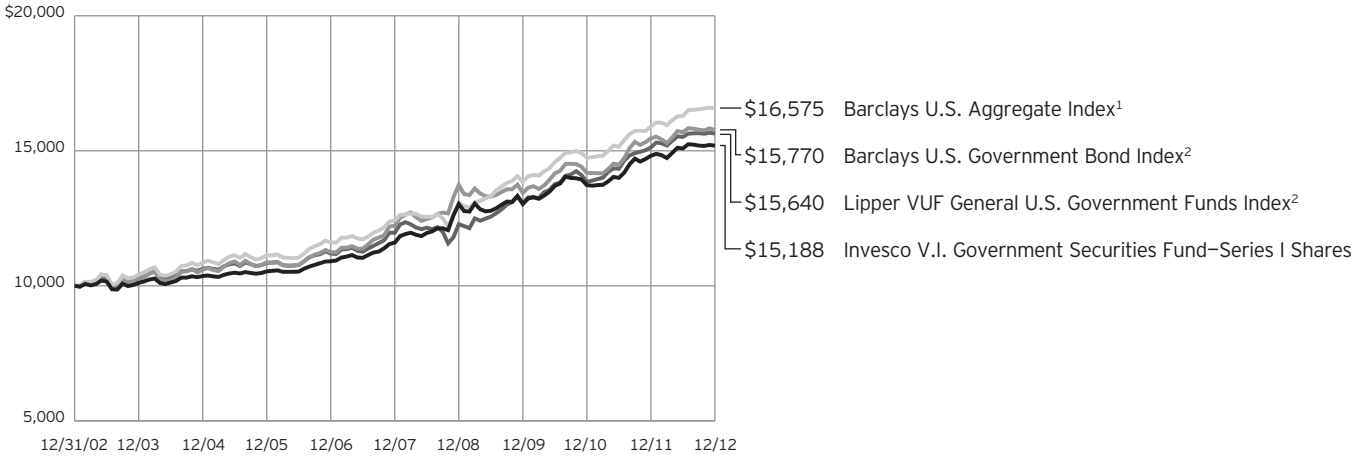
Clint Dudley
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Government Securities Fund. He joined Invesco in 1998. Mr. Dudley earned a BBA and an MBA from Baylor University.

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 BA in economics and an MBA from Bellarmine University.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/02



1 Source(s): Invesco, Barclays via FactSet Research Systems Inc.
2 Source: Lipper Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/12*	
Series I Shares	
Inception (5/5/93)	5.07%
10 Years	4.27
5 Years	5.53
1 Year	2.47
Series II Shares	
Inception (9/19/01)	4.38%
10 Years	4.01
5 Years	5.25
1 Year	2.22

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 0.70% and 0.95%, 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 0.75% and 1.00%, 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 April 30, 2013. 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, 2012, 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 and increased tax liability.

Derivatives risk. The performance of derivative instruments is tied to the performance of an underlying currency, security, index or other instrument. In addition to risks relating to their underlying instruments, the use of derivatives may include other, possibly greater, risks. Derivatives involve costs, may be volatile, and may involve a small initial investment relative to the risk assumed. Risks associated with the use of derivatives include counterparty, leverage, correlation, liquidity, tax, market, interest rate and management risks. Derivatives may also be more difficult to purchase, sell or value than other investments. The Fund may lose more than the cash amount invested on investments in derivatives.

Investors should bear in mind that, while the Fund intends to use derivative strategies, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the investment manager elects not to do so due to availability, cost, market conditions or other factors.

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.

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 purchase 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.

Synthetic securities risk. Fluctuations in the values of synthetic securities may not correlate perfectly with the instruments they are designed to replicate. Synthetic securities may be subject to interest rate changes, market price fluctuations, counterparty risk and liquidity risk.

US government obligations risk. The Fund may invest in obligations issued by US 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 U.S. Aggregate Index** is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market.

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

The **Lipper VUF General U.S. Government Funds Index** is an unmanaged index considered representative of general US 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 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, 2012

	Principal Amount	Value
U.S. Government Sponsored Mortgage-Backed Securities–72.05%		
Collateralized Mortgage Obligations–33.90%		
Fannie Mae REMICs,		
4.00%, 07/25/18 to 07/25/40	$13,996,515	$ 14,907,158
4.50%, 07/25/19 to 07/25/27	6,043,126	6,206,751
5.00%, 08/25/19 to 09/25/37	17,488,644	18,229,038
4.25%, 12/25/19 to 02/25/37	10,366,605	11,018,739
3.00%, 07/25/22 to 09/25/36	14,724,706	15,171,041
2.50%, 03/25/26	4,320,481	4,503,399
7.00%, 09/18/27	812,867	954,033
6.50%, 01/25/30 to 03/25/32	2,557,579	2,938,915
3.50%, 12/25/31	1,400,778	1,422,853
4.75%, 07/25/33	2,741,026	2,788,279
5.75%, 10/25/35	943,882	1,065,260
0.51%, 05/25/36[(a)]	10,619,707	10,667,941
0.71%, 03/25/37 to 05/25/41[(a)]	15,448,849	15,543,510
0.98%, 06/25/37[(a)]	8,148,163	8,257,943
0.61%, 06/25/38[(a)]	11,680,536	11,737,157
6.58%, 06/25/39[(a)]	8,725,488	10,421,744
0.76%, 02/25/41[(a)]	9,153,596	9,222,710
0.73%, 11/25/41[(a)]	3,365,246	3,396,745
Fannie Mae Whole Loan,		
5.50%, 07/25/34	203,195	203,529
Federal Home Loan Bank,		
5.07%, 10/20/15	1,410,849	1,514,075
5.46%, 11/27/15	19,793,148	21,355,758
5.77%, 03/23/18	3,206,715	3,535,185
Freddie Mac REMICs,		
0.85%, 03/15/13	945,664	945,854
4.16%, 07/15/17	2,053	2,053
3.77%, 09/15/17	151,079	151,732
3.84%, 09/15/17	325,120	327,414
4.00%, 12/15/17 to 03/15/38	11,688,118	12,052,292
5.00%, 02/15/18 to 09/15/32	8,710,893	9,169,305
4.50%, 07/15/18 to 10/15/36	5,730,409	5,848,519
3.00%, 10/15/18 to 04/15/26	11,563,947	12,031,865
3.75%, 10/15/18	3,816,317	3,930,519
4.25%, 01/15/19	768,320	785,668
3.50%, 05/15/22 to 12/15/27	1,279,722	1,308,143
0.61%, 04/15/28 to 06/15/37[(a)]	15,565,867	15,669,037
5.25%, 08/15/32	3,049,220	3,084,364
5.50%, 02/15/33	2,787	2,786
0.71%, 12/15/35 to 03/15/40[(a)]	11,452,209	11,580,162
0.51%, 03/15/36[(a)]	9,885,883	9,946,043
5.75%, 05/15/36	606,242	627,331
0.56%, 11/15/36[(a)]	11,177,050	11,222,216
1.07%, 11/15/39[(a)]	3,879,424	3,923,685
0.66%, 03/15/40to 02/15/42[(a)]	26,374,950	26,628,052
Collateralized Mortgage Obligations–(continued)		
Ginnie Mae REMICs,		
6.00%, 01/16/25	$ 2,144,133	$ 2,417,530
4.50%, 01/16/31 to 11/20/34	35,981,520	37,078,506
4.75%, 09/20/32	1,294,247	1,342,743
4.00%, 04/16/33 to 02/20/38	15,753,440	16,419,401
5.76%, 08/20/34[(a)]	3,117,880	3,562,663
5.00%, 08/16/35	573,960	593,212
5.85%, 01/20/39[(a)]	9,550,035	11,117,334
1.01%, 09/16/39[(a)]	4,378,779	4,482,853
4.51%, 07/20/41[(a)]	2,807,255	3,185,732
		384,498,777
Federal Home Loan Mortgage Corp. (FHLMC)–14.20%		
Pass Through Ctfs.,		
6.00%, 09/01/13 to 07/01/38	4,374,009	4,796,481
7.00%, 07/01/14 to 12/01/37	9,844,254	11,565,589
6.50%, 04/01/15 to 12/01/35	9,339,299	10,650,403
8.00%, 07/01/15 to 09/01/36	9,919,104	12,217,941
5.00%, 07/01/18 to 01/01/40	5,191,520	5,674,059
10.50%, 08/01/19	2,148	2,372
4.50%, 09/01/20 to 08/01/41	23,840,208	26,234,012
8.50%, 09/01/20 to 08/01/31	831,427	994,947
10.00%, 03/01/21	46,145	54,271
9.00%, 06/01/21 to 06/01/22	319,721	366,304
7.50%, 09/01/22 to 08/01/36	3,515,230	4,216,086
5.50%, 12/01/22 to 11/01/39	2,700,731	2,944,295
3.50%, 08/01/26	2,437,515	2,612,001
3.00%, 05/01/27	3,046,868	3,268,845
7.05%, 05/20/27	238,485	274,243
6.03%, 10/20/30	1,705,511	1,949,155
Pass Through Ctfs., ARM		
2.93%, 09/01/35 to 07/01/36[(a)]	23,966,406	25,505,655
2.66%, 10/01/36[(a)]	5,443,583	5,815,097
2.94%, 10/01/36[(a)]	478,526	513,793
3.01%, 11/01/37[(a)]	3,656,852	3,945,865
5.32%, 01/01/38[(a)]	207,203	219,258
Pass Through Ctfs., TBA		
3.00%, 01/01/43[(b)]	12,200,000	12,758,532
3.50%, 01/01/43[(b)(c)]	23,000,000	24,464,454
		161,043,658
Federal National Mortgage Association (FNMA)–19.95%		
Pass Through Ctfs.,		
6.50%, 05/01/13 to 11/01/37	11,142,169	12,408,986
10.00%, 09/01/13	1,966	1,977
7.50%, 12/01/13 to 08/01/37	12,179,065	14,723,717
6.00%, 01/01/14 to 10/01/38	9,526,057	10,519,150
7.00%, 01/15/14 to 06/01/36	13,811,261	15,635,470
8.00%, 02/01/14 to 11/01/37	9,306,643	11,202,844
8.50%, 09/01/15 to 08/01/37	3,980,964	4,808,141
5.00%, 11/01/17 to 03/01/40	3,300,051	3,652,849
4.50%, 04/01/19 to 08/01/41	21,865,840	24,186,316

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

	Principal Amount	Value
Federal National Mortgage Association (FNMA)–(continued)		
Pass Through Ctfs., (continued) 5.50%, 03/01/21 to 05/01/35	$ 5,512,158	$ 6,053,773
6.75%, 07/01/24	887,260	1,026,508
6.95%, 10/01/25	26,095	29,711
3.50%, 03/01/27 to 08/01/27	20,530,211	22,080,015
3.00%, 05/01/27 to 08/01/27	10,030,393	10,701,489
Pass Through Ctfs., ARM 2.50%, 10/01/34[a]	4,905,592	5,273,185
2.33%, 05/01/35[a]	982,859	1,046,232
2.82%, 03/01/38[a]	195,750	207,912
Pass Through Ctfs., Balloon 3.84%, 04/01/18	6,543,592	7,337,981
Pass Through Ctfs., TBA 3.00%, 01/01/43[b][c]	45,000,000	47,165,625
3.50%, 01/01/43[b]	24,000,000	25,594,687
4.00%, 01/01/43[b][c]	2,500,000	2,680,469
		226,337,037
Government National Mortgage Association (GNMA)–4.00%		
Pass Through Ctfs., 6.50%, 02/20/13 to 01/15/37	9,322,038	10,727,608
6.75%, 08/15/13	1,042	1,059
7.50%, 10/15/14 to 10/15/35	5,184,260	6,058,104
11.00%, 10/15/15	1,211	1,220
9.00%, 10/20/16 to 12/20/16	65,435	66,208
7.00%, 04/15/17 to 01/15/37	3,319,147	3,887,326
8.00%, 05/15/17 to 01/15/37	2,957,130	3,618,751
10.50%, 09/15/17 to 11/15/19	2,764	2,783
8.50%, 12/15/17 to 01/15/37	534,313	593,322
10.00%, 06/15/19	21,862	23,914
6.00%, 09/15/20 to 08/15/33	1,403,252	1,573,742
5.00%, 02/15/25	565,621	630,161
6.95%, 08/20/25 to 08/20/27	569,030	672,268
6.38%, 10/20/27 to 04/20/28	584,499	655,956
6.10%, 12/20/33	7,120,912	8,297,411
3.50%, 10/20/42	8,155,205	8,591,173
		45,401,006
Total U.S. Government Sponsored Mortgage-Backed Securities (Cost $796,821,755)		817,280,478
U.S. Government Sponsored Agency Securities–19.85%		
Federal Agricultural Mortgage Corp.–3.16%		
Sec. Gtd. Notes, 5.13%, 04/19/17[d]	14,000,000	16,531,971
Sr. Unsec. Notes, 2.00%, 07/27/16	4,000,000	4,200,534
Unsec. Medium-Term Notes, 1.25%, 12/06/13	8,000,000	8,079,318
0.85%, 08/11/14	7,000,000	7,059,001
		35,870,824
Federal Deposit Insurance Co. (FDIC)–0.07%		
Series 2010-S1, Class 1A, Gtd. Notes, 0.76%, 02/25/48 (Acquired 03/05/10; Cost $800,747)[a][d]	800,747	802,820
Federal Farm Credit Bank (FFCB)–2.77%		
Bonds, 1.63%, 11/19/14	$ 4,800,000	$ 4,921,161
1.50%, 11/16/15	11,000,000	11,342,404
1.05%, 03/28/16	7,000,000	7,121,549
5.43%, 06/07/24	2,885,000	3,813,792
Medium-Term Notes, 5.75%, 12/07/28	3,100,000	4,255,397
		31,454,303
Federal Home Loan Bank (FHLB)–6.54%		
Global Bonds, 0.50%, 11/20/15	5,800,000	5,820,150
Unsec. Bonds, 2.50%, 06/13/14	13,000,000	13,414,943
3.13%, 03/11/16	20,000,000	21,661,023
1.50%, 10/12/17	4,800,000	4,953,771
4.50%, 09/13/19	5,000,000	6,033,004
3.38%, 06/12/20	6,220,000	7,065,858
Unsec. Global Bonds, 0.25%, 01/16/15	7,630,000	7,624,074
Series 1, Unsec. Global Bonds, 1.00%, 06/21/17	7,500,000	7,605,506
		74,178,329
Federal Home Loan Mortgage Corp. (FHLMC)–2.41%		
Unsec. Global Notes, 1.00%, 03/08/17	6,500,000	6,599,192
1.25%, 08/01/19	4,800,000	4,803,217
1.25%, 10/02/19	10,000,000	9,974,608
Series 1, Unsec. Global Notes, 0.75%, 01/12/18	6,000,000	5,973,501
		27,350,518
Federal National Mortgage Association (FNMA)–2.23%		
Unsec. Global Notes, 0.38%, 12/21/15	5,300,000	5,295,958
2.25%, 03/15/16	5,000,000	5,291,897
2.38%, 04/11/16	1,100,000	1,168,224
0.88%, 08/28/17	7,250,000	7,287,040
0.88%, 10/26/17	6,200,000	6,226,679
		25,269,798
Financing Corp. (FICO)–0.35%		
Sec. Bonds, 9.80%, 04/06/18	700,000	1,004,470
Series E, Sec. Bonds, 9.65%, 11/02/18	1,985,000	2,922,276
		3,926,746
Tennessee Valley Authority (TVA)–2.32%		
Global Bonds, 4.88%, 12/15/16	13,553,000	15,778,930
Sr. Unsec. Global Notes, 5.50%, 07/18/17	7,042,000	8,535,494
Unsec. Global Notes, 1.88%, 08/15/22	2,000,000	1,988,267
		26,302,691
Total U.S. Government Sponsored Agency Securities (Cost $220,049,397)		225,156,029

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

	Principal Amount	Value
U.S. Treasury Securities–12.33%		
U.S. Treasury Bonds–2.26%		
8.75%, 05/15/20	$ 3,500,000	$ 5,374,938
7.88%, 02/15/21	1,100,000	1,655,598
7.50%, 11/15/24	4,370,000	6,958,032
7.63%, 02/15/25	550,000	886,730
5.38%, 02/15/31	3,800,000	5,420,021
4.25%, 05/15/39[e]	3,685,000	4,695,349
4.38%, 11/15/39	500,000	649,593
		25,640,261
U.S. Treasury Notes–8.20%		
2.00%, 01/31/16	1,200,000	1,259,392
1.00%, 03/31/17	7,000,000	7,126,521
0.63%, 05/31/17	8,000,000	8,013,370
2.75%, 05/31/17[e]	10,000,000	10,935,519
2.38%, 07/31/17[e]	10,000,000	10,783,989
0.75%, 12/31/17	7,000,000	7,012,889
1.38%, 12/31/18	3,000,000	3,078,255
1.00%, 11/30/19	10,000,000	9,901,647
3.63%, 02/15/20	2,000,000	2,336,310
2.13%, 08/15/21	2,700,000	2,838,935
2.00%, 11/15/21	8,300,000	8,614,296
2.00%, 02/15/22	7,000,000	7,238,851
1.75%, 05/15/22	13,750,000	13,869,002
		93,008,976
U.S. Treasury Inflation-Indexed Notes and Bonds–1.87%		
Bonds, 0.75%, 02/15/42	7,370,784[f]	8,069,057
Notes, 0.13%, 04/15/17	5,092,200[f]	5,452,423
0.13%, 07/15/22	7,041,300[f]	7,640,529
		21,162,009
Total U.S. Treasury Securities (Cost $132,897,931)		139,811,246

	Principal Amount	Value
Foreign Bonds–2.72%		
Collateralized Mortgage Obligations–2.30%		
La Hipotecaria S.A. de C.V. (Panama), Series 2010-1GA, Class A, Floating Rate Pass Through Ctfs., 3.00%, 09/08/39 (Acquired 11/05/10; Cost $25,818,450)[a][d]	$24,990,636	$ 26,052,738
Sovereign Debt–0.42%		
Israel Government Agency for International Development (AID) Bond, Gtd. Bonds, 5.13%, 11/01/24	3,800,000	4,834,219
Total Foreign Bonds (Cost $29,606,100)		30,886,957
Corporate Bonds and Notes–1.08%		
Private Export Funding Corp., Sec. Gtd. Notes, 1.38%, 02/15/17	5,000,000	5,132,874
2.13%, 07/15/16	5,000,000	5,272,824
4.30%, 12/15/21	1,540,000	1,846,128
Total Corporate Bonds and Notes (Cost $11,525,474)		12,251,826
	Shares	
Money Market Funds–2.30%		
Government & Agency Portfolio–Institutional Class (Cost $26,041,432)[g]	26,041,432	26,041,432
TOTAL INVESTMENTS–110.33% (Cost $1,216,942,089)		1,251,427,968
OTHER ASSETS LESS LIABILITIES–(10.33)%		(117,133,519)
NET ASSETS–100.00%		$1,134,294,449

Investment Abbreviations:

ARM – Adjustable Rate Mortgage
Ctfs. – Certificates
Gtd. – Guaranteed
REMIC – Real Estate Mortgage Investment Conduit
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, 2012.
[b] Security purchased on a forward commitment basis.
[c] Security is subject to dollar roll transactions. See Note 1I.
[d] 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, 2012 was $43,387,529, which represented 3.83% of the Fund's Net Assets.
[e] All or a portion of the value was pledged as collateral to cover margin requirements for open futures contracts. See Note 1J and Note 4.
[f] Principal amount of security and interest payments are adjusted for inflation.
[g] 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, 2012

Assets:	
Investments, at value (Cost $1,190,900,657)	$1,225,386,536
Investments in affiliated money market funds, at value and cost	26,041,432
Total investments, at value (Cost $1,216,942,089)	1,251,427,968
Receivable for:	
Investments sold	1,246
Fund shares sold	295,679
Dividends and interest	4,032,894
Principal paydowns	446,200
Investment for trustee deferred compensation and retirement plans	77,866
Other assets	17,189
Total assets	1,256,299,042
Liabilities:	
Payable for:	
Investments purchased	119,605,206
Fund shares reacquired	716,173
Variation margin	440,761
Accrued fees to affiliates	879,661
Accrued other operating expenses	133,382
Trustee deferred compensation and retirement plans	229,410
Total liabilities	122,004,593
Net assets applicable to shares outstanding	$1,134,294,449
Net assets consist of:	
Shares of beneficial interest	$1,074,437,523
Undistributed net investment income	29,658,894
Undistributed net realized gain (loss)	(3,221,060)
Unrealized appreciation	33,419,092
	$1,134,294,449
Net Assets:	
Series I	$ 873,211,611
Series II	$ 261,082,838
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	70,427,420
Series II	21,247,460
Series I:	
Net asset value per share	$ 12.40
Series II:	
Net asset value per share	$ 12.29

Statement of Operations

For the year ended December 31, 2012

Investment income:	
Interest	$25,745,884
Dividends from affiliated money market funds	4,459
Total investment income	25,750,343
Expenses:	
Advisory fees	5,544,463
Administrative services fees	3,203,848
Custodian fees	58,852
Distribution fees – Series II	687,286
Transfer agent fees	36,921
Trustees' and officers' fees and benefits	67,964
Other	215,915
Total expenses	9,815,249
Less: Fees waived	(1,316,203)
Net expenses	8,499,046
Net investment income	17,251,297
Realized and unrealized gain (loss) from:	
Net realized gain from:	
Investment securities	13,436,023
Futures contracts	6,125,828
	19,561,851
Change in net unrealized appreciation (depreciation) of:	
Investment securities	(5,848,654)
Futures contracts	(2,407,945)
	(8,256,599)
Net realized and unrealized gain	11,305,252
Net increase in net assets resulting from operations	$28,556,549

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, 2012 and 2011

	2012	2011
Operations:		
Net investment income	$ 17,251,297	$ 24,664,503
Net realized gain	19,561,851	50,868,064
Change in net unrealized appreciation (depreciation)	(8,256,599)	23,149,702
Net increase in net assets resulting from operations	28,556,549	98,682,269
Distributions to shareholders from net investment income:		
Series I	(27,559,188)	(36,635,024)
Series II	(7,996,672)	(1,001,427)
Total distributions from net investment income	(35,555,860)	(37,636,451)
Share transactions-net:		
Series I	(91,925,900)	(145,217,239)
Series II	(32,126,913)	253,038,769
Net increase (decrease) in net assets resulting from share transactions	(124,052,813)	107,821,530
Net increase (decrease) in net assets	(131,052,124)	168,867,348
Net assets:		
Beginning of year	1,265,346,573	1,096,479,225
End of year (includes undistributed net investment income of $29,658,894 and $35,365,149, respectively)	$1,134,294,449	$1,265,346,573

Notes to Financial Statements

December 31, 2012

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-five 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations 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) prices 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 the Adviser determines 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' prices 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 became 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 declared and paid to separate accounts of participating insurance companies annually and recorded on the 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 the 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. 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.

J. 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.

K. 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.

L. Collateral – To the extent the Fund has designated 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 July 1, 2012, the Adviser has contractually agreed, through 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 waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.70% and Series II shares to 0.95% of average daily net assets. Prior to July 1, 2012, 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 waivers and/or expense reimbursements (excluding certain items discussed below) of Series I shares to 0.60% and Series II shares to 0.85% 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 waivers and/or expense reimbursements 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.

Further, the Adviser has contractually agreed, through at least June 30, 2013, 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, 2012, the Adviser waived advisory fees of $1,316,203.

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, 2012, Invesco was paid $284,481 for accounting and fund administrative services and reimbursed $2,919,367 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, 2012, 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, 2012, 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, 2012. 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
Equity Securities	$26,041,432	$ –	$–	$ 26,041,432
U.S. Treasury Securities	–	139,811,246	–	139,811,246
U.S. Government Sponsored Securities	–	1,042,436,507	–	1,042,436,507
Corporate Debt Securities	–	12,251,826	–	12,251,826
Foreign Debt Securities	–	26,052,738	–	26,052,738
Foreign Sovereign Debt Securities	–	4,834,219	–	4,834,219
	26,041,432	1,225,386,536	–	1,251,427,968
Futures Contracts*	(1,066,787)	–	–	(1,066,787)
Total Investments	$24,974,645	$1,225,386,536	$–	$1,250,361,181

* Unrealized appreciation (depreciation).

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, 2012:

	Value	
Risk Exposure/Derivative Type	**Assets**	**Liabilities**
Interest rate risk		
Futures contracts[(a)]	$1,445,461	$(2,512,248)

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

Effect of Derivative Instruments for the year ended December 31, 2012

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

	Location of Gain (Loss) on Statement of Operations
	Futures Contracts*
Realized Gain	
Interest rate risk	$ 6,125,828
Change in Unrealized Appreciation (Depreciation)	
Interest rate risk	$(2,407,945)
Total	$ 3,717,883

* The average notional value of futures contracts outstanding during the period was $554,413,699.

Open Futures Contracts

Long Contracts	**Number of Contracts**	**Expiration Month**	**Notional Value**	**Unrealized Appreciation (Depreciation)**
U.S. Treasury 2 Year Notes	539	March-2013	$118,832,656	$ 36,290
U.S. Treasury 10 Year Notes	660	March-2013	87,635,625	(202,480)
U.S. Ultra Bonds	667	March-2013	108,450,031	(2,309,768)
Subtotal				$(2,475,958)
Short Contracts				
U.S. Treasury 5 Year Notes	256	March-2013	$ 31,850,000	$ 44,109
U.S. Treasury 30 Year Bonds	618	March-2013	91,155,000	1,365,062
Subtotal				$ 1,409,171
Total				$(1,066,787)

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.

NOTE 6—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. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. 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 exceed 5% of the Fund's total assets.

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

Tax Character of Distributions to Shareholders Paid During the Years Ended December 31, 2012 and 2011:

	2012	2011
Ordinary income	$35,555,860	$37,636,451

Tax Components of Net Assets at Period-End:

	2012
Undistributed ordinary income	$ 29,879,025
Net unrealized appreciation – investments	34,043,871
Temporary book/tax differences	(220,131)
Capital loss carryforward	(3,845,839)
Shares of beneficial interest	1,074,437,523
Total net assets	$1,134,294,449

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 straddles and 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 $4,339,076 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, 2012, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2017	$3,845,839	$–	$3,845,839

* 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 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 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, 2012 was $1,421,434,502 and $1,467,040,674, respectively. During the same period, purchases and sales of U.S. Treasury obligations were $78,999,016 and $109,486,209, 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	$36,858,593
Aggregate unrealized (depreciation) of investment securities	(2,814,722)
Net unrealized appreciation of investment securities	$34,043,871

Cost of investments for tax purposes is $1,217,384,097.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of paydown gains (losses) and dollar rolls, on December 31, 2012, undistributed net investment income was increased by $12,598,308 and undistributed net realized gain (loss) was decreased by $12,598,308. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Years ended December 31,			
	2012[a]		2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	9,955,734	$ 124,521,467	10,663,153	$ 128,843,040
Series II	4,230,588	52,978,846	5,300,488	64,070,452
Issued as reinvestment of dividends:				
Series I	2,220,724	27,559,188	3,158,192	36,635,024
Series II	649,608	7,996,671	86,854	1,001,427
Issued in connection with acquisitions:[b]				
Series I	–	–	2,587,718	30,250,210
Series II	–	–	22,298,634	259,005,451
Reacquired:				
Series I	(19,390,637)	(244,006,555)	(28,160,963)	(340,945,513)
Series II	(7,462,478)	(93,102,430)	(5,875,436)	(71,038,561)
Net increase (decrease) in share activity	(9,796,461)	$(124,052,813)	10,058,640	$ 107,821,530

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 81% 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, and it is not practicable to separate the amounts of revenue and earnings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

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[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 (000's 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 12/31/12	$12.49	$0.19	$ 0.12	$ 0.31	$(0.40)	$ –	$(0.40)	$12.40	2.47%	$ 873,212	0.65%[d]	0.76%[d]	1.49%[d]	118%
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	0.75	2.03	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
Series II														
Year ended 12/31/12	12.39	0.16	0.12	0.28	(0.38)	–	(0.38)	12.29	2.22	261,083	0.90[d]	1.01[d]	1.24[d]	118
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	1.00	1.78	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

[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 $929,411 and $274,915 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, 2012, 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, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 15, 2013
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, 2012 through December 31, 2012.

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 (07/01/12)	Ending Account Value (12/31/12)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/12)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,006.20	$3.53	$1,021.62	$3.56	0.70%
Series II	1,000.00	1,005.10	4.79	1,020.36	4.82	0.95

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2012 through December 31, 2012, 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 184/366 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, 2012:

Federal and State Income Tax

Corporate Dividends Received Deduction*	0.00%
U.S. Treasury Obligations*	8.09%

* 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 1000, 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 During Past 5 Years
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 and Chief Executive Officer, 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)	124	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 known as 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 Ltèe) (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 Ltèe; 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.	124	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 certain funds in the Fund Complex	137	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[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 Invesco Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Invesco Fund Complex.

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies 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)	124	ACE Limited (insurance company); and Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	137	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 General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	124	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis institute of Music
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	124	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: 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.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex	126	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)	124	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	124	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	124	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	124	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	137	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

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	124	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 Vice President, 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
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., INVESCO Global Asset Management Limited, Invesco Management Company Limited and INVESCO Management S.A.; 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

Trustees and Officers–(continued)

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 During Past 5 Years
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); and Vice President, 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: Vice President, Invesco Aim 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.; and 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	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., Van Kampen Funds Inc., 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: Regulatory Analyst III, Financial Industry Regulatory Authority (FINRA)	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; 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; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., 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; and 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 1000
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 1000
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
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

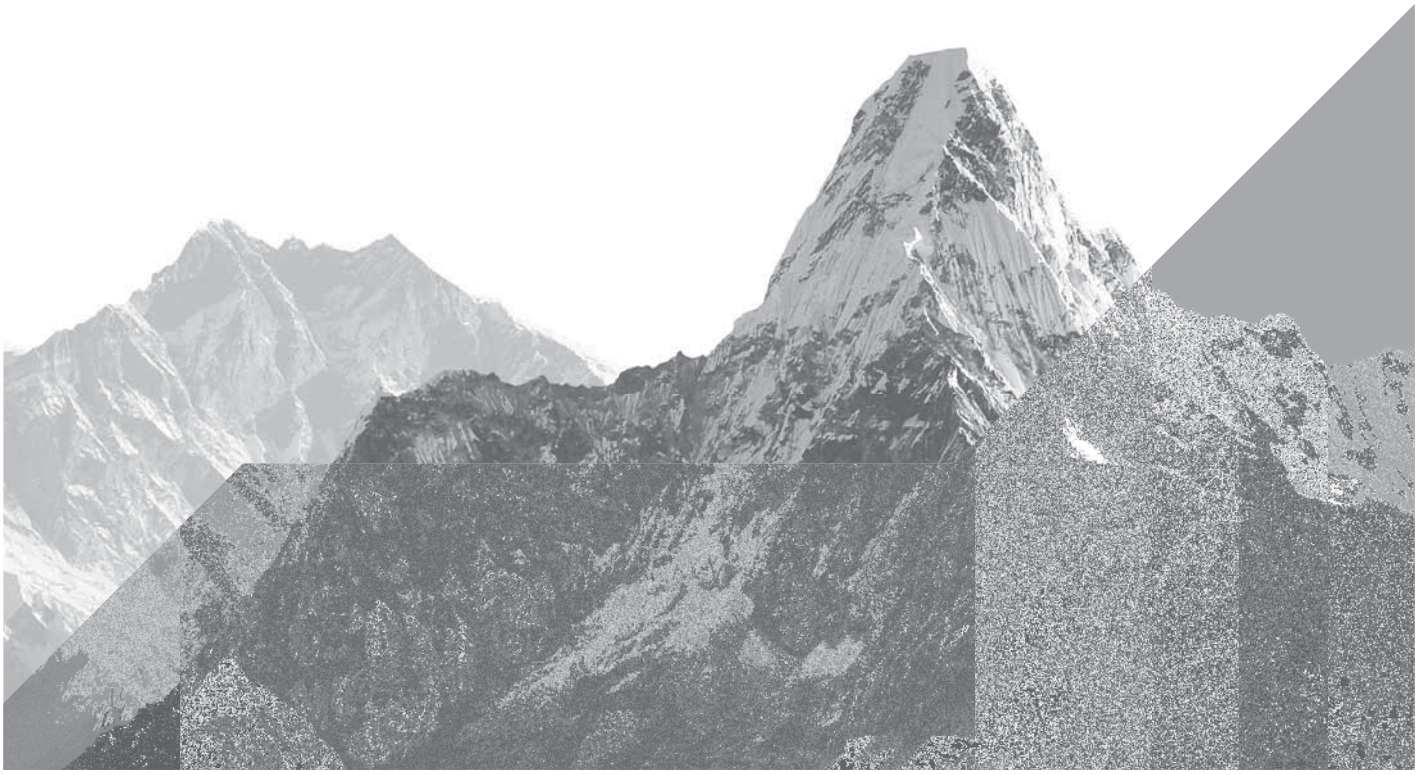
Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

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

Invesco V.I. International Growth Fund

Annual Report to Shareholders ■ December 31, 2012



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, 2012, 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 US 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

For the year ended December 31, 2012, Invesco V.I. International Growth Fund delivered double-digit gains but underperformed its style-specific and peer group benchmarks. The Fund's high single-digit cash position throughout the fiscal year detracted from performance as markets rebounded at the end of the reporting period.

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

Fund vs. Indexes

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

Series I Shares	15.53%
Series II Shares	15.26
MSCI EAFE Index▼ (Broad Market Index)	17.32
MSCI EAFE Growth Index▼ (Style-Specific Index)	16.86
Lipper VUF International Growth Funds Index■ (Peer Group Index)	19.17

Source(s): ▼Invesco, MSCI via FactSet Research Systems Inc.; ■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 EQV (earnings, quality, valuation) strategy focuses primarily on identifying quality companies that have experienced, or exhibit the potential for, accelerated or above-average earnings growth, but whose stock prices do not fully reflect 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 appears overvalued.
- A more attractive investment opportunity becomes available.

Market conditions and your Fund

Global equity markets rebounded in the beginning of 2012 following a difficult and volatile year in 2011. Improvements in global economic indicators and continued accommodative policy measures from central banks provided support for the rally in stocks, with some of the worst performing areas of the market in recent years leading the way in the beginning of 2012. During the year, macroeconomic concerns stemming largely from Greece and Spain eased somewhat as the pro-euro party won the Greek elections and Spanish banks were provided a bailout of up to 100 billion euros. Eurozone leaders also took steps to allow for the direct recapitalization of banks through the European Stability Mechanism (the bailout fund) and to move closer to a regional banking union during their most recent summit. In addition, the European Central Bank (ECB) announced new measures to support eurozone economies through potentially unlimited purchases of sovereign debt, with ECB President Mario Draghi pledging to "do whatever it takes" to save the euro (although key details of the plan remain unresolved). The US Federal Reserve announced a third round of quantitative easing with a promise to continue until the labor market outlook improved materially, and the Bank of Japan took steps to increase its asset purchase program. These easing measures were well received by investors and helped to drive equity markets higher during the year.

In this environment, we continued to construct the Fund's portfolio with a bottom-up approach, selecting stocks on an individual basis. The Fund fared better than its style-specific benchmark in six of 10 sectors, significantly outperforming in the materials and information technology (IT) sectors. In each sector, strong stock selection was a key driver of relative results.

In the materials sector, strong stock selection led the Fund to meaningfully outperform the style-specific index. The Fund's underweight exposure to this weak sector versus its style-specific index also supported relative results.

As a group, the Fund's holdings in the consumer discretionary sector delivered double-digit gains, outperforming the style-specific index's holdings for the reporting period. The Fund's holdings in the media, multiline retail and hotels, restaurants and leisure industries were particularly strong. Top contributors in this sector included UK-based retailer **Next**, German automobile maker **Volkswagen** and UK-based professional information solutions publisher **Reed Elsevier**.

Portfolio Composition

By sector

Consumer Discretionary	22.2%
Information Technology	12.5
Financials	10.6
Consumer Staples	10.2
Industrials	9.8
Health Care	9.3
Energy	8.7
Materials	4.8
Telecommunication Services	2.4
Utilities	0.9
Money Market Funds Plus Other Assets Less Liabilities	8.6

Top 10 Equity Holdings*

1.	SAP AG	2.5%
2.	Reed Elsevier PLC	2.5
3.	Compass Group PLC	2.4
4.	Anheuser-Busch InBev N.V.	2.3
5.	Suncor Energy, Inc.	2.0
6.	Imperial Tobacco Group PLC	2.0
7.	Brambles Ltd.	1.8
8.	Volkswagen AG-Preference Shares	1.8
9.	Roche Holding AG	1.8
10.	Teva Pharmaceutical Industries Ltd.-ADR	1.7

Total Net Assets	$1.4 billion
Total Number of Holdings*	77

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.

In contrast, stock selection combined with an underweight exposure to the strong-performing consumer staples sector detracted from relative returns.

The Fund's high single-digit cash position throughout the fiscal year detracted from performance as markets rebounded at the end of the reporting period. It is important to note that we do not use cash for "top-down" tactical asset allocation purposes. Historically when the portfolio's cash position has been higher than average, it has reflected a lack of good EQV investment opportunities in the marketplace rather than an overall negative opinion on markets. However, concerns about further downside risk led us to be cautious investors throughout the reporting period.

In broad geographic terms, the Fund benefited most significantly from strong stock performance in the UK, the largest country allocation in the portfolio. Within the UK, one of the largest contributors to Fund performance included **Compass Group**, a global leader in foodservice management and support services.

In the Asia Pacific region, outperformance of the style-specific index was led by the Fund's continued underweight exposure to Japan. The Japanese economy continued to face significant headwinds, including a weak export market, the result of the yen remaining near record highs. This put significant pressure on export-oriented companies. Much of the growth in the Japanese stock market this year reflected a temporary benefit resulting from the resumption of production after the devastating 2011 earthquake and tsunami. In our opinion, this boost is unlikely to last much beyond 2012.

As mentioned above, stock selection in the portfolio is driven by the underlying fundamentals of each individual company, not by any top-down macroeconomic views. This focus on bottom-up stock selection is the key driver of the portfolio's overall profile. The Fund ended the reporting period with overweight exposure (relative to our style-specific benchmark) to the consumer discretionary, IT, energy and telecommunication services sectors. The Fund had underweight exposure to the consumer staples, materials, industrials, financials, health care and utilities sectors.

With market volatility likely to continue for some time, our focus remains on ensuring that our portfolio is comprised of high-quality, reasonably valued companies capable of sustained earnings growth. We believe that this balanced EQV-focused approach may help deliver attractive returns over the long term.

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

Clas Olsson
Portfolio manager and chief investment officer of Invesco's international growth investments team, 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 BBA 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 BA in English from the Tianjin Foreign Language Institute and an MBA 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 BA in economics from The University of Texas at Austin and an MS in finance from Texas A&M University.

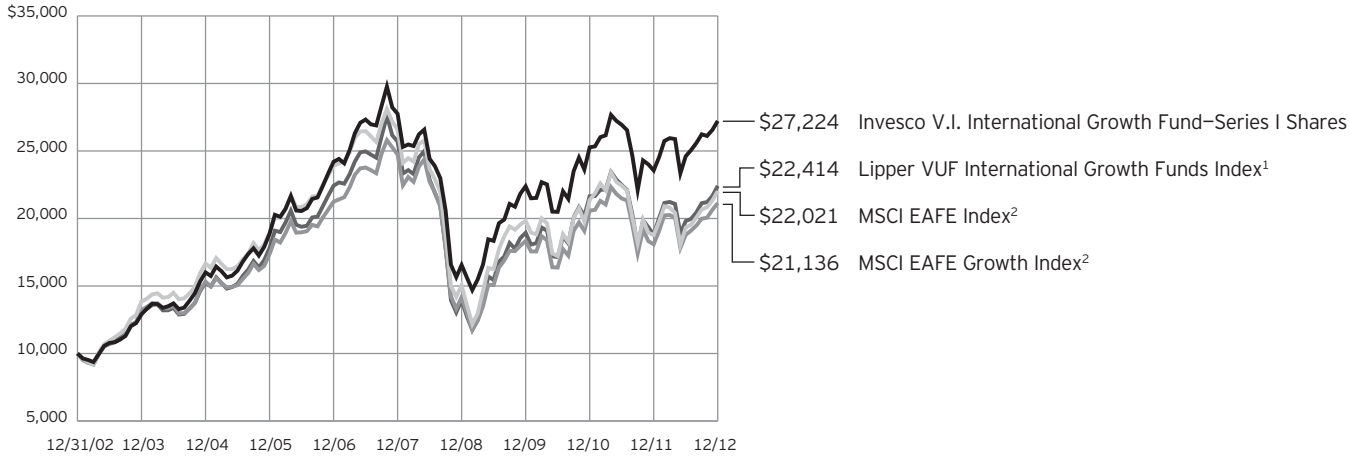
Jason Holzer
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. International Growth Fund. He joined Invesco in 1996. Mr. Holzer earned a BA in quantitative economics and an MS in engineering economic systems from Stanford University.

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 BS in finance and a BS in real estate from California State University, Northridge.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/02



1 Source: Lipper Inc.
2 Source(s): Invesco, MSCI via FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/12*	
Series I Shares	
Inception (5/5/93)	7.41%
10 Years	10.53
5 Years	-0.39
1 Year	15.53
Series II Shares	
Inception (9/19/01)	7.99%
10 Years	10.25
5 Years	-0.64
1 Year	15.26

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 1.03% and 1.28%, 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, 2012, 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. The performance of derivative instruments is tied to the performance of an underlying currency, security, index or other instrument. In addition to risks relating to their underlying instruments, the use of derivatives may include other, possibly greater, risks. Derivatives involve costs, may be volatile, and may involve a small initial investment relative to the risk assumed. Risks associated with the use of derivatives include counterparty, leverage, correlation, liquidity, tax, market, interest rate and management risks. Derivatives may also be more difficult to purchase, sell or value than other investments. The Fund may lose more than the cash amount invested on investments in derivatives.

Investors should bear in mind that, while the Fund intends to use derivative strategies, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the investment manager elects not to do so due to availability, cost, market conditions or other factors.

Developing/emerging markets securities risk. Securities issued by foreign companies and governments located in developing/emerging 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.

Geographic focus risk. From time to time the Fund may invest a substantial amount of its assets in securities of issuers located in a single country or a limited number of countries. If the Fund focuses its investments in this manner, it assumes the risk that economic, political and social conditions in those countries will have a significant impact on its investment performance. The Fund's investment performance may also be more volatile if it focuses its investments in certain countries, especially emerging market countries.

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.

Investing in the European Union risk. Many countries in the European Union are susceptible to high economic risks associated with high levels of debt, notably due to investments in sovereign debts of European countries such as Greece, Italy and Spain. One or more member states might exit the European Union, placing its currency and banking system in jeopardy. The European Union faces major issues involving its membership, structure, procedures and policies, including the adoption, abandonment or adjustment of the new constitutional treaty, the European Union's enlargement to the south and east, and resolution of the European Union's problematic fiscal and democratic accountability. Efforts of the member states to further unify their economic and monetary policies may increase the potential for the downward movement of one member state's market to cause a similar effect on other member states' markets. European countries that are part of the European Economic and Monetary Union may be significantly affected by the tight fiscal and monetary controls that the union seeks to impose on its members.

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

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

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.

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.

Schedule of Investments

December 31, 2012

	Shares	Value
Common Stocks & Other Equity Interests–91.38%		
Australia–5.14%		
BHP Billiton Ltd.	387,469	$ 15,148,628
Brambles Ltd.	3,267,078	26,028,641
CSL Ltd.	273,542	15,470,076
WorleyParsons Ltd.	657,369	16,234,741
		72,882,086
Belgium–2.28%		
Anheuser-Busch InBev N.V.	369,776	32,300,729
Brazil–1.73%		
Banco Bradesco S.A.–ADR	1,416,552	24,605,508
Canada–8.39%		
Agrium Inc.	134,833	13,465,643
Canadian National Railway Co.	132,030	12,013,972
Canadian Natural Resources Ltd.	340,209	9,815,237
Cenovus Energy Inc.	394,929	13,243,867
CGI Group Inc.–Class A[(a)]	508,229	11,744,508
Fairfax Financial Holdings Ltd.	39,373	14,221,002
Potash Corp. of Saskatchewan Inc.	400,673	16,338,514
Suncor Energy, Inc.	858,148	28,276,439
		119,119,182
China–4.90%		
Baidu, Inc. –ADR[(a)]	236,688	23,737,439
China Mobile Ltd.	1,480,500	17,343,589
CNOOC Ltd.	5,214,000	11,449,488
Industrial & Commercial Bank of China Ltd.–Class H	23,652,000	17,058,281
		69,588,797
Denmark–0.98%		
Novo Nordisk A.S.–Class B	85,235	13,915,642
France–4.53%		
Cap Gemini S.A.	220,478	9,604,393
Eutelsat Communications S.A.	279,237	9,267,847
L'Oreal S.A.	71,381	9,967,063
Publicis Groupe S.A.	305,046	18,269,429
Schneider Electric S.A.	230,673	17,197,228
		64,305,960
Germany–7.67%		
Adidas AG	257,459	22,934,708
Deutsche Boerse AG	187,535	11,441,605
Fresenius Medical Care AG & Co. KGaA	204,991	14,157,368
SAP AG	439,795	35,216,315
Volkswagen AG–Preference Shares	110,415	25,109,575
		108,859,571
Hong Kong–2.26%		
Galaxy Entertainment Group Ltd.[(a)]	4,009,000	$ 15,992,445
Hutchison Whampoa Ltd.	1,510,000	16,019,674
		32,012,119
Ireland–1.71%		
Shire PLC	260,953	8,016,868
WPP PLC	1,119,631	16,280,888
		24,297,756
Israel–1.74%		
Teva Pharmaceutical Industries Ltd.–ADR	660,798	24,674,197
Japan–5.28%		
Canon Inc.	150,100	5,879,443
Denso Corp.	287,600	9,993,755
Fanuc Corp.	73,700	13,687,365
Keyence Corp.	73,500	20,258,450
Komatsu Ltd.	297,837	7,611,387
Toyota Motor Corp.	375,200	17,489,832
		74,920,232
Mexico–3.65%		
America Movil S.A.B. de C.V.–ADR	698,812	16,170,510
Fomento Economico Mexicano, S.A.B. de C.V.–ADR	120,151	12,099,206
Grupo Televisa S.A.B.–ADR	884,282	23,504,215
		51,773,931
Netherlands–1.23%		
Unilever N.V.	463,092	17,466,912
Singapore–2.33%		
Keppel Corp. Ltd.	2,125,661	19,317,156
United Overseas Bank Ltd.	837,000	13,710,429
		33,027,585
South Korea–2.52%		
Hyundai Mobis	73,457	20,039,083
NHN Corp.	73,018	15,659,797
		35,698,880
Spain–1.13%		
Amadeus IT Holding S.A.–Class A	641,922	16,101,842
Sweden–4.40%		
Investment AB Kinnevik–Class B	433,738	9,064,947
Investor AB–Class B	636,032	16,685,473
Swedbank AB–Class A	727,648	14,321,917
Telefonaktiebolaget LM Ericsson–Class B	1,036,186	10,424,396
Volvo AB–Class B	864,575	11,924,701
		62,421,434

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

	Shares		Value
Switzerland–8.02%			
ABB Ltd.	753,828	$	15,637,881
Julius Baer Group Ltd.	401,686		14,438,699
Nestle S.A.	323,111		21,034,861
Novartis AG	239,018		15,118,542
Roche Holding AG	122,208		24,873,698
Syngenta AG	56,333		22,702,679
			113,806,360
Taiwan–1.08%			
Taiwan Semiconductor Manufacturing Co. Ltd.–ADR	890,024		15,272,812
Turkey–1.07%			
Akbank T.A.S.	3,053,947		15,117,871
United Kingdom–18.40%			
BG Group PLC	1,215,588		20,388,951
British American Tobacco PLC	474,212		24,034,994
British Sky Broadcasting Group PLC	1,192,941		14,906,230
Centrica PLC	2,347,627		12,756,766
Compass Group PLC	2,820,635		33,368,221
Gazprom OAO–ADR	760,500		7,292,338
Imperial Tobacco Group PLC	725,580		28,025,923
Informa PLC	1,688,165		12,492,433
Kingfisher PLC	3,498,804		16,151,672
Next PLC	234,536		14,479,743
Pearson PLC	532,595		10,414,768
Reed Elsevier PLC	3,325,189		34,923,812
Royal Dutch Shell PLC–Class B	471,279		16,684,290
Smith & Nephew PLC	1,371,839		15,185,836
			261,105,977
United States–0.94%			
Avago Technologies Ltd.	420,309		13,306,983
Total Common Stocks & Other Equity Interests (Cost $934,547,606)			1,296,582,366

	Shares		Value
Money Market Funds–8.50%			
Liquid Assets Portfolio–Institutional Class[(b)]	60,276,542	$	60,276,542
Premier Portfolio–Institutional Class[(b)]	60,276,541		60,276,541
Total Money Market Funds (Cost $120,553,083)			120,553,083
TOTAL INVESTMENTS–99.88% (Cost $1,055,100,689)			1,417,135,449
OTHER ASSETS LESS LIABILITIES–0.12%			1,715,913
NET ASSETS–100.00%			$1,418,851,362

Investment Abbreviations:

ADR – American Depositary Receipt

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, 2012

Assets:	
Investments, at value (Cost $934,547,606)	$1,296,582,366
Investments in affiliated money market funds, at value and cost	120,553,083
Total investments, at value (Cost $1,055,100,689)	1,417,135,449
Foreign currencies, at value (Cost $514,174)	517,416
Receivable for:	
Investments sold	1,295,738
Fund shares sold	957,495
Dividends	2,009,696
Investment for trustee deferred compensation and retirement plans	77,819
Other assets	190
Total assets	1,421,993,803
Liabilities:	
Payable for:	
Fund shares reacquired	1,484,710
Accrued fees to affiliates	1,340,432
Accrued other operating expenses	95,647
Trustee deferred compensation and retirement plans	221,652
Total liabilities	3,142,441
Net assets applicable to shares outstanding	$1,418,851,362
Net assets consist of:	
Shares of beneficial interest	$1,284,343,013
Undistributed net investment income	13,999,707
Undistributed net realized gain (loss)	(241,544,197)
Unrealized appreciation	362,052,839
	$1,418,851,362
Net Assets:	
Series I	$ 591,490,817
Series II	$ 827,360,545
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	19,695,815
Series II	27,873,359
Series I:	
Net asset value per share	$ 30.03
Series II:	
Net asset value per share	$ 29.68

Statement of Operations

For the year ended December 31, 2012

Investment income:	
Dividends (net of foreign withholding taxes of $2,612,167)	$ 29,217,575
Dividends from affiliated money market funds	173,207
Total investment income	29,390,782
Expenses:	
Advisory fees	9,327,362
Administrative services fees	3,480,071
Custodian fees	338,600
Distribution fees – Series II	1,828,836
Transfer agent fees	65,691
Trustees' and officers' fees and benefits	69,138
Other	55,474
Total expenses	15,165,172
Less: Fees waived	(175,809)
Net expenses	14,989,363
Net investment income	14,401,419
Realized and unrealized gain (loss) from:	
Net realized gain (loss) from:	
Investment securities (includes net gains from securities sold to affiliates of $37,339)	16,963,841
Foreign currencies	(216,406)
	16,747,435
Change in net unrealized appreciation (depreciation) of:	
Investment securities (net of foreign taxes of $52,335)	154,116,074
Foreign currencies	(242,300)
	153,873,774
Net realized and unrealized gain	170,621,209
Net increase in net assets resulting from operations	$185,022,628

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, 2012 and 2011

	2012	2011
Operations:		
Net investment income	$ 14,401,419	$ 19,119,924
Net realized gain	16,747,435	53,816,330
Change in net unrealized appreciation (depreciation)	153,873,774	(159,536,857)
Net increase (decrease) in net assets resulting from operations	185,022,628	(86,600,603)
Distributions to shareholders from net investment income:		
Series I	(8,556,390)	(8,703,100)
Series II	(9,968,702)	(6,565,728)
Total distributions from net investment income	(18,525,092)	(15,268,828)
Share transactions-net:		
Series I	(26,680,260)	6,595,238
Series II	127,622,176	90,856,363
Net increase in net assets resulting from share transactions	100,941,916	97,451,601
Net increase (decrease) in net assets	267,439,452	(4,417,830)
Net assets:		
Beginning of year	1,151,411,910	1,155,829,740
End of year (includes undistributed net investment income of $13,999,707 and $18,339,786, respectively)	$1,418,851,362	$1,151,411,910

Notes to Financial Statements

December 31, 2012

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-five 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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' prices 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 became 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 declared and paid to separate accounts of participating insurance companies annually and recorded on the 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 the 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 July 1, 2012, the Adviser has contractually agreed, through at least June 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 2.25% and Series II shares to 2.50% of average daily net assets. Prior to July 1, 2012, 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 1.11% and Series II shares to 1.36% 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 Trustees and Invesco mutually agree to amend or continue the fee waiver agreement, it will terminate on June 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, 2013, 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, 2012, the Adviser waived advisory fees of $175,809.

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, 2012, Invesco was paid $309,850 for accounting and fund administrative services and reimbursed $3,170,221 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, 2012, 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, 2012, 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, 2012. 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, 2012, there were transfers from Level 1 to Level 2 of $370,338,789 and from Level 2 to Level 1 of $21,034,861, due to foreign fair value adjustments.

	Level 1	Level 2	Level 3	Total
Australia	$ –	$ 72,882,086	$–	$ 72,882,086
Belgium	–	32,300,729	–	32,300,729
Brazil	24,605,508	–	–	24,605,508
Canada	119,119,182	–	–	119,119,182
China	23,737,439	45,851,358	–	69,588,797
Denmark	–	13,915,642	–	13,915,642
France	–	64,305,960	–	64,305,960
Germany	35,216,315	73,643,256	–	108,859,571
Hong Kong	–	32,012,119	–	32,012,119
Ireland	–	24,297,756	–	24,297,756
Israel	24,674,197	–	–	24,674,197
Japan	–	74,920,232	–	74,920,232
Mexico	51,773,931	–	–	51,773,931
Netherlands	–	17,466,912	–	17,466,912
Singapore	–	33,027,585	–	33,027,585
South Korea	–	35,698,880	–	35,698,880
Spain	–	16,101,842	–	16,101,842
Sweden	–	62,421,434	–	62,421,434
Switzerland	21,034,861	92,771,499	–	113,806,360
Taiwan	15,272,812	–	–	15,272,812
Turkey	–	15,117,871	–	15,117,871
United Kingdom	16,151,672	244,954,305	–	261,105,977
United States	133,860,066	–	–	133,860,066
	$465,445,983	$951,689,466	$–	$1,417,135,449

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, 2012, the Fund engaged in securities sales of $135,819, which resulted in net realized gains of $37,339.

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.

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. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. 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, 2012 and 2011:

	2012	2011
Ordinary income	$18,525,092	$15,268,828

Tax Components of Net Assets at Period-End:

	2012
Undistributed ordinary income	$ 17,912,503
Net unrealized appreciation–investments	340,322,039
Net unrealized appreciation –other investments	18,079
Temporary book/tax differences	(212,381)
Capital loss carryforward	(223,531,891)
Shares of beneficial interest	1,284,343,013
Total net assets	$1,418,851,362

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 passive foreign investment companies.

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 $12,836,124 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, 2012, which expires as follows:

Capital Loss Carryforward*

Expiration	Short-Term	Long-Term	Total
December 31, 2016	$ 42,539,639	$–	$ 42,539,639
December 31, 2017	143,189,697	–	143,189,697
December 31, 2018	37,802,555	–	37,802,555
	$223,531,891	$–	$223,531,891

* 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 02, 2011, the date of the reorganizations of Invesco Van Kampen V.I. International Growth Equity 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 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, 2012 was $356,811,603 and $289,652,148, 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	$349,103,402
Aggregate unrealized (depreciation) of investment securities	(8,781,363)
Net unrealized appreciation of investment securities	$340,322,039

Cost of investments for tax purposes is $1,076,813,410.

NOTE 9—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of foreign currency transactions, on December 31, 2012, undistributed net investment income was decreased by $216,406 and undistributed net realized gain (loss) was increased by $216,406. This reclassification had no effect on the net assets of the Fund.

NOTE 10—Share Information

Summary of Share Activity

	Year ended December 31,			
	2012[a]		2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	3,825,772	$ 108,462,127	4,674,557	$ 132,444,153
Series II	7,868,132	219,142,823	5,695,478	157,043,118
Issued as reinvestment of dividends:				
Series I	293,127	8,556,390	292,246	8,703,100
Series II	345,296	9,968,702	222,492	6,565,728
Issued in connection with acquisitions:[b]				
Series I	–	–	426	13,190
Series II	–	–	1,107,888	34,002,342
Reacquired:				
Series I	(5,060,588)	(143,698,777)	(4,761,021)	(134,565,205)
Series II	(3,624,167)	(101,489,349)	(3,833,060)	(106,754,825)
Net increase in share activity	3,647,572	$ 100,941,916	3,399,006	$ 97,451,601

[a] There are entities that are record owners of more than 5% of the outstanding shares of the Fund and in the aggregate own 32% 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 $34,015,532, 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 $1,282,435,416.

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 earnings of the Target Fund that have been included in the Fund's Statement of Operations since May 2, 2011.

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[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 (000's 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 12/31/12	$26.37	$0.35	$ 3.73	$ 4.08	$(0.42)	$ –	$(0.42)	$30.03	15.53%	$ 591,491	1.00%[d]	1.01%[d]	1.24%[d]	24%
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	1.03	1.75	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
Series II														
Year ended 12/31/12	26.08	0.28	3.69	3.97	(0.37)	–	(0.37)	29.68	15.26	827,361	1.25[d]	1.26[d]	0.99[d]	24
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	1.28	1.50	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

[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 year ended 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 $583,089 and $731,534 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. 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, 2012, 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, 2012 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 15, 2013
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, 2012 through December 31, 2012.

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 (07/01/12)	Ending Account Value (12/31/12)[1]	Expenses Paid During Period [2]	Ending Account Value (12/31/12)	Expenses Paid During Period [2]	Annualized Expense Ratio
Series I	$1,000.00	$1,106.20	$5.35	$1,020.06	$5.13	1.01%
Series II	1,000.00	1,104.70	6.67	1,018.80	6.39	1.26

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2012 through December 31, 2012, 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 184/366 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, 2012:

Federal and State Income Tax

Corporate Dividends Received Deduction *	0%
Foreign Taxes	$0.0506 per share
Foreign Source Income	$0.6547 per share

* 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 1000, 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 During Past 5 Years
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 and Chief Executive Officer, 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)	124	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 known as 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 Ltèe) (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 Ltèe; 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.	124	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 certain funds in the Fund Complex	137	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[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 Invesco Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Invesco Fund Complex.

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies 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)	124	ACE Limited (insurance company); and Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	137	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 General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	124	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis institute of Music
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	124	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: 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.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex	126	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)	124	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	124	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	124	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	124	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	137	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

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	124	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 Vice President, 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
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., INVESCO Global Asset Management Limited, Invesco Management Company Limited and INVESCO Management S.A.; 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

Trustees and Officers–(continued)

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 During Past 5 Years
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); and Vice President, 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: Vice President, Invesco Aim 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.; and 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	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., Van Kampen Funds Inc., 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: Regulatory Analyst III, Financial Industry Regulatory Authority (FINRA)	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; 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; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., 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; and 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 1000
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 1000
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
2005 Market Street, Suite 2600
Philadelphia, PA 19103-7018

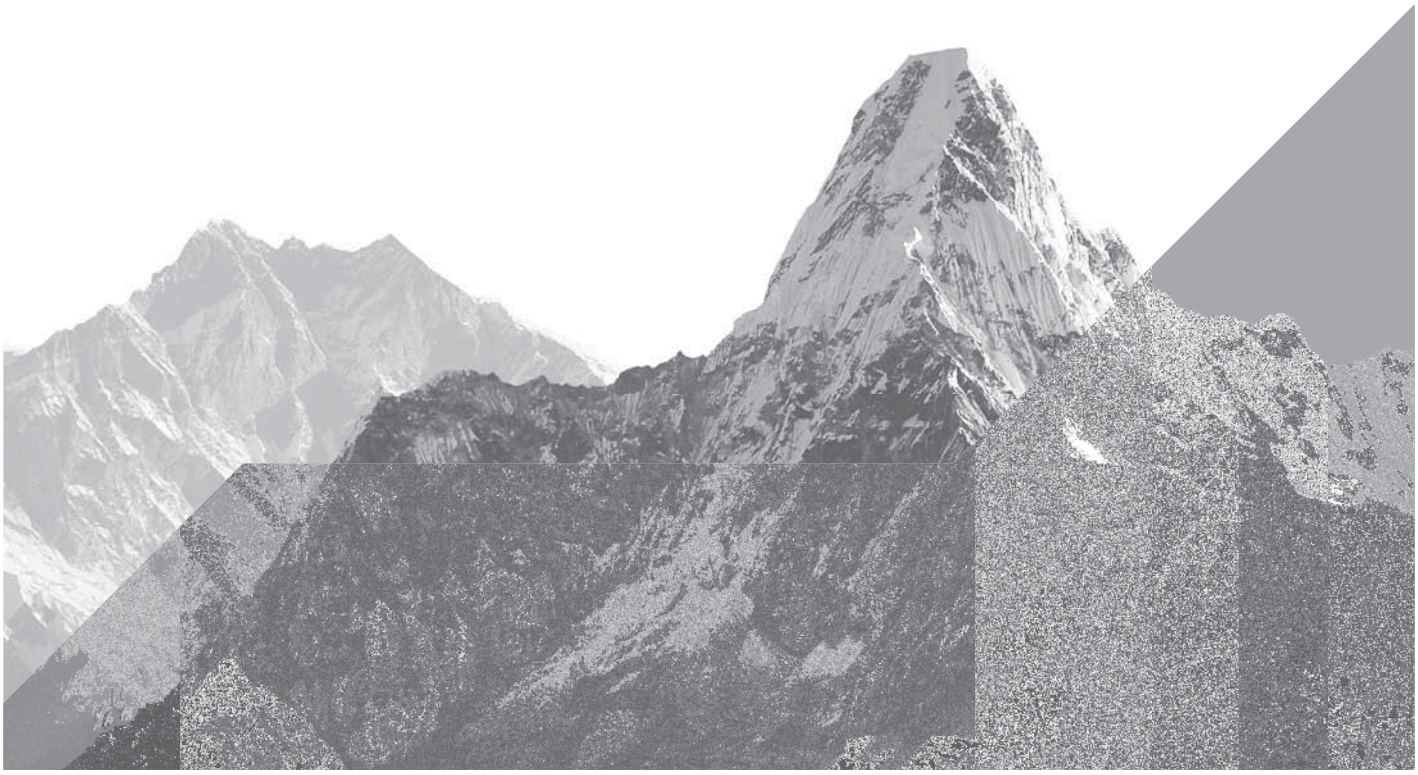
Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
Invesco Investment Services, Inc.
11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

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

Invesco V.I. Technology Fund

Annual Report to Shareholders ■ December 31, 2012



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, 2012, 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 US 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

Amid significant volatility and uncertainty, information technology (IT) stocks delivered significant gains, yet lagged the broad market during the year ended December 31, 2012. Invesco V.I. Technology Fund outperformed its style-specific benchmark, the BofA Merrill Lynch 100 Technology Index, primarily as a result of the Fund's security selection in the computers and peripherals industry and the IT services industry.

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

Fund vs. Indexes

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

Series I Shares	11.28%
Series II Shares	11.04
S&P 500 Index▼ (Broad Market Index)	16.00
BofA Merrill Lynch 100 Technology Index (price only)■ (Style-Specific Index)	9.77
Lipper VUF Science & Technology Funds Classification Average■ (Peer Group)	13.35

Source(s): ▼Invesco, S&P-Dow Jones via FactSet Research Systems Inc.; ■Lipper Inc.

How we invest

We seek to grow capital by investing in companies we believe are capable of generating sustainable, superior earnings and cash flow growth that is not fully reflected in investor expectations or equity valuations. The Fund emphasizes companies we believe have a strategic advantage over their competition and that operate in industries we believe 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 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 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 in the IT sector.

We may reduce or eliminate a holding 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

The year 2012 began with improving economic data in the US and a rally in equities that continued almost uninterrupted into the spring. However, the ongoing eurozone sovereign debt crisis intensified in April and May, dominating headlines and creating significant volatility in global equity markets. This negative news from overseas precipitated a slowdown in the US, where economic data began to decelerate over the summer. While corporate earnings remained solid until late in the year, financial markets were negatively influenced by headline economic data. Asian economies, which are mainly export-driven, were similarly affected with sharp corrections mid-year.

Fears about the fate of the eurozone began to subside after the European Central Bank announced new measures to support member economies through potentially unlimited purchases of sovereign debt, among other measures. At the same time, continued risk aversion among investors and corporations, along with tepid employment growth, prompted the US Federal Reserve to initiate a third round of quantitative easing and to promise to remain accommodative until the labor market outlook improved materially. Asian governments continued to try to balance key aims of supporting growth while preventing asset bubbles. China announced a surprise interest rate cut in July and the Bank of Japan announced an expansion and extension of its asset purchase plan in September, following the US and European central banks' monetary easing announcements.

Near year end, market psychology turned negative — first, due to uncertainty about the outcome of the US presidential election, and then due to the apparent inability of the White House and Congress to reach an agreement on legislation averting the "fiscal cliff" — a variety of tax increases and spending cuts scheduled to take effect in January 2013.

Despite volatility for much of the year, major equity market indexes delivered double-digit gains, and all 10 sectors of

Portfolio Composition

By sector

Information Technology	92.9%
Consumer Discretionary	2.5
Health Care	1.3
Industrials	0.6
Financials	0.4
Money Market Funds Plus Other Assets Less Liabilities	2.3

Top 10 Equity Holdings*

1. Apple Inc.	10.1%
2. QUALCOMM, Inc.	4.7
3. Google Inc.-Class A	4.3
4. Cognizant Technology Solutions Corp.-Class A	3.4
5. Oracle Corp.	3.0
6. Salesforce.com, Inc.	3.0
7. Visa Inc.-Class A	2.7
8. EMC Corp.	2.5
9. Microsemi Corp.	2.3
10. Broadcom Corp.-Class A	2.3

Top Five Industries*

1. Semiconductors	17.1%
2. Internet Software & Services	12.4
3. Application Software	11.3
4. Communications Equipment	10.9
5. Computer Hardware	10.1

Total Net Assets	$97.5 million
Total Number of Holdings*	69

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 S&P 500 Index had positive returns.[1] Financials, consumer discretionary, telecommunication services and health care were the leading market sectors, while utilities, energy, consumer staples and IT were lagging sectors.

Security selection in the computers and peripherals industry and IT services industry benefited Fund performance on both an absolute and benchmark-relative basis during the year. The professional services industry was the only detractor from absolute Fund performance. Relative to the BofA Merrill Lynch Technology 100 Index, security selection and underweight exposure to semiconductors and Internet software and services stocks detracted from Fund performance.

Top individual contributors to the Fund's absolute performance during the year included **Apple** and **Visa**. Apple introduced and received record sales on the iPhone 5 during the year. The iPhone 5 boasts a thinner aluminum body, a display with more pixels, greater battery life, a redesigned camera and over 200 new operating features versus the iPhone 4S. Visa's stock rose because the company increased its dividend and announced a share repurchase plan during the year.

Top individual detractors from Fund performance included **Marvell** and **MicroStrategy**. While semiconductor company Marvell initiated a quarterly dividend in 2012, it also lowered revenue guidance throughout the year, often below analyst estimates. We sold Marvell during the year. MicroStrategy, a fairly new holding, is a global provider of enterprise software platforms aimed at helping businesses manage, analyze and increase accessibility of data. The stock experienced weakness toward the end of the year, despite securing several large contracts. At the close of the reporting period, we continued to hold MicroStrategy.

At the close of the reporting period, the Fund had overweight exposure (relative to its style-specific index) to the computers and peripherals, Internet and catalog retail, communications equipment and life sciences tools and services industries. Conversely, we were underweight the electronic equipment and instruments, IT services, semiconductors and Internet software and services industries. Additionally, the Fund did not have exposure to office electronics, an industry in which the style-specific index had minor exposure.

We remain confident about the medium-term outlook for IT stocks, primarily because of the potential for increased enterprise spending. Businesses have been reluctant to hire additional employees due to ancillary costs and, therefore, are using IT to boost productivity. 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 other conditions conducive to continued secular growth.

Longer term, we anticipate 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 – desire for productivity gains support increased technology use in international markets; 2) consumerization – technology demand is consumer-driven; and 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.

1 Source: Lipper Inc.

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.

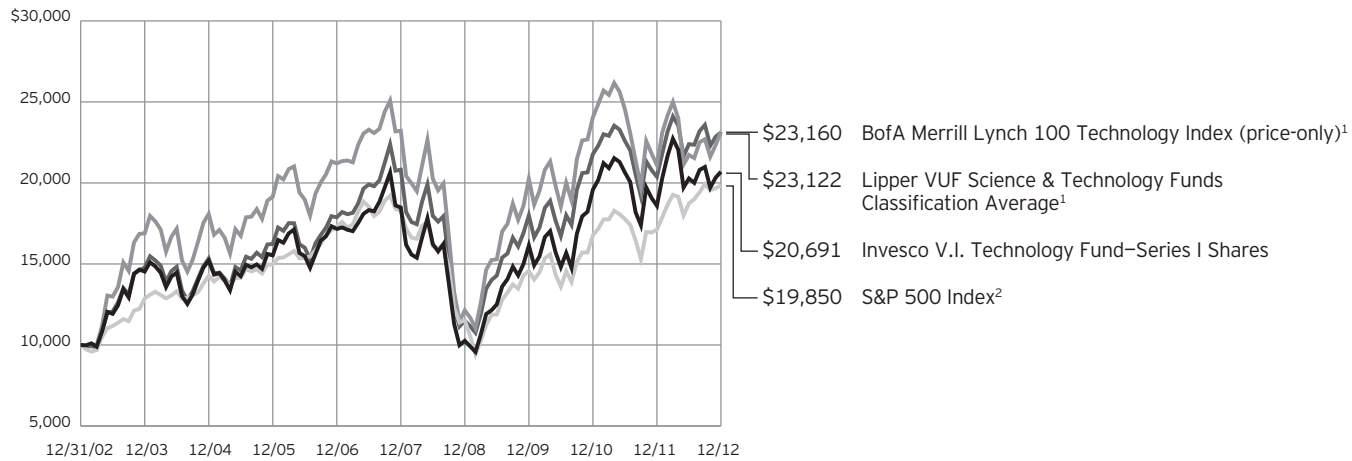
Warren Tennant
Chartered Financial Analyst, portfolio manager, is lead manager of Invesco V.I. Technology Fund. He joined Invesco in 2000. Mr. Tennant earned a BBA in finance and an MBA from The University of Texas at Austin.

Brian Nelson
Chartered Financial Analyst, portfolio manager, is manager of Invesco V.I. Technology Fund. He joined Invesco in 2004. Mr. Nelson earned a BA from the University of California, Santa Barbara.

Your Fund's Long-Term Performance

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

Fund and index data from 12/31/02



1 Source: Lipper Inc.
2 Source(s): Invesco, S&P-Dow Jones via FactSet Research Systems Inc.

Past performance cannot guarantee comparable future results.

Average Annual Total Returns *As of 12/31/12*	
Series I Shares	
Inception (5/20/97)	3.48%
10 Years	7.54
5 Years	2.28
1 Year	11.28
Series II Shares	
10 Years	7.26%
5 Years	2.01
1 Year	11.04

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 1.12% and 1.37%, 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, 2012, 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. The performance of derivative instruments is tied to the performance of an underlying currency, security, index or other instrument. In addition to risks relating to their underlying instruments, the use of derivatives may include other, possibly greater, risks. Derivatives involve costs, may be volatile, and may involve a small initial investment relative to the risk assumed. Risks associated with the use of derivatives include counterparty, leverage, correlation, liquidity, tax, market, interest rate and management risks. Derivatives may also be more difficult to purchase, sell or value than other investments. The Fund may lose more than the cash amount invested on investments in derivatives.

Investors should bear in mind that, while the Fund intends to use derivative strategies, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the investment manager elects not to do so due to availability, cost, market conditions or other factors.

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.

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.

Synthetic securities risk. Fluctuations in the values of synthetic securities may not correlate perfectly with the instruments they are designed to replicate. Synthetic securities may be subject to interest rate changes, market price fluctuations, counterparty risk and liquidity risk.

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 US stock market.

The **BofA Merrill Lynch 100 Technology Index (price only)** is an unmanaged, 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 Classification Average** represents an average of all variable insurance underlying funds in the Lipper Science & Technology Funds classification.

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 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.

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.

Schedule of Investments[(a)]

December 31, 2012

	Shares	Value
Common Stocks & Other Equity Interests–97.70%		
Application Software–11.26%		
Aspen Technology, Inc.[(b)]	39,484	$ 1,091,338
Autodesk, Inc.[(b)]	18,194	643,158
Cadence Design Systems, Inc.[(b)]	101,140	1,366,401
Citrix Systems, Inc.[(b)]	29,458	1,936,863
Informatica Corp.[(b)]	10,354	313,933
MicroStrategy Inc.–Class A[(b)]	8,882	829,401
Nuance Communications, Inc.[(b)]	27,802	620,541
Salesforce.com, Inc.[(b)]	17,231	2,896,531
SS&C Techonologies Holdings, Inc.[(b)]	37,166	859,278
TIBCO Software Inc.[(b)]	19,063	419,577
		10,977,021
Communications Equipment–10.94%		
Brocade Communications Systems, Inc.[(b)]	119,592	637,425
Ciena Corp.[(b)]	30,901	485,146
Cisco Systems, Inc.	83,498	1,640,736
F5 Networks, Inc.[(b)]	12,688	1,232,639
Finisar Corp.[(b)]	34,062	555,211
JDS Uniphase Corp.[(b)]	111,811	1,513,921
QUALCOMM, Inc.	74,179	4,600,581
		10,665,659
Computer Hardware–10.14%		
Apple Inc.	18,556	9,889,977
Computer Storage & Peripherals–2.49%		
EMC Corp.[(b)]	95,997	2,428,724
Data Processing & Outsourced Services–7.97%		
Alliance Data Systems Corp.[(b)]	12,462	1,803,999
Genpact Ltd.	68,965	1,068,958
MasterCard, Inc.–Class A	4,531	2,225,990
Visa Inc.–Class A	17,642	2,674,174
		7,773,121
Electronic Manufacturing Services–3.49%		
Jabil Circuit, Inc.	60,532	1,167,662
Molex Inc.	35,020	957,097
Sanmina Corp.[(b)]	114,990	1,272,939
		3,397,698
Internet Retail–2.46%		
Amazon.com, Inc.[(b)]	5,247	1,318,414
Priceline.com Inc.[(b)]	1,743	1,082,629
		2,401,043
Internet Software & Services–12.35%		
Akamai Technologies, Inc.[(b)]	17,863	730,775
Baidu, Inc.–ADR (China)[(b)]	3,656	366,660
eBay Inc.[(b)]	21,731	1,108,716
Facebook Inc.–Class A[(b)]	43,146	1,148,978
Internet Software & Services–(continued)		
Google Inc.–Class A[(b)]	5,877	$ 4,169,438
LogMeIn, Inc.[(b)]	39,757	890,954
ValueClick, Inc.[(b)]	63,201	1,226,732
VeriSign, Inc.[(b)]	32,965	1,279,701
Web.com Group Inc.[(b)]	75,509	1,117,533
		12,039,487
IT Consulting & Other Services–7.36%		
Accenture PLC–Class A	29,448	1,958,292
Cognizant Technology Solutions Corp.–Class A[(b)]	44,567	3,300,187
International Business Machines Corp.	9,984	1,912,435
		7,170,914
Life Sciences Tools & Services–1.33%		
Agilent Technologies, Inc.	31,574	1,292,640
Other Diversified Financial Services–0.35%		
BlueStream Ventures L.P. (Acquired 08/03/00-06/13/08; Acquisition Cost $3,149,655)[(b)(c)(d)]	–	341,773
Research & Consulting Services–0.64%		
Acacia Research[(b)]	24,482	627,963
Semiconductor Equipment–1.07%		
Teradyne, Inc.[(b)]	61,982	1,046,876
Semiconductors–17.13%		
ARM Holdings PLC–ADR (United Kingdom)	8,918	337,368
Avago Technologies Ltd.	33,610	1,064,093
Broadcom Corp.–Class A	67,028	2,226,000
Cirrus Logic, Inc.[(b)]	20,788	602,228
Cypress Semiconductor Corp.	74,900	811,916
Diodes Inc.[(b)]	50,846	882,178
Fairchild Semiconductor International, Inc.[(b)]	65,501	943,214
Intermolecular Inc.[(b)]	67,306	599,023
Lattice Semiconductor Corp.[(b)]	246,253	982,549
MA-COM Technology Solutions Holdings Inc.[(b)]	28,412	425,328
Maxim Integrated Products, Inc.	27,465	807,471
Microsemi Corp.[(b)]	106,963	2,250,502
ON Semiconductor Corp.[(b)]	116,453	820,994
Semtech Corp.[(b)]	54,789	1,586,142
Skyworks Solutions, Inc.[(b)]	45,135	916,240
Texas Instruments Inc.	25,070	775,666
Xilinx, Inc.	18,595	667,560
		16,698,472
Systems Software–8.72%		
Check Point Software Technologies Ltd. (Israel)[(b)]	23,472	1,118,206
CommVault Systems, Inc.[(b)]	11,879	828,085
Fortinet Inc.[(b)]	60,273	1,269,952
Infoblox, Inc.[(b)]	13,588	244,177
Oracle Corp.	88,151	2,937,191

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

	Shares	Value
Systems Software–(continued)		
Red Hat, Inc.[(b)]	14,168	$ 750,337
Rovi Corp.[(b)]	19,606	302,521
Symantec Corp.[(b)]	55,589	1,045,629
		8,496,098
Total Common Stocks & Other Equity Interests (Cost $78,729,107)		95,247,466
Money Market Funds–1.65%		
Liquid Assets Portfolio-Institutional Class[(e)]	802,314	802,314
Premier Portfolio-Institutional Class[(e)]	802,314	802,314
Total Money Market Funds (Cost $1,604,628)		1,604,628
TOTAL INVESTMENTS–99.35% (Cost $80,333,735)		96,852,094
OTHER ASSETS LESS LIABILITIES–0.65%		636,741
NET ASSETS–100.00%		$97,488,835

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, 2012 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, 2012

Assets:	
Investments, at value (Cost $78,729,107)	$95,247,466
Investments in affiliated money market funds, at value and cost	1,604,628
Total investments, at value (Cost $80,333,735)	96,852,094
Cash	795,135
Receivable for:	
Fund shares sold	56,334
Dividends	11,579
Investment for trustee deferred compensation and retirement plans	38,292
Total assets	97,753,434
Liabilities:	
Payable for:	
Fund shares reacquired	102,431
Accrued fees to affiliates	64,740
Accrued other operating expenses	37,765
Trustee deferred compensation and retirement plans	59,663
Total liabilities	264,599
Net assets applicable to shares outstanding	$97,488,835
Net assets consist of:	
Shares of beneficial interest	$70,920,323
Undistributed net investment income	2,076,625
Undistributed net realized gain	7,973,528
Unrealized appreciation	16,518,359
	$97,488,835
Net Assets:	
Series I	$95,370,902
Series II	$ 2,117,933
Shares outstanding, $0.001 par value per share, with an unlimited number of shares authorized:	
Series I	5,651,714
Series II	128,343
Series I:	
Net asset value per share	$ 16.87
Series II:	
Net asset value per share	$ 16.50

Statement of Operations

For the year ended December 31, 2012

Investment income:	
Dividends	$ 776,628
Dividends from affiliated money market funds	3,958
Total investment income	780,586
Expenses:	
Advisory fees	794,695
Administrative services fees	308,497
Custodian fees	10,794
Distribution fees – Series II	5,030
Transfer agent fees	30,506
Trustees' and officers' fees and benefits	25,160
Other	60,617
Total expenses	1,235,299
Less: Fees waived	(4,218)
Net expenses	1,231,081
Net investment income (loss)	(450,495)
Realized and unrealized gain from:	
Net realized gain from:	
Investment securities	9,554,276
Change in net unrealized appreciation of:	
Investment securities	2,176,313
Net realized and unrealized gain	11,730,589
Net increase in net assets resulting from operations	$11,280,094

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, 2012 and 2011

	2012	2011
Operations:		
Net investment income (loss)	$ (450,495)	$ (756,527)
Net realized gain	9,554,276	11,675,866
Change in net unrealized appreciation (depreciation)	2,176,313	(16,912,981)
Net increase (decrease) in net assets resulting from operations	11,280,094	(5,993,642)
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	(16,315,465)	(21,625,874)
Series II	331,851	520,728
Net increase (decrease) in net assets resulting from share transactions	(15,983,614)	(21,105,146)
Net increase (decrease) in net assets	(4,703,520)	(27,310,006)
Net assets:		
Beginning of year	102,192,355	129,502,361
End of year (includes undistributed net investment income of $2,076,625 and $1,881,365, respectively)	$ 97,488,835	$102,192,355

Notes to Financial Statements

December 31, 2012

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-five 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 (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Foreign securities' (including foreign exchange contracts) prices 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 the Adviser determines 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' prices 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 became 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 declared and paid to separate accounts of participating insurance companies annually and recorded on the 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 the 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.

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 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. The Adviser did not waive fees and/or reimburse expenses during the period under this expense limitation.

The Adviser has contractually agreed, through at least June 30, 2013, 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, 2012, the Adviser waived advisory fees of $4,218.

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, 2012, Invesco was paid $50,000 for accounting and fund administrative services and reimbursed $258,497 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, 2012, 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, 2012, expenses incurred under the Plan are detailed in the Statement of Operations as *Distribution fees*.

For the year ended December 31, 2012, the Fund incurred $968 in brokerage commissions with Invesco Capital Markets, Inc., an affiliate of the Adviser and IDI, for portfolio transactions executed on behalf of the Fund.

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, 2012. 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
Equity Securities	$96,510,321	$–	$341,773	$96,852,094

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.

NOTE 5—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. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. 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, 2012 and 2011:

	2012	2011
Ordinary income	$–	$211,218

Tax Components of Net Assets at Period-End:

	2012
Undistributed long-term gain	$ 8,068,484
Net unrealized appreciation – investments	18,555,078
Temporary book/tax differences	(55,050)
Shares of beneficial interest	70,920,323
Total net assets	$97,488,835

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 $1,524,170 of capital loss carryforward in the current period to offset net realized capital gain for federal income tax purposes. The Fund does not have a capital loss carryforward as of December 31, 2012.

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, 2012 was $43,193,946 and $58,776,017, 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	$25,475,540
Aggregate unrealized (depreciation) of investment securities	(6,920,462)
Net unrealized appreciation of investment securities	$18,555,078

Cost of investments for tax purposes is $78,297,016.

NOTE 8—Reclassification of Permanent Differences

Primarily as a result of differing book/tax treatment of partnership and net operating losses, on December 31, 2012, undistributed net investment income was increased by $645,755 , undistributed net realized gain was increased by $18,893 and shares of beneficial interest was decreased by $664,648. This reclassification had no effect on the net assets of the Fund.

NOTE 9—Share Information

Summary of Share Activity

	Years ended December 31,			
	2012[a]		2011	
	Shares	Amount	Shares	Amount
Sold:				
Series I	678,900	$ 11,607,559	1,327,553	$ 22,172,590
Series II	65,426	1,097,512	56,016	891,686
Issued as reinvestment of dividends:				
Series I	–	–	14,376	209,892
Series II	–	–	93	1,326
Reacquired:				
Series I	(1,662,300)	(27,923,024)	(2,725,269)	(44,008,356)
Series II	(45,637)	(765,661)	(23,813)	(372,284)
Net increase (decrease) in share activity	(963,611)	$(15,983,614)	(1,351,044)	$(21,105,146)

[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 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 (loss)[a]	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[b]	Net assets, end of period (000's 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[c]
Series I												
Year ended 12/31/12	$15.16	$(0.07)	$ 1.78	$ 1.71	$ –	$16.87	11.28%	$ 95,371	1.16%[d]	1.16%[d]	(0.42)%[d]	42%
Year ended 12/31/11	16.00	(0.10)	(0.71)	(0.81)	(0.03)	15.16	(5.05)	100,579	1.12	1.12	(0.62)	41
Year ended 12/31/10	13.19	0.02	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)	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	(6.73)	(6.72)	–	8.38	(44.50)	71,546	1.15	1.16	0.05	81
Series II												
Year ended 12/31/12	14.86	(0.11)	1.75	1.64	–	16.50	11.04	2,118	1.41[d]	1.41[d]	(0.67)[d]	42
Year ended 12/31/11	15.71	(0.14)	(0.70)	(0.84)	(0.01)	14.86	(5.32)	1,613	1.37	1.37	(0.87)	41
Year ended 12/31/10	12.98	(0.01)	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)	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)	(6.67)	(6.69)	–	8.26	(44.75)	115	1.40	1.41	(0.20)	81

[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.
[d] Ratios are based on average daily net assets (000's) of $103,947 and $2,012 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, 2012, 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, 2012 by correspondence with the custodian, provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP

February 15, 2013
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, 2012 through December 31, 2012.

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 (07/01/12)	Ending Account Value (12/31/12)[1]	Expenses Paid During Period[2]	Ending Account Value (12/31/12)	Expenses Paid During Period[2]	Annualized Expense Ratio
Series I	$1,000.00	$1,020.60	$5.99	$1,019.20	$5.99	1.18%
Series II	1,000.00	1,019.20	7.26	1,017.95	7.25	1.43

[1] The actual ending account value is based on the actual total return of the Fund for the period July 1, 2012 through December 31, 2012, 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 184/366 to reflect the most recent fiscal half 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 1000, 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 During Past 5 Years
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 and Chief Executive Officer, 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)	124	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 known as 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 Ltèe) (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 Ltèe; 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.	124	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 certain funds in the Fund Complex	137	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy

[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 Invesco Fund Complex by reason of he and his firm currently providing legal services as legal counsel to such Funds in the Invesco Fund Complex.

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees				
Bruce L. Crockett – 1944 Trustee and Chair	1993	Chairman, Crockett Technologies 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)	124	ACE Limited (insurance company); and Investment Company Institute
David C. Arch – 1945 Trustee	2010	Chairman and Chief Executive Officer of Blistex Inc., (consumer health care products manufacturer) Formerly: Member of the Heartland Alliance Advisory Board, a nonprofit organization serving human needs based in Chicago	137	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 General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	124	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee and Overseer, The Curtis institute of Music
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	124	Chairman, Board of Governors, Western Golf Association; Chairman-elect, Evans Scholars Foundation; and Director, Denver Film Society
Rodney F. Dammeyer – 1940 Trustee	2010	Chairman of CAC, LLC, (private company offering capital investment and management advisory services) Formerly: 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.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex	126	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)	124	Director of Nature's Sunshine Products, Inc.
Jack M. Fields – 1952 Trustee	1997	Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit) Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives	124	Insperity, Inc. (formerly known as Administaff)
Prema Mathai-Davis – 1950 Trustee	1998	Retired Formerly: Chief Executive Officer, YWCA of the U.S.A.	124	None
Larry Soll – 1942 Trustee	2004	Retired Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	124	None
Hugo F. Sonnenschein – 1940 Trustee	2010	Distinguished Service Professor and President Emeritus of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago Formerly: President of the University of Chicago	137	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

Trustees and Officers–(continued)

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 During Past 5 Years
Independent Trustees–(continued)				
Raymond Stickel, Jr. – 1944 Trustee	2005	Retired Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	124	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 Vice President, 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
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., INVESCO Global Asset Management Limited, Invesco Management Company Limited and INVESCO Management S.A.; 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

Trustees and Officers–(continued)

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 During Past 5 Years
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); and Vice President, 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: Vice President, Invesco Aim 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.; and 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	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., Van Kampen Funds Inc., 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: Regulatory Analyst III, Financial Industry Regulatory Authority (FINRA)	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; 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; Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., 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; and 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 1000
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 1000
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
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Philadelphia, PA 19103-7018

Counsel to the Independent Trustees
Goodwin Procter LLP
901 New York Avenue, N.W.
Washington, D.C. 20001

Transfer Agent
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11 Greenway Plaza, Suite 1000
Houston, TX 77046-1173

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

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio — Small Cap Value Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

- Columbia Variable Portfolio — Small Cap Value Fund (the Fund) Class 1 shares returned 11.40% for the 12-month period that ended December 31, 2012.
- The Fund underperformed its benchmark, the Russell 2000 Value Index, which returned 18.05% for the same time period.
- The Fund's relative performance was affected by its positioning in high quality stocks with strong balance sheets and cash flow growth. During the year, lower quality stocks drove performance in the small capitalization range.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1	05/19/98	11.40	3.65	9.69
Class 2	06/01/00	11.25	3.47	9.52
Russell 2000 Value Index		18.05	3.55	9.50

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

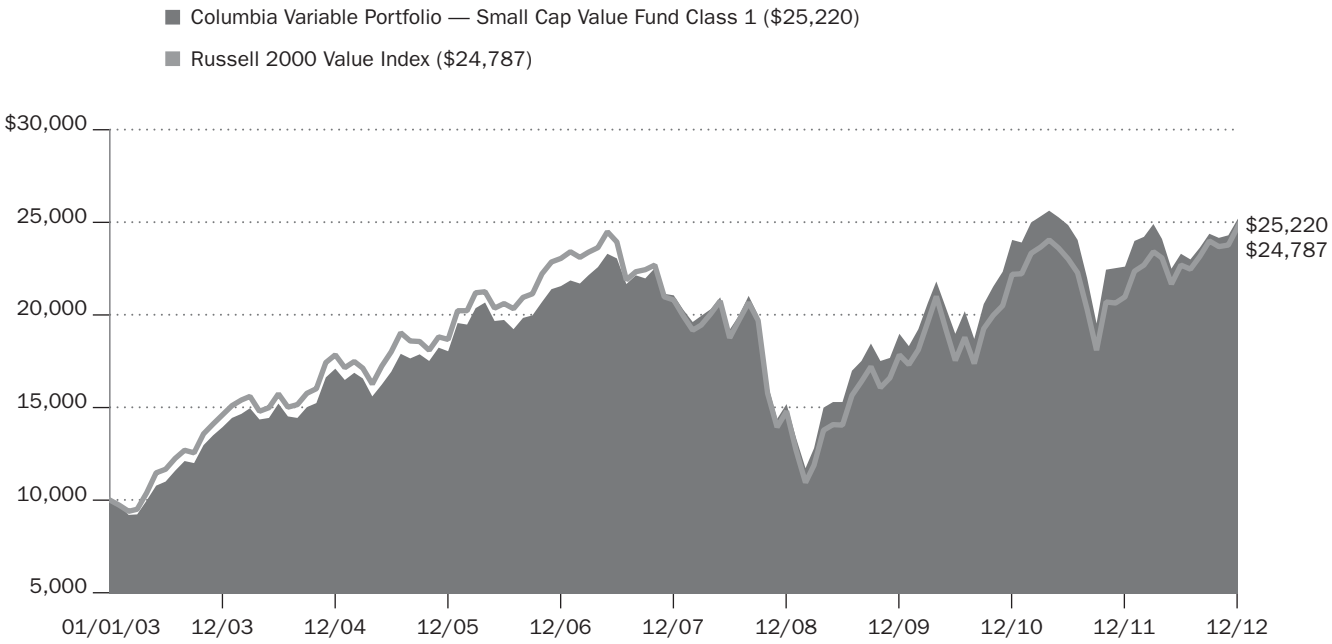
Investment earnings, if any, are tax-deferred until distributed to shareholders, at which time taxes may become due. Total return performance includes changes in share price and assumes reinvestment of dividends and capital gains, if any. Performance results reflect the effect of all fund expenses, but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

The Russell 2000 Value Index, an unmanaged 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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 – December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 1 shares of Columbia Variable Portfolio — Small Cap Value Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2012, the Fund's Class 1 shares returned 11.40%. The Fund underperformed its benchmark, the Russell 2000 Value Index, which returned 18.05% for the same time period. The Fund's relative performance was affected by its positioning in high quality stocks with strong balance sheets and cash flow growth. During the year, lower quality stocks drove performance in the small capitalization range. In particular, stock selection in the financials, consumer discretionary and industrials sectors of the market hurt the Fund's relative returns. This underperformance was partially offset by strong results in the technology and health care sectors. An underweight to underperforming utility stocks also helped.

Positioning Hurt Relative Returns

In a market environment that favored riskier stocks, an emphasis on higher quality names restrained Fund performance. Stock selection in three sectors — financials, consumer discretionary, and industrials — detracted the most from overall performance. An underweight allocation to real estate investment trusts (REITs) hurt, as REIT stocks benefited from declining interest rates. Holdings in the thrift, mortgage finance and capital markets subsectors disappointed, despite positive business results. Capital markets operator INTL FC Stone declined in value following a competitor's bankruptcy.

In the consumer discretionary area, an underweight position in homebuilders hurt. We continue to believe the market has overestimated the pace of recovery in homebuilding, and these stocks remain unattractive based on balance sheet fundamentals. Specialty retailers HH Gregg Appliances and Radio Shack also hurt. We exited these stocks due to continued competitive industry pressures. We retained a position in two underperforming consumer stocks: Rent-a-Center, which saw a pause in its stock price despite positive results, and Finish Line, which was hurt by a misperception that the running trend in athletic shoe purchases is over.

Within industrials, the Fund was hurt by not owning a benchmark name in commercial services and supplies, which saw strong performance upon its conversion to a REIT. Other detractors included business printer Consolidated Graphics and Acco Brands, a supplier of branded office products. Slowing print trends and the underperformance of a major competitor hurt the former, while the latter was affected by a slower than anticipated back-to-school season.

Technology and Health Care Names Aided Results

Among positive contributors was semiconductor chip maker Cymer, which was acquired by a European conglomerate at an attractive premium. Significant cash flow generation helped new holding First Solar. Top health care performers included two firms that were acquired by European concerns: Kensey Nash and Lincare. We sold medical sterilization company Cantel Medical when it reached our price target. Disposable medical connection maker ICU Medical benefited from increased use of IVs. An underweight in utilities also helped when that sector underperformed the benchmark.

Positioned to Benefit from Slow Economic Growth

The U.S. economy has been growing at a slow pace, and we currently do not envision that will change in 2013. We remain focused on finding high quality names that we believe will be rewarded by the market over longer periods. Going

Portfolio Management

Jeremy Javidi, CFA

John Barrett, CFA

Top Ten Holdings (%) (at December 31, 2012)	
Rent-A-Center, Inc.	1.0
OM Group, Inc.	1.0
Greif, Inc., Class A	0.9
Colonial Properties Trust	0.9
Helix Energy Solutions Group, Inc.	0.8
Hancock Holding Co.	0.8
Fresh Del Monte Produce, Inc.	0.8
IDACORP, Inc.	0.8
Minerals Technologies, Inc.	0.8
Argo Group International Holdings Ltd.	0.8

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 security.

Manager Discussion of Fund Performance *(continued)*

forward, we are focused on finding quality stocks at attractive prices with growing cash flow and strong balance sheets that can benefit from a slow growth environment. In particular, we are seeking stocks that meet our criteria in the health care, industrial and energy sectors. The energy sector offers attractive valuations due to its recent underperformance, and we believe the sector can benefit from a stabilization of energy prices. We currently continue to emphasize health care names which are benefiting from the aging Baby Boom generation, increasing use of medical care and more advanced care techniques. We have also identified several opportunities among undervalued industrials. We continue to limit the portfolio's exposure to REIT and specialty finance stocks because of high valuations in those areas. We also presently maintain an underweight position in consumer discretionary stocks and utilities, although we have slightly increased our exposure to the latter.

Portfolio Breakdown (%) (at December 31, 2012)	
Common Stocks	**98.9**
Consumer Discretionary	11.0
Consumer Staples	3.2
Energy	8.4
Financials	30.4
Health Care	7.0
Industrials	15.4
Information Technology	11.7
Materials	6.0
Telecommunication Services	1.4
Utilities	4.4
Exchange-Traded Funds	**0.4**
Money Market Funds	**0.7**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,080.70	1,020.83	4.63	4.49	0.88
Class 2	1,000.00	1,000.00	1,079.10	1,020.07	5.41	5.26	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 366.

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 investment 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

December 31, 2012

(Percentages represent value of investments compared to net assets)

Common Stocks 99.1%

Issuer	Shares	Value ($)
Consumer Discretionary 11.1%		
Auto Components 1.6%		
Cooper Tire & Rubber Co.	83,660	2,121,617
Dana Holding Corp.	135,936	2,121,961
Gentherm, Inc.[a]	70,669	939,898
Total		5,183,476
Diversified Consumer Services 0.5%		
Lincoln Educational Services Corp.	132,195	738,970
Universal Technical Institute, Inc.	67,641	679,116
Total		1,418,086
Hotels, Restaurants & Leisure 1.3%		
Life Time Fitness, Inc.[a]	30,800	1,515,668
Red Robin Gourmet Burgers, Inc.[a]	35,024	1,235,997
WMS Industries, Inc.[a]	85,270	1,492,225
Total		4,243,890
Household Durables 0.3%		
Cavco Industries, Inc.[a]	20,467	1,022,941
Specialty Retail 5.4%		
Aaron's, Inc.	59,090	1,671,065
Casual Male Retail Group, Inc.[a]	178,920	751,464
Finish Line, Inc., Class A (The)	97,370	1,843,214
GameStop Corp., Class A	69,626	1,746,916
Haverty Furniture Companies, Inc.	34,480	562,369
HOT Topic, Inc.	80,510	776,921
Men's Wearhouse, Inc. (The)	70,741	2,204,290
Pier 1 Imports, Inc.	88,530	1,770,600
Rent-A-Center, Inc.	93,846	3,224,549
Shoe Carnival, Inc.	57,795	1,184,220
Stage Stores, Inc.	55,253	1,369,169
Total		17,104,777
Textiles, Apparel & Luxury Goods 2.0%		
Crocs, Inc.[a]	106,150	1,527,498
Deckers Outdoor Corp.[a]	38,110	1,534,690
G-III Apparel Group Ltd.[a]	39,690	1,358,589
Steven Madden Ltd.[a]	45,480	1,922,439
Total		6,343,216
Total Consumer Discretionary		**35,316,386**

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Consumer Staples 3.2%		
Food & Staples Retailing 1.3%		
Andersons, Inc. (The)	28,850	1,237,665
Harris Teeter Supermarkets, Inc.	46,220	1,782,243
Spartan Stores, Inc.	67,217	1,032,453
Total		4,052,361
Food Products 1.6%		
Chiquita Brands International, Inc.[a]	108,500	895,125
Darling International, Inc.[a]	108,310	1,737,293
Fresh Del Monte Produce, Inc.	99,529	2,622,589
Total		5,255,007
Personal Products 0.3%		
Inter Parfums, Inc.	53,052	1,032,392
Total Consumer Staples		**10,339,760**
Energy 8.4%		
Energy Equipment & Services 4.6%		
Dawson Geophysical Co.[a]	38,105	1,005,210
Gulf Island Fabrication, Inc.	33,942	815,626
Helix Energy Solutions Group, Inc.[a]	127,910	2,640,062
Matrix Service Co.[a]	81,241	934,272
Newpark Resources, Inc.[a]	144,711	1,135,981
Patterson-UTI Energy, Inc.	106,830	1,990,243
RPC, Inc.	102,494	1,254,527
Tesco Corp.[a]	78,520	894,343
Tetra Technologies, Inc.[a]	129,196	980,598
TGC Industries, Inc.	120,091	983,545
Tidewater, Inc.	41,793	1,867,311
Total		14,501,718
Oil, Gas & Consumable Fuels 3.8%		
Bill Barrett Corp.[a]	77,180	1,373,032
Cloud Peak Energy, Inc.[a]	98,220	1,898,592
Energy XXI Bermuda Ltd.	63,420	2,041,490
Gulfport Energy Corp.[a]	49,549	1,893,763
Rex Energy Corp.[a]	73,510	957,100
Stone Energy Corp.[a]	84,102	1,725,773
VAALCO Energy, Inc.[a]	165,260	1,429,499
Western Refining, Inc.	33,330	939,573
Total		12,258,822
Total Energy		**26,760,540**

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

Portfolio of Investments *(continued)*

December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Financials 30.5%		
Capital Markets 0.6%		
GFI Group, Inc.	231,937	751,476
INTL FCStone, Inc.[a]	66,645	1,160,290
Total		1,911,766
Commercial Banks 9.8%		
Ameris Bancorp[a]	132,149	1,650,541
BancFirst Corp.	24,012	1,017,148
BankUnited, Inc.	59,688	1,458,775
Banner Corp.	26,320	808,814
Bryn Mawr Bank Corp.	68,001	1,514,382
Chemical Financial Corp.	82,959	1,971,106
Columbia Banking System, Inc.	78,058	1,400,360
Community Trust Bancorp, Inc.	48,949	1,604,548
First Citizens BancShares Inc., Class A	6,738	1,101,663
First Commonwealth Financial Corp.	254,858	1,738,132
First Financial Corp.	61,049	1,846,122
FirstMerit Corp.	155,600	2,207,964
Glacier Bancorp, Inc.	122,190	1,797,415
Hancock Holding Co.	82,864	2,630,103
Investors Bancorp, Inc.	91,143	1,620,523
Merchants Bancshares, Inc.	48,249	1,291,626
Northrim BanCorp, Inc.	66,880	1,514,832
Union First Market Bankshares Corp.	47,550	749,863
West Coast Bancorp	50,752	1,124,157
Wintrust Financial Corp.	62,957	2,310,522
Total		31,358,596
Consumer Finance 0.5%		
Cash America International, Inc.	42,369	1,680,778
Diversified Financial Services 0.3%		
Pico Holdings, Inc.[a]	38,371	777,780
Insurance 7.6%		
Allied World Assurance Co. Holdings AG	23,250	1,832,100
American Equity Investment Life Holding Co.	79,320	968,497
American Safety Insurance Holdings Ltd.[a]	77,546	1,467,170
Argo Group International Holdings Ltd.	75,030	2,520,258
Baldwin & Lyons, Inc., Class B	58,850	1,404,161
EMC Insurance Group, Inc.	59,342	1,417,087
Endurance Specialty Holdings Ltd.	41,600	1,651,104

Common Stocks *(continued)*

Issuer	Shares	Value ($)
FBL Financial Group, Inc., Class A	28,007	958,119
Hanover Insurance Group, Inc. (The)	46,200	1,789,788
Horace Mann Educators Corp.	81,968	1,636,081
Kemper Corp.	46,155	1,361,573
National Western Life Insurance Co., Class A	6,648	1,048,656
Navigators Group, Inc. (The)[a]	29,075	1,484,860
Safety Insurance Group, Inc.	31,306	1,445,398
Symetra Financial Corp.	134,695	1,748,341
United Fire Group, Inc.	62,950	1,374,828
Total		24,108,021
Real Estate Investment Trusts (REITs) 7.3%		
Associated Estates Realty Corp.	83,239	1,341,813
Campus Crest Communities, Inc.	89,460	1,096,780
Chesapeake Lodging Trust	113,507	2,370,026
Colonial Properties Trust	133,030	2,842,851
Cousins Properties, Inc.	253,890	2,119,982
National Health Investors, Inc.	35,037	1,980,642
Piedmont Office Realty Trust, Inc., Class A	124,300	2,243,615
Potlatch Corp.	60,379	2,366,253
Sabra Health Care REIT, Inc.	70,070	1,521,920
Starwood Property Trust, Inc.	61,439	1,410,639
Sunstone Hotel Investors, Inc.[a]	230,906	2,473,003
Terreno Realty Corp.	104,817	1,618,374
Total		23,385,898
Thrifts & Mortgage Finance 4.4%		
Bank Mutual Corp.	245,241	1,054,536
BankFinancial Corp.	135,468	1,005,173
Beneficial Mutual Bancorp, Inc.[a]	190,905	1,813,597
Brookline Bancorp, Inc.	164,962	1,402,177
ESSA Bancorp, Inc.	85,927	935,745
Home Federal Bancorp, Inc.	112,990	1,404,466
Northfield Bancorp, Inc.	61,758	941,809
Provident New York Bancorp	101,530	945,244
TrustCo Bank Corp.	105,742	558,318
United Financial Bancorp, Inc.	65,112	1,023,561
Washington Federal, Inc.	131,310	2,215,200
WSFS Financial Corp.	18,515	782,259
Total		14,082,085
Total Financials		**97,304,924**

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

Portfolio of Investments *(continued)*
December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Health Care 7.0%		
Biotechnology 0.2%		
Dynavax Technologies Corp.[a]	205,245	587,001
Health Care Equipment & Supplies 2.2%		
Angiodynamics, Inc.[a]	92,055	1,011,684
CONMED Corp.	62,530	1,747,713
ICU Medical, Inc.[a]	30,830	1,878,472
Orthofix International NV[a]	28,897	1,136,519
Quidel Corp.[a]	66,253	1,236,944
Total		7,011,332
Health Care Providers & Services 2.3%		
Amsurg Corp.[a]	43,751	1,312,967
Centene Corp.[a]	39,640	1,625,240
Magellan Health Services, Inc.[a]	38,320	1,877,680
Molina Healthcare, Inc.[a]	52,710	1,426,333
Triple-S Management Corp., Class B[a]	50,074	924,867
Total		7,167,087
Pharmaceuticals 2.3%		
Impax Laboratories, Inc.[a]	78,010	1,598,425
Jazz Pharmaceuticals PLC[a]	40,100	2,133,320
Questcor Pharmaceuticals, Inc.	46,770	1,249,694
Supernus Pharmaceuticals, Inc.[a]	64,817	464,738
Viropharma, Inc.[a]	89,390	2,034,517
Total		7,480,694
Total Health Care		**22,246,114**
Industrials 15.4%		
Aerospace & Defense 0.9%		
AAR Corp.	54,275	1,013,857
Curtiss-Wright Corp.	55,040	1,806,963
Total		2,820,820
Building Products 0.4%		
Universal Forest Products, Inc.	38,020	1,446,281
Commercial Services & Supplies 2.1%		
ABM Industries, Inc.	63,850	1,273,807
ACCO Brands Corp.[a]	190,011	1,394,681
Consolidated Graphics, Inc.[a]	29,226	1,020,572
Ennis, Inc.	50,692	784,205
Unifirst Corp.	30,760	2,255,323
Total		6,728,588

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Construction & Engineering 1.1%		
Comfort Systems U.S.A., Inc.	83,013	1,009,438
KHD Humboldt Wedag International AG	69,805	432,225
Layne Christensen Co.[a]	36,292	880,807
Pike Electric Corp.[a]	37,373	356,912
Sterling Construction Co., Inc.[a]	69,076	686,615
Total		3,365,997
Electrical Equipment 2.9%		
Belden, Inc.	48,638	2,188,224
Brady Corp., Class A	66,900	2,234,460
EnerSys, Inc.[a]	52,432	1,973,016
GrafTech International Ltd.[a]	171,479	1,610,188
Powell Industries, Inc.[a]	27,885	1,158,064
Total		9,163,952
Machinery 6.3%		
Albany International Corp., Class A	61,031	1,384,183
Altra Holdings, Inc.	49,187	1,084,573
Astec Industries, Inc.[a]	41,279	1,375,829
Briggs & Stratton Corp.	80,281	1,692,324
CIRCOR International, Inc.	36,280	1,436,325
Dynamic Materials Corp.	41,087	571,109
EnPro Industries, Inc.[a]	33,696	1,378,166
FreightCar America, Inc.	37,761	846,602
Gorman-Rupp Co.	19,780	590,037
Harsco Corp.	55,044	1,293,534
ITT Corp.	76,810	1,801,963
Kadant, Inc.[a]	40,776	1,080,972
LB Foster Co., Class A	35,069	1,523,397
Mueller Industries, Inc.	37,584	1,880,328
Titan International, Inc.	65,310	1,418,533
Twin Disc, Inc.	49,268	858,741
Total		20,216,616
Professional Services 0.4%		
Korn/Ferry International[a]	76,224	1,208,913
Road & Rail 1.0%		
Heartland Express, Inc.	105,533	1,379,316
Werner Enterprises, Inc.	88,908	1,926,637
Total		3,305,953

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

Portfolio of Investments *(continued)*

December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Trading Companies & Distributors 0.3%		
Kaman Corp.	29,411	1,082,325
Total Industrials		**49,339,445**
Information Technology 11.7%		
Communications Equipment 0.6%		
Emulex Corp.[a]	131,410	959,293
Symmetricom, Inc.[a]	160,136	923,985
Total		1,883,278
Computers & Peripherals 0.5%		
QLogic Corp.[a]	166,340	1,618,488
Electronic Equipment, Instruments & Components 1.6%		
Electro Scientific Industries, Inc.	81,893	814,835
GSI Group, Inc.[a]	85,445	739,954
Littelfuse, Inc.	32,910	2,030,876
MTS Systems Corp.	30,309	1,543,637
Total		5,129,302
Internet Software & Services 1.3%		
j2 Global, Inc.	65,246	1,995,223
Monster Worldwide, Inc.[a]	146,620	824,004
ValueClick, Inc.[a]	68,790	1,335,214
Total		4,154,441
IT Services 1.8%		
Acxiom Corp.[a]	124,895	2,180,667
Global Cash Access Holdings, Inc.[a]	111,603	874,967
MoneyGram International, Inc.[a]	95,795	1,273,116
TeleTech Holdings, Inc.[a]	76,870	1,368,286
Total		5,697,036
Semiconductors & Semiconductor Equipment 4.9%		
ATMI, Inc.[a]	57,775	1,206,342
Cabot Microelectronics Corp.	21,092	748,977
Cypress Semiconductor Corp.	127,020	1,376,897
Entegris, Inc.[a]	229,390	2,105,800
First Solar, Inc.[a]	42,200	1,303,136
Integrated Device Technology, Inc.[a]	214,030	1,562,419
MKS Instruments, Inc.	78,725	2,029,530
Silicon Laboratories, Inc.[a]	49,000	2,048,690
Teradyne, Inc.[a]	96,880	1,636,303
Tessera Technologies, Inc.	93,537	1,535,878
Total		15,553,972

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Software 1.0%		
Parametric Technology Corp.[a]	70,725	1,592,020
Progress Software Corp.[a]	78,691	1,651,724
Total		3,243,744
Total Information Technology		**37,280,261**
Materials 6.0%		
Chemicals 3.0%		
A. Schulman, Inc.	52,790	1,527,215
Chemtura Corp.[a]	116,890	2,485,081
Minerals Technologies, Inc.	63,160	2,521,347
OM Group, Inc.[a]	143,447	3,184,524
Total		9,718,167
Containers & Packaging 1.2%		
Greif, Inc., Class A	65,889	2,932,060
Greif, Inc., Class B	14,883	721,677
Total		3,653,737
Metals & Mining 1.1%		
Coeur d'Alene Mines Corp.[a]	85,612	2,106,055
Olympic Steel, Inc.	59,766	1,323,219
Total		3,429,274
Paper & Forest Products 0.7%		
Buckeye Technologies, Inc.	40,808	1,171,598
Wausau Paper Corp.	124,919	1,081,798
Total		2,253,396
Total Materials		**19,054,574**
Telecommunication Services 1.4%		
Diversified Telecommunication Services 0.9%		
Cbeyond, Inc.[a]	130,893	1,183,273
Lumos Networks Corp.	61,691	618,144
Neutral Tandem, Inc.[a]	179,293	460,783
Warwick Valley Telephone Co.	72,214	747,415
Total		3,009,615
Wireless Telecommunication Services 0.5%		
NTELOS Holdings Corp.	44,831	587,734
Shenandoah Telecommunications Co.	66,828	1,023,137
Total		1,610,871
Total Telecommunication Services		**4,620,486**

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

Portfolio of Investments *(continued)*
December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Utilities 4.4%		
Electric Utilities 3.0%		
Allete, Inc.	59,419	2,434,990
IDACORP, Inc.	59,680	2,587,128
MGE Energy, Inc.	40,697	2,073,512
Portland General Electric Co.	91,005	2,489,897
Total		9,585,527
Gas Utilities 1.4%		
Laclede Group, Inc. (The)	53,091	2,049,844
Southwest Gas Corp.	57,671	2,445,827
Total		4,495,671
Total Utilities		**14,081,198**
Total Common Stocks (Cost: $306,994,325)		**316,343,688**

Exchange-Traded Funds 0.3%

	Shares	Value ($)
iShares Russell 2000 Value Index Fund	14,940	1,128,120
Total Exchange-Traded Funds (Cost: $1,085,700)		**1,128,120**

Money Market Funds 0.7%

Columbia Short-Term Cash Fund, 0.142%[b][c]	2,182,116	2,182,116
Total Money Market Funds (Cost: $2,182,116)		**2,182,116**
Total Investments (Cost: $310,262,141)		**319,653,924**
Other Assets & Liabilities, Net		(458,812)
Net Assets		**319,195,112**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) The rate shown is the seven-day current annualized yield at December 31, 2012.

(c) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	—	52,419,067	(50,236,951)	—	2,182,116	2,404	2,182,116

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.).

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

> 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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	35,316,386	—	—	35,316,386
Consumer Staples	10,339,760	—	—	10,339,760
Energy	26,760,540	—	—	26,760,540
Financials	97,304,924	—	—	97,304,924
Health Care	22,246,114	—	—	22,246,114
Industrials	48,907,220	432,225	—	49,339,445
Information Technology	37,280,261	—	—	37,280,261
Materials	19,054,574	—	—	19,054,574
Telecommunication Services	4,620,486	—	—	4,620,486
Utilities	14,081,198	—	—	14,081,198
Exchange-Traded Funds	1,128,120	—	—	1,128,120
Total Equity Securities	317,039,583	432,225	—	317,471,808
Other				
Money Market Funds	2,182,116	—	—	2,182,116
Total Other	2,182,116	—	—	2,182,116
Total	319,221,699	432,225	—	319,653,924

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $308,080,025)	$317,471,808
Affiliated issuers (identified cost $2,182,116)	2,182,116
Total investments (identified cost $310,262,141)	319,653,924
Receivable for:	
Investments sold	974,221
Capital shares sold	330,368
Dividends	281,231
Reclaims	112
Expense reimbursement due from Investment Manager	77,241
Prepaid expenses	2,735
Trustees' deferred compensation plan	39,809
Total assets	321,359,641
Liabilities	
Payable for:	
Investments purchased	1,663,236
Capital shares purchased	80,109
Investment management fees	209,297
Distribution and/or service fees	61,958
Transfer agent fees	15,896
Administration fees	21,195
Compensation of board members	239
Chief compliance officer expenses	66
Other expenses	72,724
Trustees' deferred compensation plan	39,809
Total liabilities	2,164,529
Net assets applicable to outstanding capital stock	**$319,195,112**
Represented by	
Paid-in capital	$309,081,975
Undistributed net investment income	3,372,093
Accumulated net realized loss	(2,650,741)
Unrealized appreciation (depreciation) on:	
Investments	9,391,783
Foreign currency translations	2
Total — representing net assets applicable to outstanding capital stock	**$319,195,112**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Class 1	
Net assets	$20,532,087
Shares outstanding	1,332,522
Net asset value per share	$15.41
Class 2	
Net assets	$298,663,025
Shares outstanding	19,442,320
Net asset value per share	$15.36

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Dividends — unaffiliated issuers	$5,890,241
Dividends — affiliated issuers	2,404
Interest	1,435
Income from securities lending — net	93,254
Foreign taxes withheld	(179)
Total income	5,987,155
Expenses:	
Investment management fees	2,411,918
Distribution and/or service fees	
Class 2	707,310
Transfer agent fees	
Class 1	13,429
Class 2	169,750
Administration fees	244,246
Compensation of board members	28,541
Custodian fees	29,701
Printing and postage fees	113,980
Professional fees	27,660
Chief compliance officer expenses	218
Other	8,417
Total expenses	3,755,170
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(644,017)
Total net expenses	3,111,153
Net investment income	2,876,002
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	(2,463,510)
Foreign currency translations	(76)
Net realized loss	(2,463,586)
Net change in unrealized appreciation (depreciation) on:	
Investments	32,482,484
Foreign currency translations	2
Net change in unrealized appreciation (depreciation)	32,482,486
Net realized and unrealized gain	30,018,900
Net increase in net assets resulting from operations	**$32,894,902**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$2,876,002	$1,910,727
Net realized gain (loss)	(2,463,586)	18,218,029
Net change in unrealized appreciation (depreciation)	32,482,486	(38,777,364)
Net increase (decrease) in net assets resulting from operations	32,894,902	(18,648,608)
Distributions to shareholders		
Net investment income		
Class 1	(92,472)	(273,258)
Class 2	(812,331)	(2,467,512)
Net realized gains		
Class 1	(957,894)	(2,997,112)
Class 2	(13,057,096)	(30,090,661)
Total distributions to shareholders	(14,919,793)	(35,828,543)
Increase (decrease) in net assets from capital stock activity	9,989,516	22,578,988
Total increase (decrease) in net assets	27,964,625	(31,898,163)
Net assets at beginning of year	291,230,487	323,128,650
Net assets at end of year	**$319,195,112**	**$291,230,487**
Undistributed net investment income	$3,372,093	$1,454,759

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	122,293	1,852,356	189,593	2,913,927
Distributions reinvested	74,126	1,050,365	210,043	3,270,370
Redemptions	(581,889)	(9,007,152)	(366,352)	(5,753,027)
Net increase (decrease)	(385,470)	(6,104,431)	33,284	431,270
Class 2 shares				
Subscriptions	2,413,047	36,162,495	2,086,024	32,820,780
Distributions reinvested	980,865	13,869,426	2,096,470	32,558,173
Redemptions	(2,257,004)	(33,937,974)	(2,665,419)	(43,231,235)
Net increase	1,136,908	16,093,947	1,517,075	22,147,718
Total net increase	**751,438**	**9,989,516**	**1,550,359**	**22,578,988**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$14.59	$17.53	$14.01	$11.35	$18.08
Income from investment operations:					
Net investment income	0.16	0.12	0.13	0.12	0.17
Net realized and unrealized gain (loss)	1.44	(1.04)	3.58	2.70	(4.79)
Total from investment operations	1.60	(0.92)	3.71	2.82	(4.62)
Less distributions to shareholders:					
Net investment income	(0.07)	(0.17)	(0.19)	(0.14)	(0.12)
Net realized gains	(0.71)	(1.85)	—	(0.02)	(1.99)
Total distributions to shareholders	(0.78)	(2.02)	(0.19)	(0.16)	(2.11)
Net asset value, end of period	$15.41	$14.59	$17.53	$14.01	$11.35
Total return	11.40%	(5.96%)	26.75%	25.16%	(28.02%)
Ratios to average net assets[a][b]					
Total gross expenses	1.00%	0.98%[c]	0.93%[c]	0.92%	0.89%[c]
Total net expenses[d]	0.88%	0.90%[c]	0.93%[c][e][f]	0.92%[f]	0.89%[c][f]
Net investment income	1.06%	0.76%	0.85%	0.99%	1.16%
Supplemental data					
Net assets, end of period (in thousands)	$20,532	$25,058	$29,529	$23,538	$19,357
Portfolio turnover	49%	32%	39%	43%	48%

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) Certain line items from prior years have been reclassified to conform to the current presentation.

(c) Includes interest expense which rounds to less than 0.01%.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(e) The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

(f) The benefits derived from expense reductions had an impact of less than 0.01%.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 2	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$14.54	$17.49	$13.98	$11.31	$18.01
Income from investment operations:					
Net investment income	0.14	0.10	0.09	0.10	0.13
Net realized and unrealized gain (loss)	1.43	(1.04)	3.58	2.70	(4.77)
Total from investment operations	1.57	(0.94)	3.67	2.80	(4.64)
Less distributions to shareholders:					
Net investment income	(0.04)	(0.16)	(0.16)	(0.11)	(0.07)
Net realized gains	(0.71)	(1.85)	—	(0.02)	(1.99)
Total distributions to shareholders	(0.75)	(2.01)	(0.16)	(0.13)	(2.06)
Net asset value, end of period	$15.36	$14.54	$17.49	$13.98	$11.31
Total return	11.25%	(6.13%)	26.46%	25.00%	(28.15%)
Ratios to average net assets[a][b]					
Total gross expenses	1.25%	1.23%[c]	1.18%[c]	1.17%	1.14%[c]
Total net expenses[d]	1.03%	1.05%[c]	1.10%[c][e][f]	1.10%[f]	1.10%[c][f]
Net investment income	0.93%	0.61%	0.61%	0.81%	0.83%
Supplemental data					
Net assets, end of period (in thousands)	$298,663	$266,172	$293,600	$436,346	$314,060
Portfolio turnover	49%	32%	39%	43%	48%

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) Certain line items from prior years have been reclassified to conform to the current presentation.

(c) Includes interest expense which rounds to less than 0.01%.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(e) The Investment Manager reimbursed interest expense which had an impact of less than 0.01%.

(f) The benefits derived from expense reductions had an impact of less than 0.01%.

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

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Small Cap Value Fund (the Fund), 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.

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 variable life insurance policies (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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 ask 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 ask 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 or market, 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.

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 fair value.

Foreign Currency Transactions and Translations

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

Notes to Financial Statements *(continued)*

December 31, 2012

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 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.

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 an accrual basis.

The Fund may receive distributions from holdings in business development companies (BDCs), exchange traded funds (ETFs) and real estate investment trusts (REITs), which report information on the character of their distributions annually. These 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. If the Fund no longer owns the applicable securities, return of capital is recorded as realized gain. Management's estimates are subsequently adjusted when the actual character of the distributions is disclosed by the BDCs, ETFs and REITs, which could result in a proportionate change in return of capital to shareholders.

Awards from class action litigation are recorded as a reduction of cost basis 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 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.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income distribution. 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.

Notes to Financial Statements *(continued)*

December 31, 2012

Recent Accounting Pronouncement

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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. The effective investment management fee rate for the year ended December 31, 2012 was 0.79% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 0.08% to 0.05% as the Fund's net assets increase. The effective administration fee rate for the year ended December 31, 2012 was 0.08% of the Fund's average daily net assets.

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 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 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 fees.

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, 2013, 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 governing these fee waivers and/or expense reimbursement arrangements, 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 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.

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.

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards, deferral/reversal of wash sale losses, Trustees' deferred compensation, distribution reclassifications, foreign currency transactions, and passive foreign investment company (PFIC) holdings. 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	$(53,865)
Accumulated net realized loss	$53,865

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,	2012	2011
Ordinary income	$2,634,395	$3,731,475
Long-term capital gains	12,285,398	32,097,068
Total	$14,919,793	$35,828,543

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$3,443,809
Accumulated realized loss	(2,481,019)
Unrealized appreciation	9,188,778

At December 31, 2012, the cost of investments for federal income tax purposes was $310,465,146 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$37,256,239
Unrealized depreciation	(28,067,461)
Net unrealized appreciation	$9,188,778

The following capital loss carryforward, determined at December 31, 2012, 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
Unlimited long-term	$2,481,019
Total	$2,481,019

Unlimited capital loss carryforwards are required to be utilized prior to any capital losses which carry an expiration date. As a result of this ordering rule, capital loss carryforwards which carry an expiration date 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.

Notes to Financial Statements *(continued)*

December 31, 2012

Note 5. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $147,747,632 and $151,393,839, respectively, for the year ended December 31, 2012.

Note 6. Lending of Portfolio Securities

Effective December 31, 2012, the Fund no longer participates in securities lending activity. Prior to that date, the Fund had entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorized 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 were secured by cash or securities that either were issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value 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 was requested to be delivered the following business day. Cash collateral received was invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement.

Pursuant to the Agreement, the Fund received 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, 2012 is disclosed in the Statement of Operations. The Fund continued to earn and accrue interest and dividends on the securities loaned. At December 31, 2012, the Fund did not have any securities on loan.

Note 7. Affiliated Money Market Fund

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated 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 — affiliated issuers" 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, 2012, three unaffiliated shareholder accounts owned an aggregate of 86.8% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Subscription and redemption activity by concentrated 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 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. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

Note 10. Significant Risks

Financial Sector Risk

The Fund's portfolio managers may invest significantly in issuers operating in the financial sector. The Fund may be more susceptible to the particular risks of this sector than if the Fund were invested in a wider variety of issuers operating in unrelated sectors.

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 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 portfolio 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 Columbia Variable Portfolio — Small Cap Value Fund (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2012, the results of its operations, the changes in its net assets, 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 audit. We conducted our audit 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, 2012 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Federal Income Tax Information
(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2012.

Tax Designations:

Dividends Received Deduction	82.14%

Dividend Received Deduction. The percentage of ordinary income dividends paid during the fiscal year that qualifies for the corporate dividend received deduction.

Trustees and Officers

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.

Independent Trustees

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
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 52; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2005 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parsons 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 52; 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; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; 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 of Marketing, 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 52; 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 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; 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 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (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 52; 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 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

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
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 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. 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 52; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Interested Trustee

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
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	President, Columbia Management Investment Advisers, LLC since February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006. Oversees 208; Columbia Funds Board.

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.

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:

Officers

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
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)	Senior Vice President, 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; Vice President, General Counsel and Secretary, RiverSource Funds since December 2006; Senior Vice President, Secretary and Chief Legal Officer, Columbia Funds, since May 2010.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Thomas P. McGuire (Born 1972) 225 Franklin Street Boston, MA 02110 Chief Compliance Officer (since 2012)	Vice President — Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, 2005-2010.
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.
Paul D. Pearson (born 1956) 10468 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 Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-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); Assistant Secretary of RiverSource Funds since January 2007; officer of Columbia Funds and affiliated funds since 2007.
Michael E. DeFao (born 1968) 225 Franklin Street Boston, MA 02110 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

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Small Cap Value Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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C-1501 C (3/13)

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio — Strategic Income Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — Strategic Income Fund (the Fund) Class 1 shares returned 12.25% for the 12-month period ended December 31, 2012.

> During the 12-month period, the Fund outperformed its primary benchmark, the Barclays U.S. Government/Credit Bond Index, which returned 4.82%, as well as its New Blended Benchmark, which returned 9.73%.

> Favorable sector allocation decisions drove the Fund's strong performance for the year.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1	07/05/94	12.25	8.00	8.27
Class 2	06/01/00	11.96	7.78	8.05
Barclays U.S. Government/Credit Bond Index		4.82	6.06	5.25
New Blended Benchmark		9.73	8.17	8.21
Former Blended Benchmark		9.84	8.26	8.29

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

The Barclays U.S. 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.

The New Blended Benchmark, a weighted custom composite, established by the Investment Manager, consisting of a 35% weighting of the Barclays U.S. Aggregate Bond Index, a 35% weighting of the Bank of America Merrill Lynch (BofAML) U.S. High Yield Cash Pay Constrained Index, a 15% weighting of the Citigroup Non-U.S. World Government Bond Index — Unhedged (Citigroup Non U.S. WGBI — Unhedged) and a 15% weighting of the JPMorgan Emerging Markets Bond Index (EMBI) — Global. The Barclays U.S. 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 BofAML U.S. High Yield Cash Pay Constrained Index tracks the performance of U.S. dollar-denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the U.S. domestic market. The Citigroup Non-U.S. WGBI — 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 EMBI — Global is based on U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities, such as Brady bonds, Eurobonds and loans, and reflects reinvestment of all distributions and changes in market prices.

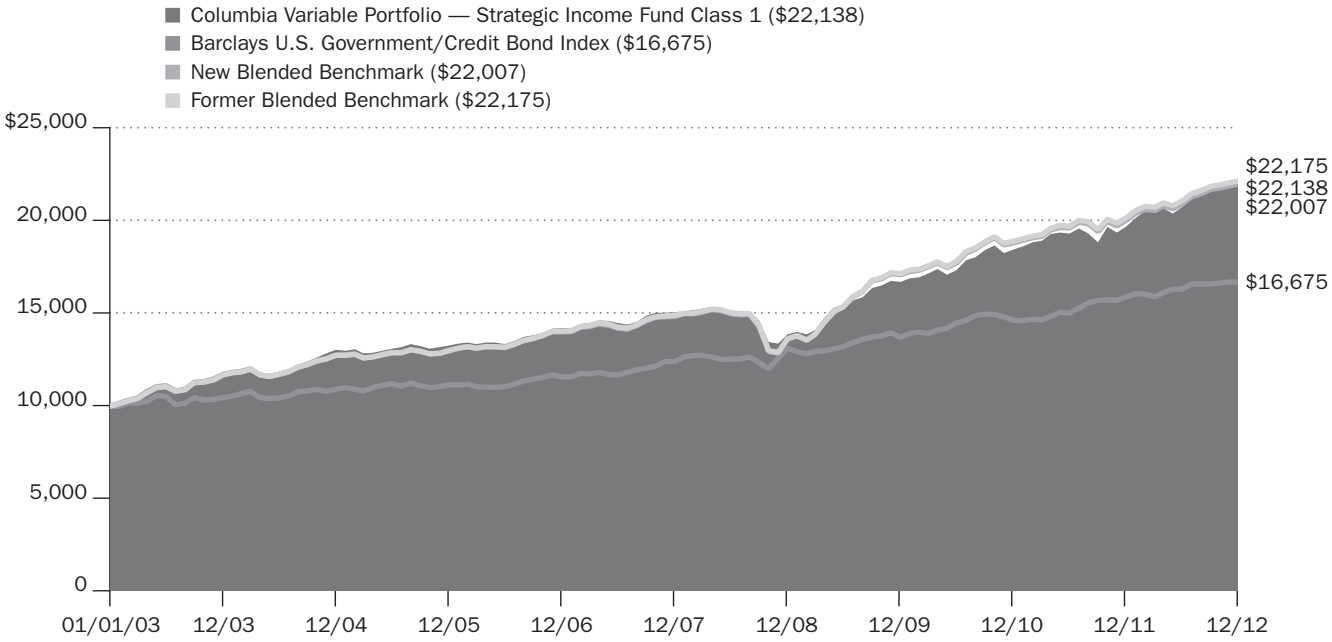
The Former Blended Benchmark is a weighted custom composite, established by the Investment Manager, consisting of a 35% weighting of the Barclays U.S. Aggregate Bond Index, a 35% weighting of the JPMorgan Global High Yield Index, a 15% weighting of the Citigroup Non-U.S. WGBI — Unhedged and a 15% weighting of the JPMorgan EMBI Global Diversified Index. The JPMorgan Global High Yield Index is designed to mirror the investable universe of the U.S. dollar global high yield corporate debt market, including domestic and international issues. The JPMorgan EMBI Global Diversified Index tracks total returns for traded external debt instruments in the emerging markets including U.S. dollar-denominated Brady bonds, loans and Eurobonds with an outstanding face value of at least $500 million.

Effective on February 29, 2012, the Fund changed its blended benchmark because the Investment Manager believes it is more consistent with the Fund's investment strategy.

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 Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 – December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 1 shares of Columbia Variable Portfolio — Strategic Income Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2012, the Fund's Class 1 shares returned 12.25%. During the 12-month period, the Fund outperformed its primary benchmark, the Barclays U.S. Government/Credit Bond Index, which returned 4.82%, as well as its New Blended Benchmark, which returned 9.73%. The New Blended Benchmark consists of 35% Barclays U.S. Aggregate Bond Index, 35% BofA Merrill Lynch U.S. High Yield Cash Pay Constrained Index, 15% Citigroup Non-U.S. World Government Bond Index — Unhedged and 15% JPMorgan Emerging Markets Bond Index-Global. Favorable sector allocation decisions drove the Fund's strong performance for the year.

Falling Volatility, Rising Asset Prices

Following a volatile year in 2011, 2012 was marked by falling volatility and rising asset prices across most global financial markets. Political uncertainty in the eurozone faded as the European Central Bank (ECB) pledged to do "whatever it takes" to protect the currency union. In the U.S., economic growth continued to muddle through as the housing market showed renewed signs of life. The U.S. labor market remained firm, adding just over 1.8 million jobs throughout the course of the year. This was sufficient to push the unemployment rate down to 7.8%, from 8.5% to start the year. Following the presidential election in November, the focus shifted squarely to the looming U.S. "fiscal cliff" of spending cuts and tax increases. In the end, policy makers came to a deal just before markets opened for the New Year, pushing some of the toughest budget decisions further into 2013.

Meanwhile, the Federal Reserve (the Fed) maintained its accommodative stance toward monetary policy. During 2012, the Fed used a number of tools to help keep interest rates low, including extending the maturity extension program (known as "operation twist"), starting a new mortgage-backed security (MBS) purchase program (known as "QE3"), and finally announcing an additional U.S. Treasury purchase program in December. In addition, the Fed removed its date-based guidance for short-term interest rates. In its place, the Fed stated that it expects rates will remain "exceptionally low" until the unemployment rate reaches 6.5%. While interest rates are still expected to remain low for a long time, this so-called "Evan's Rule" adds some flexibility for the Fed to move sooner should the labor market improve faster than forecast.

Against this backdrop of slow growth, declining volatility and accommodative monetary policy, financial markets performed quite well in 2012. U.S. equity markets posted strong performance, with the S&P 500 Index returning 16.00%. High quality fixed-income results were modest by comparison, returning 4.21%, as measured by the Barclays U.S. Aggregate Bond Index. For the 12 months ended December 31, 2012, the yield on the 10-year U.S. Treasury declined 12 basis points (a basis point is 1/100th of a percentage point) to end the year at 1.76%. Credit-sensitive, non-Treasury sectors of the bond market outperformed Treasury sectors, as spreads, or risk premiums, tightened. High yield bonds returned 15.40%, as measured by the BofA Merrill Lynch U.S. High Yield Cash Pay Constrained Index, and emerging market bonds returned 18.54%, as measured by the JPMorgan Emerging Markets Bond Index — Global. Foreign developed market bonds lagged these sectors, gaining only 1.51%, as measured by the Citigroup Non-U.S. World Government Bond Index — Unhedged. Three-month Treasury bills, a proxy for cash, returned 0.08%, as measured by the

Portfolio Management

Colin Lundgren, CFA

Brian Lavin, CFA

Gene Tannuzzo, CFA

Portfolio Breakdown (%) (at December 31, 2012)	
Asset-Backed Securities — Non-Agency	**0.2**
Commercial Mortgage-Backed Securities — Non-Agency	**1.5**
Common Stocks	**0.0**[a]
Financials	0.0[a]
Corporate Bonds & Notes	**45.4**
Consumer Discretionary	5.3
Consumer Staples	1.9
Energy	6.4
Financials	4.6
Health Care	3.7
Industrials	3.1
Materials	4.5
Telecommunication	9.6
Utilities	6.3
Foreign Government Obligations	**20.8**
Inflation-Indexed Bonds	**1.0**
Money Market Funds	**5.7**
Municipal Bonds	**0.0**[a]
Options Purchased Calls	**0.0**[a]
Options Purchased Puts	**0.1**
Residential Mortgage-Backed Securities — Agency	**11.5**
Residential Mortgage-Backed Securities — Non-Agency	**4.5**
Senior Loans	**5.7**
Consumer Discretionary	1.5
Consumer Staples	0.3
Energy	0.1
Financials	0.3
Health Care	0.6
Industrials	0.8
Materials	0.8
Telecommunication	1.1
Utilities	0.2
U.S. Treasury Obligations	**3.6**
Warrants	**0.0**[a]
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

(a) Rounds to less than 0.1%.

Manager Discussion of Fund Performance *(continued)*

Citigroup 3-Month Treasury Bill Index, as the Fed maintained short-term interest rates near zero throughout the year.

Contributors and Detractors

Sector allocation was the largest contributor to performance relative to benchmark for the year. Specifically, the Fund's underweight in U.S. Treasury and foreign developed market debt added more than one percentage point to relative performance as government bonds lagged higher-yielding sectors in 2012. In addition, the Fund's overweight in high-yield bonds aided relative performance as high-yield spreads tightened. Security selection was also a positive contributor to performance. Specifically, security selection in foreign developed markets and MBS was very strong during the year. Sector allocation to MBS was a modest drag on performance, as MBS lagged riskier sectors of the fixed-income market. However, this drag was more than offset by strong security selection within the sector. Security selection within the commercial mortgage-backed securities sector also modestly detracted from relative performance.

We reduced the Fund's exposure to high-yield bonds during the first three quarters of the year and added to MBS, which we expected to perform well given support from the Fed. Following the introduction of QE3 in September, we subsequently reduced MBS exposure in favor of bank loans and investment grade credit.

Derivatives Helped Manage Interest Rate Risk

We utilized Treasury futures and options to help manage interest rate risk. Overall, interest rate decisions (i.e. those that affected the Fund's duration, a measure of interest rate sensitivity, and points of emphasis along the yield curve, a graph that charts yields across the range of maturities, from short to long) were a positive contributor to performance, adding 37 basis points of return for the year. In addition, we utilized mortgage TBA's to manage exposure within the MBS sector. "TBA" stands for "to be announced." Buyers purchase mortgage securities that are not specified until a later point. The amount is agreed upon at the time of contract. However, the actual identity of the securities to be delivered at settlement is not specified. Instead, the parties to the trade agree on general parameters of the securities to be delivered.

Looking Ahead

We believe we are moving into a phase of the recovery in which fiscal and monetary policy may be less of a direct support to market prices. While continued economic growth in the 2.0% range still seems like the most likely outcome, valuations provide much less margin for error. As money has flooded into bonds over the past few years, the relative yield offered by different sectors and industries of the market has compressed. Therefore, it is more important than ever for investors to determine whether they are being paid for the risk they are taking. We believe investors should re-focus on sectors that offer fundamental strength and are less reliant on policy support. In our view, government bonds remain overvalued compared to both the level of inflation as well as their own volatility. Corporate bonds look better, but investors who have benefited from credit risk in years past may be well served to live a little less dangerously in 2013. Looking internationally, emerging-market yields currently still look more

Quality Breakdown (%) (at December 31, 2012)	
AAA rating	24.0
AA rating	2.0
A rating	4.2
BBB rating	19.9
BB rating	14.5
B rating	25.3
CCC rating	5.7
CC rating	0.1
Not rated	4.3
Total	100.0

Percentages indicated are based upon total fixed income securities (excluding Money Market Funds).

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 lower of the ratings for S&P or Moody's. When a rating from only one agency is available, that rating is used. When a bond is not rated by either of these agencies, it is designated as Not rated. Credit ratings are subjective opinions and not statements of fact.

Manager Discussion of Fund Performance *(continued)*

attractive than developed markets even when adjusted for volatility. For investors looking for a relative safe haven, we believe the mortgage-backed securities market is likely to provide a smoother ride than other high quality sectors, but MBS investors should be diligent to avoid prepayment risk.

In this environment, we plan to maintain duration, or interest rate risk, below that of the Fund's primary benchmark, as we believe that further improvements in the labor market will cause investors to reassess expectations for monetary policy and push yields higher. We currently prefer corporate bonds and loans, which we believe still offer attractive spreads when compared to strong corporate fundamental metrics. In addition, we currently expect certain areas of the MBS market to perform well given the support from the Fed and a benign prepayment environment. In today's market, our goal is to maintain an attractive yield profile with a focus on high quality assets that offer attractive spread.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,066.30	1,021.84	3.55	3.47	0.68
Class 2	1,000.00	1,000.00	1,065.60	1,020.57	4.86	4.75	0.93

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 366.

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 investment 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

December 31, 2012

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes[a] 46.9%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 1.2%			
ADS Tactical, Inc. Senior Secured[b] 04/01/18	11.000%	2,660,000	2,713,200
Huntington Ingalls Industries, Inc. 03/15/18	6.875%	1,334,000	1,450,725
Kratos Defense & Security Solutions, Inc. Senior Secured 06/01/17	10.000%	3,374,000	3,702,965
Oshkosh Corp. 03/01/17	8.250%	651,000	714,472
03/01/20	8.500%	2,086,000	2,310,245
Silver II Borrower/US Holdings LLC[b] 12/15/20	7.750%	857,000	886,995
TransDigm, Inc.[b] 10/15/20	5.500%	660,000	686,400
Total			12,465,002
Automotive 0.5%			
Chrysler Group LLC/Co-Issuer, Inc. Secured 06/15/19	8.000%	467,000	509,030
06/15/21	8.250%	960,000	1,056,000
Dana Holding Corp. Senior Unsecured 02/15/21	6.750%	199,000	213,427
Lear Corp. 03/15/18	7.875%	612,000	667,080
03/15/20	8.125%	218,000	246,340
Schaeffler Finance BV Senior Secured[b] 02/15/19	8.500%	735,000	826,875
Tenneco, Inc. 08/15/18	7.750%	16,000	17,360
Visteon Corp. 04/15/19	6.750%	2,057,000	2,190,705
Total			5,726,817
Banking 0.8%			
BanColombia SA Senior Unsecured 06/03/21	5.950%	700,000	808,500
Banco BMG SA Senior Notes[b] 04/15/18	8.000%	1,000,000	880,113
Citigroup, Inc. Senior Unsecured 01/15/15	6.010%	460,000	502,649

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Goldman Sachs Group, Inc. (The) Senior Unsecured 06/15/20	6.000%	875,000	1,039,685
01/24/22	5.750%	815,000	963,503
Morgan Stanley Senior Unsecured 07/28/21	5.500%	2,865,000	3,252,847
Synovus Financial Corp. Senior Unsecured 02/15/19	7.875%	1,328,000	1,467,440
Total			8,914,737
Brokerage 0.3%			
E*TRADE Financial Corp. Senior Unsecured 11/15/19	6.375%	1,021,000	1,046,525
Neuberger Berman Group LLC/Finance Corp. Senior Unsecured[b] 03/15/22	5.875%	760,000	805,600
Nuveen Investments, Inc. Senior Unsecured[b] 10/15/20	9.500%	796,000	792,020
Total			2,644,145
Building Materials 0.6%			
Building Materials Corp. of America Senior Notes[b] 05/01/21	6.750%	1,355,000	1,497,275
Gibraltar Industries, Inc.[c] 12/01/15	8.000%	1,515,000	1,533,938
HD Supply, Inc.[b] 07/15/20	11.500%	500,000	563,125
Interface, Inc. 12/01/18	7.625%	595,000	638,881
Norcraft Companies LP/Finance Corp. Secured 12/15/15	10.500%	1,349,000	1,369,235
Nortek, Inc. 12/01/18	10.000%	190,000	211,375
04/15/21	8.500%	786,000	872,460
Total			6,686,289
Chemicals 1.8%			
Ashland, Inc.[b] 08/15/22	4.750%	556,000	578,240
Celanese U.S. Holdings LLC 10/15/18	6.625%	8,000	8,800
06/15/21	5.875%	354,000	396,480
11/15/22	4.625%	727,000	761,532

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Dow Chemical Co. (The) Senior Unsecured 11/15/22	3.000%	2,505,000	2,499,424
Huntsman International LLC[b] 11/15/20	4.875%	415,000	419,669
JM Huber Corp. Senior Notes[b] 11/01/19	9.875%	1,175,000	1,304,250
LyondellBasell Industries NV Senior Unsecured 11/15/21	6.000%	2,844,000	3,334,590
04/15/24	5.750%	2,271,000	2,668,425
MacDermid, Inc.[b] 04/15/17	9.500%	820,000	852,800
Momentive Performance Materials, Inc. Senior Secured[b] 10/15/20	8.875%	914,000	923,140
Nufarm Australia Ltd.[b] 10/15/19	6.375%	264,000	275,880
PQ Corp. Secured [b] 05/01/18	8.750%	2,868,000	2,982,720
Polypore International, Inc. 11/15/17	7.500%	1,025,000	1,117,250
Rockwood Specialties Group, Inc. 10/15/20	4.625%	894,000	925,290
Total			19,048,490
Construction Machinery 0.8%			
Ashtead Capital, Inc. Secured[b] 07/15/22	6.500%	277,000	299,160
CNH Capital LLC 11/01/16	6.250%	1,635,000	1,802,587
Case New Holland, Inc. 12/01/17	7.875%	2,977,000	3,520,302
Columbus McKinnon Corp. 02/01/19	7.875%	381,000	408,623
H&E Equipment Services, Inc.[b] 09/01/22	7.000%	384,000	408,960
Neff Rental LLC/Finance Corp. Secured[b] 05/15/16	9.625%	1,534,000	1,587,690
United Rentals North America, Inc. Secured[b] 07/15/18	5.750%	777,000	837,218
Total			8,864,540

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Consumer Cyclical Services 0.6%			
Goodman Networks, Inc. Senior Secured[b] 07/01/18	12.375%	1,035,000	1,133,325
Monitronics International, Inc. 04/01/20	9.125%	535,000	549,713
Vivint, Inc.[b] Senior Secured 12/01/19	6.375%	3,345,000	3,315,731
Senior Unsecured 12/01/20	8.750%	929,000	912,742
Total			5,911,511
Consumer Products 0.4%			
Clorox Co. (The) Senior Unsecured 09/15/22	3.050%	1,120,000	1,154,766
Libbey Glass, Inc. Senior Secured 05/15/20	6.875%	433,000	465,475
Serta Simmons Holdings LLC Senior Unsecured[b] 10/01/20	8.125%	1,163,000	1,163,000
Spectrum Brands Escrow Corp.[b] Senior Unsecured 11/15/20	6.375%	829,000	870,450
11/15/22	6.625%	423,000	453,667
Spectrum Brands, Inc.[b] 03/15/20	6.750%	309,000	330,630
Tempur-Pedic International, Inc.[b] 12/15/20	6.875%	134,000	137,853
Total			4,575,841
Diversified Manufacturing 0.2%			
Actuant Corp. 06/15/22	5.625%	610,000	631,350
Amsted Industries, Inc. Senior Notes[b] 03/15/18	8.125%	1,070,000	1,144,900
Tomkins LLC/Inc. Secured 10/01/18	9.000%	636,000	712,320
Total			2,488,570
Electric 3.2%			
AES Corp. Senior Unsecured 07/01/21	7.375%	959,000	1,064,490

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Appalachian Power Co.			
Senior Unsecured			
03/30/21	4.600%	2,460,000	2,833,428
Calpine Corp.			
Senior Secured[b]			
02/15/21	7.500%	1,283,000	1,417,715
Carolina Power & Light Co.			
1st Mortgage			
05/15/42	4.100%	670,000	685,702
Consolidated Edison Co. of New York, Inc.			
Senior Unsecured			
04/01/38	6.750%	255,000	364,539
Dominion Resources, Inc.			
Senior Unsecured			
11/30/17	6.000%	540,000	651,268
08/15/19	5.200%	1,795,000	2,133,862
09/15/42	4.050%	540,000	533,165
Duke Energy Corp.			
Senior Unsecured			
08/15/22	3.050%	175,000	178,130
Duke Energy Ohio, Inc.			
1st Mortgage			
04/01/19	5.450%	1,696,000	2,043,789
GenOn Energy, Inc.			
Senior Unsecured			
10/15/18	9.500%	903,000	1,065,540
Ipalco Enterprises, Inc.			
Senior Secured[b]			
04/01/16	7.250%	75,000	83,250
Nevada Power Co.			
01/15/15	5.875%	920,000	1,012,974
05/15/18	6.500%	4,820,000	6,011,292
04/01/36	6.650%	30,000	40,706
Oncor Electric Delivery Co. LLC			
Senior Secured			
06/01/42	5.300%	1,460,000	1,669,212
Pacific Gas & Electric Co.			
Senior Unsecured			
10/01/20	3.500%	630,000	690,551
04/15/42	4.450%	260,000	277,542
Progress Energy, Inc.			
Senior Unsecured			
12/01/19	4.875%	1,430,000	1,639,808
04/01/22	3.150%	1,625,000	1,645,030
Sierra Pacific Power Co.			
05/15/16	6.000%	1,395,000	1,614,466
Toledo Edison Co. (The)			
Senior Secured			
05/15/37	6.150%	1,390,000	1,733,457

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
TransAlta Corp.			
Senior Unsecured			
05/15/18	6.650%	2,670,000	3,068,823
Xcel Energy, Inc.			
Senior Unsecured			
05/15/20	4.700%	525,000	613,952
Total			33,072,691
Entertainment 0.2%			
AMC Entertainment, Inc.			
06/01/19	8.750%	820,000	908,150
12/01/20	9.750%	752,000	868,560
Cinemark USA, Inc.[b]			
12/15/22	5.125%	398,000	402,975
Six Flags, Inc.[b][d][e][f]			
06/01/14	9.625%	95,000	—
Speedway Motorsports, Inc.			
02/01/19	6.750%	32,000	33,920
Vail Resorts, Inc.			
05/01/19	6.500%	287,000	308,884
Total			2,522,489
Environmental 0.2%			
Clean Harbors, Inc.			
08/01/20	5.250%	950,000	990,375
Clean Harbors, Inc.[b]			
06/01/21	5.125%	691,000	716,912
Total			1,707,287
Food and Beverage 1.5%			
ConAgra Foods, Inc.			
Senior Unsecured			
09/15/22	3.250%	2,025,000	2,033,993
10/01/28	7.000%	440,000	553,127
Cott Beverages, Inc.			
09/01/18	8.125%	1,150,000	1,270,750
Kraft Foods Group, Inc.			
Senior Unsecured[b]			
08/23/18	6.125%	4,205,000	5,162,801
MHP SA[b]			
04/29/15	10.250%	1,160,000	1,215,100
Mondelez International, Inc.			
Senior Unsecured			
02/01/18	6.125%	1,480,000	1,800,821
SABMiller Holdings, Inc.[b]			
01/15/17	2.450%	2,235,000	2,329,753
01/15/22	3.750%	1,045,000	1,128,423
Total			15,494,768

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Gaming 1.1%			
Caesars Entertainment Operating Co., Inc.			
Senior Secured			
02/15/20	8.500%	1,107,000	1,098,698
MGM Resorts International			
03/01/18	11.375%	901,000	1,090,210
12/15/21	6.625%	1,194,000	1,194,000
MGM Resorts International[b]			
10/01/20	6.750%	176,000	179,740
ROC Finance LLC/Corp.			
Secured[b]			
09/01/18	12.125%	1,705,000	1,969,275
Seminole Indian Tribe of Florida[b]			
Secured			
10/01/17	7.750%	1,663,000	1,798,119
Senior Secured			
10/01/20	6.535%	65,000	70,676
Senior Unsecured			
10/01/20	7.804%	145,000	147,275
Seneca Gaming Corp.[b]			
12/01/18	8.250%	1,340,000	1,413,700
Studio City Finance Ltd.[b]			
12/01/20	8.500%	1,905,000	1,995,487
Tunica-Biloxi Gaming Authority			
Senior Unsecured[b]			
11/15/15	9.000%	923,000	830,700
Total			11,787,880
Gas Pipelines 3.4%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	1,388,000	1,408,820
El Paso LLC			
06/15/14	6.875%	70,000	74,955
09/15/20	6.500%	3,024,000	3,417,120
01/15/32	7.750%	3,244,000	3,811,677
Enterprise Products Operating LLC			
02/15/42	5.700%	1,055,000	1,235,574
Hiland Partners LP/Finance Corp.[b]			
10/01/20	7.250%	2,229,000	2,385,030
Kinder Morgan Energy Partners LP			
Senior Unsecured			
02/15/20	6.850%	710,000	894,555
09/15/20	5.300%	650,000	757,616
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	1,698,000	1,865,677
02/15/23	5.500%	1,174,000	1,273,790
NiSource Finance Corp.			
09/15/17	5.250%	3,675,000	4,238,797

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Plains All American Pipeline LP/Finance Corp.			
Senior Unsecured			
05/01/19	8.750%	965,000	1,312,798
Regency Energy Partners LP/Finance Corp.			
12/01/18	6.875%	1,359,000	1,484,708
07/15/21	6.500%	1,813,000	1,985,235
Southern Natural Gas Co. LLC			
Senior Unsecured[b]			
04/01/17	5.900%	4,160,000	4,888,100
Southern Star Central Corp.			
Senior Unsecured			
03/01/16	6.750%	1,785,000	1,816,237
Tesoro Logistics LP/Finance Corp.			
Senior Unsecured[b]			
10/01/20	5.875%	608,000	630,800
TransCanada PipeLines Ltd.			
Senior Unsecured			
01/15/39	7.625%	320,000	481,394
Transcontinental Gas Pipe Line Co. LLC			
Senior Unsecured			
08/01/42	4.450%	1,190,000	1,224,930
Total			35,187,813
Health Care 3.2%			
American Renal Associates Holdings, Inc.			
Senior Unsecured PIK			
03/01/16	9.750%	320,357	337,977
American Renal Holdings, Inc.			
Senior Secured			
05/15/18	8.375%	1,251,000	1,316,677
Amsurg Corp.[b]			
11/30/20	5.625%	419,000	435,760
Biomet, Inc.[b]			
08/01/20	6.500%	1,074,000	1,141,125
CHS/Community Health Systems, Inc.			
11/15/19	8.000%	1,241,000	1,343,382
07/15/20	7.125%	822,000	877,485
Senior Secured			
08/15/18	5.125%	1,291,000	1,345,867
ConvaTec Healthcare E SA			
Senior Unsecured[b]			
12/15/18	10.500%	2,150,000	2,370,375
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	470,000	495,263
Emdeon, Inc.			
12/31/19	11.000%	1,275,000	1,466,250
Fresenius Medical Care U.S. Finance II, Inc.[b]			
07/31/19	5.625%	386,000	414,468
01/31/22	5.875%	500,000	542,500

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Fresenius Medical Care U.S. Finance, Inc.[b]			
09/15/18	6.500%	305,000	340,838
HCA Holdings, Inc. Senior Unsecured			
02/15/21	6.250%	1,456,000	1,492,400
HCA, Inc.			
02/15/22	7.500%	1,000,000	1,145,000
05/01/23	5.875%	671,000	694,485
Senior Secured			
02/15/20	6.500%	2,019,000	2,271,375
05/01/23	4.750%	446,000	453,805
Health Management Associates, Inc.			
01/15/20	7.375%	720,000	777,600
Hologic, Inc.[b]			
08/01/20	6.250%	208,000	224,120
IASIS Healthcare LLC/Capital Corp.			
05/15/19	8.375%	1,331,000	1,257,795
IMS Health, Inc. Senior Unsecured[b]			
11/01/20	6.000%	586,000	613,835
Kinetic Concepts, Inc./KCI U.S.A., Inc. Secured[b]			
11/01/18	10.500%	505,000	529,619
LifePoint Hospitals, Inc.			
10/01/20	6.625%	425,000	459,000
Multiplan, Inc.[b]			
09/01/18	9.875%	2,093,000	2,328,462
Physio-Control International, Inc. Senior Secured[b]			
01/15/19	9.875%	1,001,000	1,098,597
Radnet Management, Inc.			
04/01/18	10.375%	465,000	473,138
Rural/Metro Corp. Senior Unsecured[b]			
07/15/19	10.125%	816,000	789,480
STHI Holding Corp. Secured[b]			
03/15/18	8.000%	403,000	436,248
Tenet Healthcare Corp.[b]			
Senior Secured			
06/01/20	4.750%	914,000	927,710
Senior Unsecured			
02/01/20	6.750%	716,000	737,480
Truven Health Analytics, Inc. Senior Unsecured[b]			
06/01/20	10.625%	548,000	583,620
United Surgical Partners International, Inc.			
04/01/20	9.000%	680,000	754,800
Universal Hospital Services, Inc. Secured[b]			
08/15/20	7.625%	343,000	361,436
VWR Funding, Inc.[b]			
09/15/17	7.250%	72,000	75,420
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	1,595,000	1,650,825
02/01/19	7.750%	682,000	705,870
Vanguard Health Holding Co. II LLC/Inc.[b]			
02/01/19	7.750%	309,000	318,270
Total			33,588,357
Healthcare Insurance 0.2%			
AMERIGROUP Corp. Senior Unsecured			
11/15/19	7.500%	655,000	786,000
Aetna, Inc. Senior Unsecured			
11/15/22	2.750%	930,000	922,343
WellPoint, Inc. Senior Unsecured			
02/15/19	7.000%	505,000	628,401
Total			2,336,744
Home Construction 0.4%			
Beazer Homes USA, Inc.			
05/15/19	9.125%	362,000	378,742
KB Home			
03/15/20	8.000%	498,000	565,230
09/15/22	7.500%	344,000	376,250
Meritage Homes Corp.			
04/01/22	7.000%	462,000	502,425
Shea Homes LP/Funding Corp. Senior Secured			
05/15/19	8.625%	706,000	780,130
Taylor Morrison Communities, Inc./Monarch, Inc.[b]			
04/15/20	7.750%	250,000	265,000
04/15/20	7.750%	983,000	1,041,980
Total			3,909,757
Independent Energy 5.5%			
Anadarko Petroleum Corp. Senior Unsecured			
09/15/16	5.950%	3,990,000	4,593,013
Antero Resources Finance Corp.			
12/01/17	9.375%	73,000	80,118
08/01/19	7.250%	258,000	281,220
Canadian Oil Sands Ltd. Senior Unsecured[b]			
04/01/42	6.000%	885,000	1,039,372

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	1,083,000	1,169,640
Chaparral Energy, Inc.			
09/01/21	8.250%	747,000	810,495
11/15/22	7.625%	297,000	312,593
Chesapeake Energy Corp.			
08/15/20	6.625%	1,355,000	1,458,319
02/15/21	6.125%	2,851,000	2,957,912
Cimarex Energy Co.			
05/01/22	5.875%	1,480,000	1,620,600
Comstock Resources, Inc.			
06/15/20	9.500%	1,702,000	1,829,650
Concho Resources, Inc.			
01/15/21	7.000%	875,000	975,625
01/15/22	6.500%	1,430,000	1,573,000
04/01/23	5.500%	648,000	678,780
Continental Resources, Inc.			
10/01/19	8.250%	104,000	116,480
10/01/20	7.375%	6,000	6,780
04/01/21	7.125%	1,598,000	1,801,745
09/15/22	5.000%	3,282,000	3,536,355
EP Energy Holdings LLC/Bond Co., Inc. PIK Senior Unsecured[b]			
12/15/17	8.125%	551,000	546,179
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	172,000	182,320
Senior Secured			
05/01/19	6.875%	1,175,000	1,280,750
EP Energy LLC/Finance, Inc. Senior Unsecured			
05/01/20	9.375%	1,767,000	1,992,292
Halcon Resources Corp.[b]			
05/15/21	8.875%	670,000	710,200
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	3,556,000	3,920,490
Laredo Petroleum, Inc.			
02/15/19	9.500%	2,975,000	3,324,562
05/01/22	7.375%	356,000	386,260
MEG Energy Corp.[b]			
03/15/21	6.500%	1,185,000	1,247,213
01/30/23	6.375%	749,000	780,833
Novatek Finance Ltd. Senior Unsecured[b]			
02/03/21	6.604%	2,000,000	2,331,026
Oasis Petroleum, Inc.			
02/01/19	7.250%	1,990,000	2,139,250
11/01/21	6.500%	1,254,000	1,332,375
01/15/23	6.875%	443,000	475,118

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Plains Exploration & Production Co.			
11/15/20	6.500%	2,329,000	2,579,367
02/15/23	6.875%	1,758,000	2,008,515
QEP Resources, Inc. Senior Unsecured			
03/01/21	6.875%	1,145,000	1,319,612
10/01/22	5.375%	1,697,000	1,824,275
05/01/23	5.250%	1,491,000	1,595,370
Range Resources Corp.			
06/01/21	5.750%	1,450,000	1,551,500
SM Energy Co. Senior Unsecured			
11/15/21	6.500%	621,000	664,470
01/01/23	6.500%	405,000	433,350
Sandridge Energy, Inc.			
10/15/22	8.125%	76,000	83,220
Whiting Petroleum Corp.			
10/01/18	6.500%	74,000	79,550
Total			57,629,794
Integrated Energy 0.1%			
Lukoil International Finance BV[b]			
11/09/20	6.125%	1,200,000	1,387,575
Life Insurance 0.2%			
Prudential Financial, Inc. Senior Unsecured			
05/12/41	5.625%	1,395,000	1,590,186
Lodging —%			
Choice Hotels International, Inc.			
07/01/22	5.750%	431,000	477,332
Media Cable 1.6%			
CCO Holdings LLC/Capital Corp.			
04/30/20	8.125%	1,867,000	2,105,043
01/31/22	6.625%	180,000	196,650
09/30/22	5.250%	1,252,000	1,267,650
CSC Holdings LLC Senior Unsecured[b]			
11/15/21	6.750%	1,953,000	2,165,389
Cablevision Systems Corp. Senior Unsecured			
04/15/20	8.000%	535,000	602,544
09/15/22	5.875%	928,000	929,160
Cequel Communications Holdings I LLC/Capital Corp. Senior Unsecured[b]			
09/15/20	6.375%	849,000	884,021
Comcast Corp.			
08/15/37	6.950%	530,000	718,715

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
DISH DBS Corp.			
09/01/19	7.875%	2,212,000	2,621,220
06/01/21	6.750%	1,618,000	1,844,520
07/15/22	5.875%	173,000	185,975
DirecTV Holdings LLC/Financing Co., Inc.			
03/15/42	5.150%	975,000	986,147
Quebecor Media, Inc. Senior Unsecured[b]			
01/15/23	5.750%	1,035,000	1,090,631
Time Warner Cable, Inc.			
07/01/18	6.750%	5,000	6,246
02/01/20	5.000%	19,000	22,130
Unitymedia Hessen GmbH & Co. KG NRW Senior Secured[b]			
01/15/23	5.500%	990,000	1,022,175
Videotron Ltd.			
07/15/22	5.000%	7,000	7,341
WaveDivision Escrow LLC/Corp. Senior Unsecured[b]			
09/01/20	8.125%	27,000	27,945
Total			16,683,502
Media Non-Cable 4.0%			
AMC Networks, Inc.			
07/15/21	7.750%	2,826,000	3,228,705
12/15/22	4.750%	233,000	234,165
British Sky Broadcasting Group PLC[b]			
11/26/22	3.125%	2,735,000	2,725,482
Clear Channel Communications, Inc.			
08/01/16	10.750%	728,000	549,640
Clear Channel Worldwide Holdings, Inc.			
03/15/20	7.625%	2,299,000	2,316,242
Clear Channel Worldwide Holdings, Inc.[b]			
11/15/22	6.500%	709,000	728,498
11/15/22	6.500%	1,917,000	1,988,888
Getty Images, Inc. Senior Notes[b]			
10/15/20	7.000%	1,274,000	1,302,665
Hughes Satellite Systems Corp.			
06/15/21	7.625%	605,000	688,188
Senior Secured			
06/15/19	6.500%	2,203,000	2,428,807
Intelsat Jackson Holdings SA Senior Unsecured			
04/01/21	7.500%	680,000	749,700
Intelsat Luxembourg SA PIK			
02/04/17	11.500%	2,048,000	2,176,000

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Lamar Media Corp.[b]			
05/01/23	5.000%	1,420,000	1,459,050
NBCUniversal Media LLC Senior Unsecured			
01/15/43	4.450%	670,000	678,467
National CineMedia LLC Senior Secured			
04/15/22	6.000%	1,075,000	1,139,500
News America, Inc.			
12/15/35	6.400%	55,000	68,274
News America, Inc.[b]			
09/15/22	3.000%	5,490,000	5,514,710
Nielsen Finance LLC/Co.[b]			
10/01/20	4.500%	2,004,000	1,993,980
Reed Elsevier Capital, Inc.[b]			
10/15/22	3.125%	980,000	964,157
Salem Communications Corp. Secured			
12/15/16	9.625%	1,946,000	2,155,195
Starz LLC/Finance Corp. Senior Unsecured[b]			
09/15/19	5.000%	406,000	416,150
TCM Sub LLC[b]			
01/15/15	3.550%	2,650,000	2,780,991
Univision Communications, Inc.[b]			
05/15/21	8.500%	1,270,000	1,317,625
Senior Secured			
05/15/19	6.875%	1,585,000	1,648,400
11/01/20	7.875%	1,930,000	2,084,400
09/15/22	6.750%	228,000	235,410
Total			41,573,289
Metals 1.6%			
Alpha Natural Resources, Inc.			
04/15/18	9.750%	1,365,000	1,474,200
06/01/19	6.000%	1,063,000	985,933
ArcelorMittal Senior Unsecured[c]			
03/01/41	7.250%	1,122,000	1,040,655
Arch Coal, Inc.			
06/15/19	7.000%	289,000	268,770
06/15/21	7.250%	126,000	116,235
Arch Coal, Inc.[b]			
06/15/19	9.875%	1,145,000	1,190,800
CONSOL Energy, Inc.			
04/01/20	8.250%	481,000	520,683
Calcipar SA Senior Secured[b]			
05/01/18	6.875%	1,709,000	1,743,180

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
FMG Resources August 2006 Proprietary Ltd.[b]			
11/01/19	8.250%	2,315,000	2,471,262
Inmet Mining Corp.[b]			
06/01/20	8.750%	2,245,000	2,452,662
06/01/21	7.500%	546,000	566,475
JMC Steel Group, Inc. Senior Notes[b]			
03/15/18	8.250%	824,000	861,080
Metalloinvest Finance Ltd.[b]			
07/21/16	6.500%	1,000,000	1,033,537
Peabody Energy Corp.			
11/15/18	6.000%	1,204,000	1,279,250
Rain CII Carbon LLC/Corp. Senior Secured[b]			
12/01/18	8.000%	1,217,000	1,238,298
Total			17,243,020
Non-Captive Consumer 0.3%			
SLM Corp. Senior Unsecured			
03/25/20	8.000%	936,000	1,069,380
Springleaf Finance Corp. Senior Unsecured			
12/15/17	6.900%	1,903,000	1,703,185
Total			2,772,565
Non-Captive Diversified 2.4%			
Ally Financial, Inc.			
03/15/20	8.000%	5,794,000	7,097,650
09/15/20	7.500%	791,000	955,132
CIT Group, Inc. Senior Unsecured			
05/15/20	5.375%	900,000	983,250
CIT Group, Inc.[b] Senior Secured			
04/01/18	6.625%	1,415,000	1,598,950
Senior Unsecured			
02/15/19	5.500%	3,246,000	3,521,910
General Electric Capital Corp. Senior Unsecured			
10/17/21	4.650%	5,110,000	5,830,694
International Lease Finance Corp. Senior Unsecured			
09/01/17	8.875%	875,000	1,028,125
04/01/19	5.875%	359,000	378,386
05/15/19	6.250%	533,000	567,645
12/15/20	8.250%	1,436,000	1,712,430
01/15/22	8.625%	1,094,000	1,351,090
Total			25,025,262

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Oil Field Services 0.9%			
Atwood Oceanics, Inc. Senior Unsecured			
02/01/20	6.500%	2,843,000	3,056,225
Green Field Energy Services, Inc.[b] Senior Secured			
11/15/16	13.250%	1,854,000	1,854,000
11/15/16	13.250%	44,000	44,000
Offshore Group Investments Ltd. Senior Secured			
08/01/15	11.500%	1,821,000	1,984,890
Oil States International, Inc.			
06/01/19	6.500%	1,286,000	1,369,590
Oil States International, Inc.[b]			
01/15/23	5.125%	824,000	835,330
Weatherford International Ltd.			
03/15/13	5.150%	4,000	4,032
Total			9,148,067
Other Financial Institutions 0.1%			
FTI Consulting, Inc.[b]			
11/15/22	6.000%	544,000	563,040
Other Industry 0.2%			
Interline Brands, Inc.			
11/15/18	7.500%	1,397,000	1,508,760
SPL Logistics Escrow LLC/Finance Corp. Senior Secured[b]			
08/01/20	8.875%	669,000	714,157
Total			2,222,917
Packaging 0.5%			
Berry Plastics Corp. Secured			
01/15/21	9.750%	810,000	933,525
Reynolds Group Issuer, Inc./LLC			
08/15/19	9.875%	2,358,000	2,523,060
Senior Secured			
08/15/19	7.875%	836,000	930,050
Reynolds Group Issuer, Inc./LLC[b] Senior Secured			
10/15/20	5.750%	365,000	376,862
Sealed Air Corp.[b]			
09/15/21	8.375%	384,000	438,720
Total			5,202,217

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Pharmaceuticals 0.4%			
Catalent Pharma Solutions, Inc.[b]			
10/15/18	7.875%	890,000	896,675
Jaguar Holding Co. I Senior Unsecured PIK[b]			
10/15/17	9.375%	557,000	584,850
Jaguar Holding Co. II/Merger Sub, Inc. Senior Unsecured[b]			
12/01/19	9.500%	435,000	493,725
VPI Escrow Corp.[b]			
10/15/20	6.375%	1,381,000	1,481,122
Valeant Pharmaceuticals International Senior Notes[b]			
10/15/20	6.375%	276,000	296,010
Warner Chilcott Co. LLC/Finance			
09/15/18	7.750%	705,000	750,825
Total			4,503,207
Property & Casualty 0.4%			
Alliant Holdings, Inc. Senior Unsecured[b]			
12/15/20	7.875%	703,000	699,485
Hub International Ltd.[b]			
10/15/18	8.125%	1,110,000	1,137,750
Liberty Mutual Group, Inc.[b]			
05/01/22	4.950%	2,240,000	2,441,347
Total			4,278,582
Railroads 0.2%			
CSX Corp. Senior Unsecured			
04/15/41	5.500%	1,195,000	1,431,831
03/15/44	4.100%	440,000	434,342
Union Pacific Corp. Senior Unsecured			
08/15/18	5.700%	385,000	467,247
Total			2,333,420
Refining 0.1%			
Marathon Petroleum Corp. Senior Unsecured			
03/01/41	6.500%	600,000	760,234
Phillips 66[b]			
05/01/17	2.950%	275,000	291,455
Total			1,051,689

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Restaurants 0.3%			
Shearer's Foods, Inc. LLC Senior Secured[b]			
11/01/19	9.000%	664,000	697,200
Yum! Brands, Inc. Senior Unsecured			
09/15/19	5.300%	1,726,000	2,017,031
Total			2,714,231
Retailers 0.7%			
99 Cent Only Stores			
12/15/19	11.000%	627,000	717,131
AutoNation, Inc.			
02/01/20	5.500%	88,000	94,380
Burlington Coat Factory Warehouse Corp.			
02/15/19	10.000%	1,005,000	1,085,400
Jo-Ann Stores, Inc. Senior Unsecured[b]			
03/15/19	8.125%	732,000	744,810
Limited Brands, Inc.			
02/15/22	5.625%	811,000	881,963
Penske Automotive Group, Inc.[b]			
10/01/22	5.750%	660,000	679,800
Rite Aid Corp.			
03/15/20	9.250%	329,000	350,385
Senior Secured			
08/15/20	8.000%	1,280,000	1,462,400
Senior Unsecured			
02/15/27	7.700%	934,000	798,570
Sally Holdings LLC/Capital, Inc.			
11/15/19	6.875%	585,000	646,425
Total			7,461,264
Supranational 0.4%			
Asian Development Bank Senior Unsecured			
06/21/27	2.350%	JPY 120,000,000	1,567,228
European Investment Bank Senior Unsecured			
06/20/17	1.400%	JPY 189,000,000	2,282,743
International Finance Corp.			
02/28/13	7.500%	AUD 120,000	125,428
Total			3,975,399
Technology 2.1%			
Alliance Data Systems Corp.[b]			
12/01/17	5.250%	828,000	840,420
04/01/20	6.375%	557,000	584,850

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Amkor Technology, Inc.			
Senior Unsecured			
06/01/21	6.625%	1,893,000	1,888,267
Amkor Technology, Inc.[b]			
Senior Unsecured			
10/01/22	6.375%	646,000	636,310
Anixter, Inc.			
05/01/19	5.625%	302,000	317,855
Brocade Communications Systems, Inc.			
Senior Secured			
01/15/20	6.875%	864,000	930,960
CDW LLC/Finance Corp.			
04/01/19	8.500%	2,440,000	2,641,300
Senior Secured			
12/15/18	8.000%	1,153,000	1,275,506
Cardtronics, Inc.			
09/01/18	8.250%	1,143,000	1,268,730
Equinix, Inc.			
Senior Unsecured			
07/15/21	7.000%	510,000	566,100
First Data Corp.			
01/15/21	12.625%	1,427,000	1,501,918
First Data Corp.[b]			
Secured			
01/15/21	8.250%	725,000	725,000
Senior Secured			
06/15/19	7.375%	1,488,000	1,543,800
08/15/20	8.875%	1,305,000	1,422,450
11/01/20	6.750%	764,000	773,550
Freescale Semiconductor, Inc.			
Senior Secured[b]			
04/15/18	9.250%	1,195,000	1,305,538
Interactive Data Corp.			
08/01/18	10.250%	1,525,000	1,715,625
NXP BV/Funding LLC			
Senior Secured[b]			
08/01/18	9.750%	185,000	215,525
Nuance Communications, Inc.[b]			
08/15/20	5.375%	1,778,000	1,858,010
Total			22,011,714
Textile 0.1%			
PVH Corp.			
Senior Unsecured			
12/15/22	4.500%	666,000	672,660
Transportation Services 0.3%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	471,000	520,455
03/15/20	9.750%	695,000	802,725

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ERAC U.S.A. Finance LLC[b]			
07/01/13	2.750%	330,000	333,002
10/01/20	5.250%	305,000	350,954
Hertz Corp. (The)			
01/15/21	7.375%	872,000	959,200
Hertz Corp. (The)[b]			
10/15/20	5.875%	365,000	381,425
10/15/22	6.250%	39,000	41,535
Total			3,389,296
Wireless 1.6%			
Cricket Communications, Inc.			
10/15/20	7.750%	1,096,000	1,117,920
Crown Castle International Corp.			
Senior Unsecured[b]			
01/15/23	5.250%	1,430,000	1,530,100
SBA Telecommunications, Inc.[b]			
07/15/20	5.750%	1,828,000	1,942,250
Sprint Capital Corp.			
11/15/28	6.875%	1,695,000	1,762,800
Sprint Nextel Corp.[b]			
11/15/18	9.000%	4,182,000	5,164,770
03/01/20	7.000%	585,000	680,063
United States Cellular Corp.			
Senior Unsecured			
12/15/33	6.700%	780,000	818,408
VimpelCom Holdings BV[b]			
03/01/22	7.504%	1,500,000	1,719,375
Wind Acquisition Finance SA[b]			
Secured			
07/15/17	11.750%	885,000	927,037
Senior Secured			
02/15/18	7.250%	1,607,000	1,629,498
Total			17,292,221
Wirelines 2.3%			
AT&T, Inc.			
Senior Unsecured			
02/15/39	6.550%	1,645,000	2,161,716
09/01/40	5.350%	1,055,000	1,228,598
AT&T, Inc.[b]			
Senior Unsecured			
06/15/45	4.350%	660,000	661,896
CyrusOne LLP/Finance Corp.[b]			
11/15/22	6.375%	824,000	859,020
Embarq Corp.			
Senior Unsecured			
06/01/36	7.995%	5,210,000	5,754,554

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Frontier Communications Corp.			
Senior Unsecured			
10/01/18	8.125%	795,000	914,250
04/15/20	8.500%	1,004,000	1,154,600
07/01/21	9.250%	329,000	385,753
04/15/22	8.750%	449,000	520,840
Integra Telecom Holdings, Inc.			
Senior Secured[b]			
04/15/16	10.750%	63,000	66,071
Level 3 Communications, Inc.			
Senior Unsecured			
02/01/19	11.875%	1,341,000	1,545,502
Level 3 Communications, Inc.[b]			
Senior Unsecured			
06/01/19	8.875%	269,000	286,485
Level 3 Financing, Inc.			
02/01/18	10.000%	986,000	1,099,390
04/01/19	9.375%	623,000	696,203
07/01/19	8.125%	1,008,000	1,098,720
Level 3 Financing, Inc.[b]			
06/01/20	7.000%	80,000	83,600
PAETEC Holding Corp.			
12/01/18	9.875%	1,845,000	2,112,525
Qtel International Finance Ltd.[b]			
10/19/25	5.000%	800,000	900,865
Verizon Communications, Inc.			
Senior Unsecured			
11/01/42	3.850%	335,000	331,235
Verizon New York, Inc.			
04/01/32	7.375%	262,000	347,139
Windstream Corp.			
09/01/18	8.125%	50,000	54,625
Zayo Group LLC/Capital, Inc.			
07/01/20	10.125%	788,000	896,350
tw telecom holdings, Inc.[b]			
10/01/22	5.375%	416,000	435,760
Total			23,595,697
Total Corporate Bonds & Notes (Cost: $457,510,636)			**491,731,874**

Residential Mortgage-Backed Securities — Agency[g] 11.8%

Federal Home Loan Mortgage Corp.[c][h][i]			
CMO IO STRIPS Series 281 Class S1			
10/15/42	5.791%	6,954,838	1,889,150

Residential Mortgage-Backed Securities — Agency[g] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CMO IO Series 2957 Class SW			
04/15/35	5.791%	4,852,183	876,489
CMO IO Series 3122 Class IS			
03/15/36	6.491%	4,428,380	637,410
CMO IO Series 3550 Class EI			
07/15/39	6.191%	5,622,990	1,007,840
CMO IO Series 3761 Class KS			
06/15/40	5.791%	5,622,764	825,432
CMO IO Series 3960 Class SL			
11/15/41	6.291%	13,988,419	3,630,623
CMO IO Series 4073 Class AS			
08/15/38	5.841%	8,844,165	1,664,914
CMO IO Series 4093 Class SD			
01/15/38	6.491%	3,935,997	1,069,560
Federal Home Loan Mortgage Corp.[h]			
10/01/26	8.000%	47,837	52,399
Federal National Mortgage Association[c][h][i]			
CMO IO Series 2006-5 Class N1			
08/25/34	2.275%	11,674,646	587,179
CMO IO Series 2006-5 Class N2			
02/25/35	2.248%	17,675,386	1,159,224
CMO IO Series 2007-39 Class AI			
05/25/37	5.910%	3,623,359	736,637
CMO IO Series 2010-135 Class MS			
12/25/40	5.740%	3,731,525	731,039
CMO IO Series 2012-74 Class AS			
03/25/39	5.840%	6,846,901	1,271,412
CMO IO Series 2012-80 Class AS			
02/25/39	5.840%	6,887,024	1,706,892
CMO IO Series 2012-87 SQ			
08/25/42	6.090%	4,578,261	1,202,252
Federal National Mortgage Association[h]			
06/01/27	3.000%	11,050,377	11,837,284
04/01/42 - 06/01/42	3.500%	21,905,648	23,804,475
10/01/39 - 06/01/42	4.000%	7,739,738	8,301,795
03/01/39 - 07/01/39	4.500%	11,640,329	12,781,314
06/01/34 - 05/01/40	5.000%	1,441,281	1,565,807
02/01/37 - 08/01/38	6.000%	326,214	356,909
11/01/36	6.500%	446,662	497,659
Federal National Mortgage Association[h][j]			
01/01/28	2.500%	15,750,000	16,468,594
01/01/28	3.000%	15,000,000	15,832,032
Federal National Mortgage Association[h][k]			
04/01/38	5.000%	932,828	1,033,047
Government National Mortgage Association[c][h][i]			
CMO IO Series 2010-108 Class PI			
02/20/38	5.889%	7,029,037	891,083

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

Portfolio of Investments *(continued)*

December 31, 2012

Residential Mortgage-Backed Securities — Agency[g] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CMO IO Series 2012-41 Class SA			
03/20/42	6.389%	10,064,830	2,720,306
CMO IO Series 2012-48 Class SA			
04/16/42	6.441%	2,082,406	438,651
Government National Mortgage Association[h]			
04/15/40	4.500%	2,101,988	2,320,159
Government National Mortgage Association[h][i]			
CMO IO Series 2010-167 Class GI			
02/20/38	4.000%	3,604,709	405,854
CMO IO Series 2012-94 Class BI			
05/20/37	4.000%	11,431,137	1,761,995
Government National Mortgage Association[h][j]			
01/01/43	3.000%	4,000,000	4,251,875
Total Residential Mortgage-Backed Securities — Agency			
(Cost: $122,279,395)			**124,317,291**

Residential Mortgage-Backed Securities — Non-Agency 4.6%

BCAP LLC Trust[b][c][h]			
CMO Series 2010-RR7 Class 17A7			
03/26/36	5.019%	780,000	647,157
BCAP LLC Trust[b][h]			
CMO Series 2010-RR7 Class 8A6			
05/26/35	5.500%	1,145,000	1,133,637
Banc of America Funding Corp.			
CMO Series 2012-R5 Class A[b][c][h]			
10/03/39	0.474%	3,397,757	3,288,769
Bayview Opportunity Master Fund Trust IIB LP[b][c][h]			
Series 2012-4NPL Class A			
07/28/32	3.475%	2,649,998	2,684,675
Series 2012-5NPL Class A			
10/28/32	2.981%	4,761,454	4,761,454
Castle Peak Loan Trust[b][h]			
CMO Series 2011-1 Class 22A1			
05/25/52	6.250%	377,998	377,998
CMO Series 2012-1A Class A1			
05/25/52	5.000%	4,234,484	4,234,484
Citigroup Mortgage Loan Trust, Inc.[b][c][h]			
CMO Series 2009-3 Class 4A3			
10/25/33	2.508%	2,635,000	1,682,783
CMO Series 2009-4 Class 9A2			
03/25/36	2.644%	1,365,000	1,088,237
CMO Series 2010-6 Class 2A2			
09/25/35	2.654%	515,000	334,737
CMO Series 2010-6 Class 3A2			
07/25/36	2.614%	2,215,000	1,956,998

Residential Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Citigroup Mortgage Loan Trust, Inc.[b][h]			
CMO Series 2012-A Class A			
06/25/51	2.500%	2,681,085	2,654,274
Credit Suisse Mortgage Capital Certificates[b][c][h]			
CMO Series 2011-4R Class 4A7			
08/27/37	4.000%	3,880,000	3,840,426
CMO Series 2011-7R Class A1			
08/28/47	1.460%	1,969,455	1,951,408
Series 2012-11 Class 3A2			
06/28/47	1.212%	3,058,154	2,759,984
Credit Suisse Mortgage Capital Certificates[b][h]			
Series 2012-11R Class 1A1			
11/29/37	2.000%	4,000,000	3,997,500
Deutsche Mortgage Securities, Inc.			
CMO Series 2003-1 Class 1A7[h]			
04/25/33	5.500%	1,300,468	1,345,859
JPMorgan Resecuritization Trust			
CMO Series 2010-5 Class 1A6[b][c][h]			
04/26/37	4.500%	615,000	626,899
PennyMac Loan Trust[b][c][h]			
Series 2011-NPL1 Class A			
09/25/51	5.250%	270,911	270,652
Series 2012-NPL1 Class A			
05/28/52	3.422%	3,854,962	3,854,962
RBSSP Resecuritization Trust			
CMO Series 2010-12 Class 3A4[b][c][h]			
06/27/32	4.000%	721,469	725,388
Residential Mortgage Asset Trust			
Series 2012-1A Class A1[b][c][h]			
08/26/52	2.734%	3,680,573	3,740,957
Wells Fargo Mortgage-Backed Securities Trust			
CMO Series 2005-18 Class 2A6[h]			
01/25/36	5.500%	489,222	492,234
Total Residential Mortgage-Backed Securities — Non-Agency			
(Cost: $48,762,198)			**48,451,472**

Commercial Mortgage-Backed Securities — Non-Agency 1.6%

Commercial Mortgage Pass-Through Certificates			
Series 2011-THL Class A[b][h]			
06/09/28	3.376%	964,788	978,118
DBUBS Mortgage Trust			
Series 2011-LC2A Class A1[b][h]			
07/10/44	3.527%	1,751,761	1,918,341
JPMorgan Chase Commercial Mortgage Securities Corp.			
Series 2012-C6 Class A3[h]			
05/15/45	3.507%	1,000,000	1,090,592

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

Portfolio of Investments *(continued)*

December 31, 2012

Commercial Mortgage-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Morgan Stanley Capital I, Inc.[c][h] Series 2005-IQ10 Class A4A			
09/15/42	5.230%	500,000	550,294
Morgan Stanley Capital I, Inc.[h] Series 2005-HQ5 Class A4			
01/14/42	5.168%	2,635,000	2,825,392
Series 2005-HQ6 Class A4A			
08/13/42	4.989%	175,000	191,191
Morgan Stanley Reremic Trust Series 2010-GG10 Class A4A[b][c][h]			
08/15/45	5.789%	7,050,000	8,225,446
S2 Hospitality LLC Series 2012-LV1 Class A[b][h]			
04/15/25	4.500%	1,088,024	1,089,643
Total Commercial Mortgage-Backed Securities — Non-Agency (Cost: $15,826,807)			**16,869,017**

Asset-Backed Securities — Non-Agency 0.2%

American Credit Acceptance Receivables Trust Series 2012-3 Class A[b]			
11/15/16	1.640%	1,700,000	1,700,205
GMAC Mortgage Corp Loan Trust Series 2004-HE5 Class A5 (FGIC)[c]			
09/25/34	5.865%	236,888	179,980
Total Asset-Backed Securities — Non-Agency (Cost: $1,936,826)			**1,880,185**

Inflation-Indexed Bonds[a] 1.1%

Uruguay 1.1%			
Uruguay Government International Bond			
04/05/27	4.250%	UYU 110,986,462	6,737,924
Senior Unsecured			
12/15/28	4.375%	UYU 73,106,500	4,544,262
Total			11,282,186
Total Inflation-Indexed Bonds (Cost: $9,921,594)			**11,282,186**

U.S. Treasury Obligations 3.8%

U.S. Treasury			
12/31/13	0.125%	3,103,400	3,101,460
05/31/17	0.625%	800,000	801,249
02/15/20	3.625%	10,070,000	11,766,171

U.S. Treasury Obligations *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
02/15/22	2.000%	1,215,000	1,256,481
08/15/22	1.625%	1,490,000	1,480,223
11/15/41	3.125%	10,080,000	10,550,927
02/15/42	3.125%	40,000	41,825
05/15/42	3.000%	165,000	168,094
08/15/42	2.750%	10,705,000	10,337,016
Total U.S. Treasury Obligations (Cost: $37,470,214)			**39,503,446**

Foreign Government Obligations[a] 21.5%

Argentina 0.3%			
Argentina Boden Bonds Senior Unsecured			
10/03/15	7.000%	1,595,000	1,451,450
Argentina Bonar Bonds Senior Unsecured			
04/17/17	7.000%	836,000	706,420
Provincia de Buenos Aires Senior Unsecured[b]			
01/26/21	10.875%	1,110,000	821,400
Provincia de Cordoba Senior Unsecured[b]			
08/17/17	12.375%	880,000	726,000
Total			3,705,270
Australia 0.7%			
Treasury Corp. of Victoria Local Government Guaranteed			
11/15/16	5.750%	AUD 3,850,000	4,362,499
06/15/20	6.000%	AUD 2,550,000	3,037,556
Total			7,400,055
Brazil 1.0%			
Brazilian Government International Bond Senior Unsecured			
01/05/24	8.500%	BRL 3,250,000	1,932,540
01/20/34	8.250%	2,285,000	3,844,512
Morgan Stanley Senior Unsecured			
10/22/20	11.500%	BRL 3,415,000	1,938,889
Petrobras International Finance Co.			
03/15/19	7.875%	1,535,000	1,917,332
01/27/21	5.375%	600,000	674,160
Total			10,307,433

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

Portfolio of Investments *(continued)*

December 31, 2012

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Canada 0.8%			
Canadian Government Bond			
06/01/18	4.250%	CAD 500,000	576,048
06/01/19	3.750%	CAD 6,600,000	7,522,156
06/01/23	8.000%	CAD 85,000	134,877
Total			8,233,081
Colombia 1.0%			
Colombia Government International Bond			
Senior Unsecured			
05/21/24	8.125%	285,000	428,925
01/18/41	6.125%	2,070,000	2,823,609
Ecopetrol SA			
Senior Unsecured			
07/23/19	7.625%	1,200,000	1,551,000
Empresa de Energia de Bogota SA			
Senior Unsecured[b]			
11/10/21	6.125%	1,050,000	1,177,096
Empresas Publicas de Medellin ESP			
Senior Unsecured[b]			
02/01/21	8.375%	COP 5,280,000,000	3,451,572
Transportadora de Gas Internacional SA ESP			
Senior Unsecured[b]			
03/20/22	5.700%	1,000,000	1,103,876
Total			10,536,078
Dominican Republic 0.3%			
Dominican Republic International Bond[b]			
Senior Unsecured			
05/06/21	7.500%	1,675,000	1,942,551
04/20/27	8.625%	1,300,000	1,565,200
Total			3,507,751
El Salvador 0.1%			
El Salvador Government International Bond			
Senior Unsecured[b]			
02/01/41	7.625%	600,000	681,000
Finland 0.2%			
Finland Government Bond			
Senior Unsecured			
07/04/15	4.250%	EUR 1,160,000	1,692,363
France 1.0%			
France Government Bond OAT			
04/25/17	3.750%	EUR 450,000	674,759
10/25/18	4.250%	EUR 1,000,000	1,563,241
04/25/19	4.250%	EUR 4,080,000	6,412,987
04/25/29	5.500%	EUR 1,160,000	2,121,858
Total			10,772,845

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Georgia —%			
Georgian Railway JSC			
Senior Unsecured[b]			
07/11/22	7.750%	442,000	504,380
Germany 1.5%			
Bundesrepublik Deutschland			
06/20/16	6.000%	EUR 245,000	388,918
07/04/17	4.250%	EUR 4,260,000	6,632,772
01/04/19	3.750%	EUR 5,555,000	8,712,300
Total			15,733,990
Hungary 0.1%			
Hungary Government International Bond			
Senior Unsecured			
02/03/15	4.750%	80,000	82,400
Magyar Export-Import Bank RT[b]			
02/12/18	5.500%	500,000	504,990
Total			587,390
Indonesia 1.5%			
Indonesia Government International Bond[b]			
Senior Unsecured			
04/20/15	7.250%	1,655,000	1,863,944
03/13/20	5.875%	5,630,000	6,784,150
Indonesia Treasury Bond			
Senior Unsecured			
06/15/15	9.500%	IDR 6,476,000,000	747,158
07/15/17	10.000%	IDR 4,979,000,000	624,705
09/15/19	11.500%	IDR 8,500,000,000	1,202,698
07/15/22	10.250%	IDR 10,680,000,000	1,505,965
09/15/24	10.000%	IDR 4,500,000,000	637,402
Majapahit Holding BV[b]			
08/07/19	8.000%	1,000,000	1,265,000
06/29/37	7.875%	540,000	741,150
Total			15,372,172
Japan 0.3%			
Japan Government 10-Year Bond			
Senior Unsecured			
12/20/18	1.400%	JPY 15,000,000	184,821
Japan Government 20-Year Bond			
Senior Unsecured			
09/20/26	2.200%	JPY 270,000,000	3,508,242
Total			3,693,063
Kazakhstan 0.3%			
KazMunaiGaz Finance Sub BV[b]			
07/02/18	9.125%	1,875,000	2,479,687

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

Portfolio of Investments *(continued)*

December 31, 2012

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Senior Unsecured			
04/09/21	6.375%	600,000	734,280
Total			3,213,967
Latvia 0.1%			
Republic of Latvia			
Senior Unsecured[b]			
06/16/21	5.250%	650,000	755,630
Lithuania 0.2%			
Lithuania Government International Bond[b]			
Senior Unsecured			
03/09/21	6.125%	600,000	737,590
02/01/22	6.625%	1,250,000	1,596,241
Total			2,333,831
Malaysia —%			
Petronas Capital Ltd.			
08/12/19	5.250%	75,000	89,016
Mexico 1.8%			
Comision Federal De Electricidad			
Senior Unsecured[b]			
02/14/42	5.750%	300,000	339,750
Mexican Bonos			
06/16/16	6.250%	MXN 2,000,000	1,609,265
12/15/16	7.250%	MXN 500,000	417,477
12/13/18	8.500%	MXN 3,663,500	3,316,283
06/09/22	6.500%	MXN 3,500,000	2,932,079
06/03/27	7.500%	MXN 2,515,000	2,263,553
Mexico Government International Bond			
Senior Unsecured			
01/11/40	6.050%	1,430,000	1,917,630
Pemex Finance Ltd.			
Senior Unsecured			
11/15/18	9.150%	310,000	383,719
Senior Unsecured (NPFGC)			
08/15/17	10.610%	215,000	259,786
Pemex Project Funding Master Trust			
03/01/18	5.750%	2,420,000	2,825,350
01/21/21	5.500%	1,000,000	1,168,500
Petroleos Mexicanos			
06/02/41	6.500%	1,000,000	1,255,000
Total			18,688,392
Mongolia 0.1%			
Mongolia Government International Bond			
Senior Unsecured[b]			
12/05/22	5.125%	700,000	684,668

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Netherlands 0.4%			
Netherlands Government Bond[b]			
07/15/16	4.000%	EUR 2,565,000	3,834,628
New Zealand 0.2%			
New Zealand Government Bond			
Senior Unsecured			
05/15/21	6.000%	NZD 2,725,000	2,676,890
Norway 0.8%			
Norway Government Bond			
05/19/17	4.250%	NOK 40,900,000	8,197,507
Peru 0.5%			
Corporacion Financiera de Desarrollo SA			
Senior Unsecured[b]			
02/08/22	4.750%	1,000,000	1,097,152
Peruvian Government International Bond			
Senior Unsecured			
05/03/16	8.375%	510,000	627,555
07/21/25	7.350%	1,210,000	1,753,290
11/21/33	8.750%	205,000	356,187
11/18/50	5.625%	700,000	907,550
Peruvian Government International Bond[b]			
Senior Unsecured			
08/12/20	7.840%	PEN 1,500,000	740,627
Total			5,482,361
Philippines 0.3%			
Philippine Government International Bond			
Senior Unsecured			
01/15/21	4.950%	PHP 14,000,000	371,399
01/14/36	6.250%	PHP 46,000,000	1,333,933
Power Sector Assets & Liabilities Management Corp.[b]			
Government Guaranteed			
05/27/19	7.250%	720,000	924,300
12/02/24	7.390%	610,000	850,275
Total			3,479,907
Poland 1.0%			
Poland Government Bond			
10/24/15	6.250%	PLN 13,600,000	4,759,682
10/25/19	5.500%	PLN 9,280,000	3,391,158
Poland Government International Bond			
Senior Unsecured			
03/23/22	5.000%	2,250,000	2,657,250
Total			10,808,090

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

Portfolio of Investments *(continued)*

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Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Qatar 0.1%			
Nakilat, Inc. Senior Secured[b] 12/31/33	6.067%	180,000	217,800
Qatar Government International Bond Senior Unsecured[b] 01/20/22	4.500%	600,000	688,500
Total			906,300
Republic of Namibia 0.1%			
Namibia International Bonds Senior Unsecured[b] 11/03/21	5.500%	800,000	896,000
Republic of the Congo 0.1%			
Republic of Congo Senior Unsecured[c] 06/30/29	3.000%	617,500	534,138
Romania 0.1%			
Romanian Government International Bond Senior Unsecured[b] 02/07/22	6.750%	800,000	970,836
Russian Federation 1.6%			
Gazprom OAO Via Gaz Capital SA[b] Senior Unsecured 04/11/18	8.146%	3,115,000	3,842,353
03/07/22	6.510%	1,460,000	1,741,050
Russian Foreign Bond — Eurobond Senior Unsecured 03/31/30	7.500%	142,600	183,155
Russian Foreign Bond — Eurobond[b] Senior Unsecured 03/10/18	7.850%	RUB 20,000,000	713,538
03/31/30	7.500%	3,561,125	4,573,909
Russian Railways via RZD Capital Ltd. Senior Unsecured 04/02/19	8.300%	RUB 16,000,000	543,273
Sberbank of Russia Via SB Capital SA Senior Unsecured[b] 02/07/22	6.125%	1,700,000	1,939,204
VTB Bank OJSC Via VTB Capital SA Senior Unsecured[b] 04/12/17	6.000%	600,000	648,600
Vnesheconombank Via VEB Finance PLC Senior Unsecured[b] 11/22/25	6.800%	2,190,000	2,682,750
Total			16,867,832

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
South Africa 0.1%			
South Africa Government International Bond Senior Unsecured 03/09/20	5.500%	430,000	509,550
Transnet SOC Ltd. Senior Unsecured[b] 07/26/22	4.000%	700,000	703,432
Total			1,212,982
South Korea 0.2%			
Export-Import Bank of Korea Senior Unsecured 04/11/22	5.000%	1,800,000	2,082,175
Sweden 0.8%			
Sweden Government Bond 08/12/17	3.750%	SEK 43,765,000	7,561,466
12/01/20	5.000%	SEK 3,100,000	603,944
Total			8,165,410
Trinidad And Tobago 0.2%			
Petroleum Co. of Trinidad & Tobago Ltd. Senior Unsecured[b] 08/14/19	9.750%	1,290,000	1,711,761
Turkey 1.0%			
Turkey Government International Bond 01/14/41	6.000%	1,700,000	2,120,750
Senior Unsecured 03/30/21	5.625%	3,050,000	3,621,875
09/26/22	6.250%	250,000	311,625
02/05/25	7.375%	3,540,000	4,796,700
Total			10,850,950
Ukraine 0.1%			
City of Kyiv Via Kyiv Finance PLC Senior Unsecured[b] 07/11/16	9.375%	600,000	554,268
National JSC Naftogaz of Ukraine Government Guaranteed 09/30/14	9.500%	335,000	345,085
Total			899,353
United Arab Emirates 0.2%			
Abu Dhabi National Energy Co. Senior Unsecured[b] 12/13/21	5.875%	700,000	835,426
Dolphin Energy Ltd. Senior Secured[b] 12/15/21	5.500%	1,000,000	1,145,076
Total			1,980,502

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

Portfolio of Investments *(continued)*

December 31, 2012

Foreign Government Obligations[a] *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United Kingdom 0.8%			
United Kingdom Gilt			
03/07/18	5.000%	GBP 1,400,000	2,743,245
09/07/19	3.750%	GBP 200,000	377,876
09/07/21	3.750%	GBP 500,000	953,958
03/07/25	5.000%	GBP 2,050,000	4,395,728
Total			8,470,807
Uruguay 0.1%			
Uruguay Government International Bond Senior Unsecured PIK			
01/15/33	7.875%	935,000	1,445,978
Venezuela 1.5%			
Petroleos de Venezuela SA			
04/12/17	5.250%	4,660,000	4,065,850
11/02/17	8.500%	5,835,000	5,762,063
02/17/22	12.750%	180,300	202,657
Venezuela Government International Bond Senior Unsecured			
05/07/23	9.000%	5,636,000	5,466,920
Total			15,497,490
Total Foreign Government Obligations (Cost: $195,175,962)			**225,464,272**

Municipal Bonds —%

Issue Description	Coupon Rate	Principal Amount ($)	Value ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004[b][e][l][m]			
10/01/11	13.000%	350,000	210,000
Total Municipal Bonds (Cost: $350,000)			**210,000**

Senior Loans 5.9%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense 0.1%			
Huntington Ingalls Industries, Inc. Term Loan[c][n]			
03/30/16	2.750%	91,250	91,250

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Silver II Borrower SCA Term Loan[c][j][n]			
11/20/19	5.000%	800,000	807,000
TransDigm, Inc. Tranche B2 Term Loan[c][n]			
02/14/17	4.000%	299,246	301,116
Total			1,199,366
Airlines 0.1%			
Delta Air Lines, Inc.[c][n] Tranche B1 Term Loan			
10/18/18	5.250%	150,000	151,088
Tranche B2 Term Loan			
04/18/16	4.250%	350,000	350,983
U.S. Airways Group, Inc. Term Loan[c][n]			
03/21/14	2.712%	486,111	478,941
United Air Lines, Inc. Tranche B Term Loan[c][n]			
02/01/14	2.250%	266,997	266,108
Total			1,247,120
Automotive 0.2%			
Allison Transmission, Inc. Tranche B1 Term Loan[c][n]			
08/07/14	2.710%	123,801	124,239
Chrysler Group LLC Tranche B Term Loan[c][n]			
05/24/17	6.000%	395,489	403,288
Federal-Mogul Corp.[c][n] Tranche B Term Loan			
12/29/14	2.148%	196,793	180,804
Tranche C Term Loan			
12/28/15	2.148%	100,405	92,247
Goodyear Tire & Rubber Co. (The) 2nd Lien Term Loan[c][n]			
04/30/19	4.750%	300,000	301,641
Navistar, Inc. Tranche B Term Loan[c][n]			
08/17/17	7.000%	200,000	200,500
Schaeffler AG Tranche B2 Term Loan[c][n]			
01/27/17	6.000%	250,000	252,657
Total			1,555,376
Brokerage 0.1%			
Nuveen Investments, Inc.[c][n] 1st Lien Term Loan			
05/13/17	5.811%	325,000	326,138
05/13/17	7.250%	125,000	125,430

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
2nd Lien Term Loan 02/28/19	8.250%	200,000	203,376
Total			654,944
Building Materials 0.1%			
Custom Building Products, Inc. Term Loan[c][j][n] 12/14/19	6.000%	250,000	249,375
Roofing Supply Group LLC Term Loan[c][n] 05/31/19	5.000%	223,565	224,589
Wilsonart LLC Term Loan[c][n] 10/31/19	5.500%	225,000	226,406
Total			700,370
Chemicals 0.3%			
AZ Chem U.S., Inc. Term Loan[c][j][n] 12/22/17	7.250%	50,000	50,479
AZ Chem U.S., Inc. Term Loan[c][n] 12/22/17	7.250%	58,897	59,461
Ascend Performance Materials Operations LLC Tranche B Term Loan[c][j][n] 04/10/18	6.750%	300,000	298,125
Emerald Performance Materials LLC 1st Lien Term Loan[c][n] 05/18/18	6.750%	99,500	99,500
Houghton International, Inc. 2nd Lien Term Loan[c][n] 12/17/20	10.500%	500,000	493,125
Ineos U.S. Finance LLC Term Loan[c][n] 05/04/18	6.500%	99,250	100,215
Nexeo Solutions LLC Term Loan[c][n] 09/08/17	5.000%	98,992	97,075
Omnova Solutions, Inc. Term Loan[c][n] 05/31/17	5.500%	343,860	347,298
PQ Corp. Tranche B Term Loan[c][n] 04/15/17	5.250%	550,000	552,673
Trinseo Materials Operating SCA Term Loan[c][n] 08/02/17	8.000%	310,870	302,371

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Tronox Pigments B.V.[c][n] Delayed Draw Term Loan 02/08/18	4.250%	31,982	32,282
Term Loan 02/08/18	4.250%	117,268	118,368
Univar, Inc.[c][j][n] Tranche B Term Loan 06/30/17	5.000%	125,000	124,475
Univar, Inc.[c][n] Tranche B Term Loan 06/30/17	5.000%	514,500	512,339
Total			3,187,786
Construction Machinery —%			
Douglas Dynamics LLC Term Loan[c][n] 04/18/18	5.750%	293,572	290,822
Manitowoc Co., Inc. (The) Tranche B Term Loan[c][n] 11/13/17	4.250%	54,895	55,186
Total			346,008
Consumer Cyclical Services 0.1%			
Acosta, Inc. Tranche D Term Loan[c][n] 03/02/18	5.000%	318,018	320,800
IG Investments Holdings LLC Tranche B 1st Lien Term Loan[c][n] 10/31/19	6.000%	200,000	201,500
KAR Auction Services, Inc. Term Loan[c][n] 05/19/17	5.000%	274,579	277,119
Live Nation Entertainment, Inc. Tranche B Term Loan[c][n] 11/07/16	4.500%	99,490	100,485
Sabre, Inc. Term Loan[c][n] 09/30/17	5.962%	315,433	317,291
West Corp. Tranche B6 Term Loan[c][n] 06/30/18	5.750%	199,000	201,834
Total			1,419,029
Consumer Products 0.1%			
Affinion Group, Inc.[c][j][n] Tranche B Term Loan 07/16/15	6.500%	325,000	297,681
Affinion Group, Inc.[c][n] Tranche B Term Loan 07/16/15	6.500%	295,710	270,852

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Fender Musical Instruments Corp.[c][n]			
Delayed Draw Term Loan			
06/09/14	2.470%	71,662	71,160
Term Loan			
06/09/14	2.470%	141,817	140,824
Jarden Corp.			
Tranche B Term Loan[c][n]			
03/31/18	3.212%	147,560	148,207
Serta Simmons Holdings LLC			
Term Loan[c][n]			
10/01/19	5.000%	150,000	150,125
Total			1,078,849
Diversified Manufacturing 0.3%			
Colfax Corp.[c][j][n]			
Tranche B Term Loan			
01/11/19	4.500%	525,000	528,197
Colfax Corp.[c][n]			
Tranche B Term Loan			
01/11/19	4.500%	123,750	124,504
Generac Power System, Inc.			
Term Loan[c][n]			
05/30/18	6.250%	399,000	407,311
IMG Worldwide, Inc.			
Tranche B Term Loan[c][n]			
06/16/16	5.500%	369,375	370,298
MRC Global			
Tranche B Term Loan[c][n]			
11/08/19	6.250%	124,688	124,999
QS0001 Corp.[c][j][n]			
1st Lien Term Loan			
11/09/18	4.250%	525,000	529,268
QS0001 Corp.[c][n]			
2nd Lien Term Loan			
05/11/20	9.250%	325,000	331,500
Rexnord LLC/RBS Global, Inc.			
Tranche B Term Loan[c][n]			
04/01/18	4.500%	274,312	276,255
Tomkins LLC/Inc.			
Tranche B1 Term Loan[c][n]			
09/29/16	4.250%	427,118	429,164
Total			3,121,496
Electric 0.2%			
Calpine Corp.[c][n]			
Term Loan			
04/01/18	4.500%	147,750	149,018
04/01/18	4.500%	270,680	273,002
Equipower Resources Holdings LLC			
Tranche B 1st Lien Term Loan[c][n]			
12/21/18	5.500%	124,437	125,785

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Essential Power LLC			
Term Loan[c][n]			
08/08/19	5.500%	192,421	195,066
FREIF North American Power I LLC[c][n]			
Tranche B Term Loan			
03/29/19	6.000%	85,979	86,624
Tranche C Term Loan			
03/29/19	6.000%	13,580	13,682
LSP Madison Funding LLC			
Term Loan[c][n]			
06/28/19	5.500%	95,100	96,468
NRG Energy, Inc.			
Term Loan[c][n]			
07/01/18	4.000%	295,500	298,387
TPF Generation Holdings LLC			
1st Lien Synthetic Letter of Credit[c][n]			
12/15/13	2.311%	45,620	45,506
Texas Competitive Electric Holdings Co. LLC			
Term Loan[c][n]			
10/10/14	3.746%	624,903	470,046
Windsor Financing LLC			
Tranche B Term Loan[c][e][j][n]			
12/07/17	6.250%	125,000	125,156
Total			1,878,740
Entertainment 0.2%			
24 Hour Fitness Worldwide, Inc.			
Tranche B Term Loan[c][n]			
04/22/16	7.500%	1,226,412	1,234,727
Alpha Topco Ltd.			
Tranche B2 Term Loan[c][n]			
04/30/19	6.000%	446,631	452,589
Cinemark USA, Inc.			
Term Loan[c][n]			
12/18/19	3.210%	325,000	324,662
Six Flags Theme Parks, Inc.			
Tranche B Term Loan[c][n]			
12/20/18	4.000%	84,620	84,922
Zuffa LLC			
Term Loan[c][n]			
06/19/15	7.500%	297,714	299,111
Total			2,396,011
Environmental 0.1%			
ADS Waste Holdings, Inc.			
Term Loan[c][n]			
10/09/19	5.250%	100,000	101,125
EnviroSolutions Real Property Holdings, Inc.			
2nd Lien Term Loan[c][n]			
07/29/14	8.000%	628,235	623,002

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
WCA Waste Corp.			
Term Loan[c][n]			
03/23/18	5.500%	99,250	99,746
Total			823,873
Food and Beverage 0.3%			
AdvancePierre Foods, Inc.			
1st Lien Term Loan[c][n]			
07/10/17	5.750%	750,000	757,500
Aramark Corp.			
Tranche C Term Loan[c][j][n]			
07/26/16	3.515%	475,000	475,252
Del Monte Foods Co.			
Term Loan[c][n]			
03/08/18	4.500%	608,504	608,887
JBS U.S.A. LLC			
Term Loan[c][n]			
05/25/18	4.250%	98,500	98,131
Pinnacle Foods Finance LLC			
Tranche F Term Loan[c][n]			
10/17/18	4.750%	99,500	100,308
U.S. Foods, Inc.			
Term Loan[c][n]			
03/31/17	5.750%	220,624	220,417
Windsor Quality Food Co., Ltd.			
Tranche B Term Loan[c][n]			
02/16/17	5.000%	363,200	359,869
Total			2,620,364
Gaming 0.3%			
Affinity Gaming LLC			
Term Loan[c][n]			
11/09/17	5.500%	99,250	100,118
Caesars Entertainment Operating Co., Inc.			
Tranche B2 Term Loan[c][n]			
01/28/15	3.210%	400,000	393,232
Caesars Octavius LLC			
Tranche B Term Loan[c][n]			
04/25/17	9.250%	325,000	329,875
Cannery Casino Resorts LLC[c][n]			
1st Lien Term Loan			
10/02/18	6.000%	99,750	99,833
2nd Lien Term Loan			
10/02/19	10.000%	100,000	94,917
Las Vegas Sands LLC[c][n]			
Tranche B Term Loan			
11/23/16	2.760%	130,907	131,088
Tranche I Delayed Draw Term Loan			
11/23/16	2.760%	16,454	16,477

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
MGM Resorts International			
Tranche B Term Loan[c][n]			
12/20/19	4.250%	500,000	504,875
Peppermill Casinos, Inc.[c][j][n]			
Tranche B Term Loan			
11/09/18	7.250%	150,000	146,063
Peppermill Casinos, Inc.[c][n]			
Tranche B Term Loan			
11/09/18	7.250%	250,000	243,437
Pinnacle Entertainment, Inc.			
Tranche A Term Loan[c][n]			
03/19/19	4.000%	272,938	274,302
ROC Finance LLC[c][j][n][o]			
Tranche B Delayed Draw Term Loan			
08/19/17	2.250%	8,333	8,583
08/19/17	2.250%	5,000	5,150
ROC Finance LLC[c][n]			
Tranche B Term Loan			
08/19/17	8.500%	111,667	115,017
Stockbridge/SBE Holdings			
Tranche B Term Loan[c][n]			
05/02/17	13.000%	125,000	124,375
Twin River Worldwide Holdings, Inc.			
Term Loan[c][n]			
11/05/15	8.500%	418,889	420,983
Total			3,008,325
Gas Pipelines —%			
Energy Transfer Equity LP[c][j][n]			
Term Loan			
03/24/17	3.750%	300,000	301,950
Energy Transfer Equity LP[c][n]			
Term Loan			
03/24/17	3.750%	100,000	100,650
Total			402,600
Health Care 0.5%			
Alere, Inc.			
Tranche B Term Loan[c][n]			
06/30/17	4.750%	491,459	493,036
Bausch & Lomb, Inc.			
Term Loan[c][n]			
05/17/19	5.250%	199,000	200,421
Community Health Systems, Inc.			
Term Loan[c][j][n]			
01/25/17	4.057%	825,000	829,430
ConvaTec, Inc.			
Term Loan[c][n]			
12/22/16	5.000%	314,601	318,008

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
DaVita, Inc.			
Tranche B Term Loan[c][n]			
11/01/19	4.000%	225,000	226,195
HCA, Inc.			
Tranche B3 Term Loan[c][j][n]			
05/01/18	3.459%	800,000	801,664
Health Management Associates, Inc.			
Tranche B Term Loan[c][n]			
11/16/18	4.500%	123,750	124,619
IASIS Healthcare LLC			
Tranche B Term Loan[c][n]			
05/03/18	5.000%	639,739	640,737
MedAssets, Inc.			
Tranche B Term Loan[c][j][n]			
12/11/19	4.000%	250,000	249,875
Onex Carestream Finance LP			
Term Loan[c][n]			
02/25/17	5.000%	368,236	366,509
Quintiles Transnational Corp.			
Tranche B2 Term Loan[c][n]			
06/08/18	4.500%	467,875	470,214
Select Medical Corp.			
Tranche B Term Loan[c][n]			
06/01/18	5.500%	123,125	123,494
inVentiv Health, Inc.			
Term Loan[c][n]			
08/04/16	7.500%	106,379	103,188
Total			4,947,390
Independent Energy —%			
Plains Exploration & Production Co.			
Term Loan[c][j][n]			
12/01/19	4.000%	325,000	326,017
Integrated Energy —%			
Gibson Energy ULC			
Tranche B Term Loan[c][n]			
06/15/18	4.750%	120,414	122,069
Life Insurance —%			
Alliant Holdings I, Inc.			
Term Loan[c][j][n]			
11/26/19	5.000%	100,000	100,100
Media Cable 0.1%			
Cequel Communications LLC			
Term Loan[c][n]			
02/14/19	4.000%	198,500	199,288

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
MCC Iowa LLC[c][n]			
Tranche F Term Loan			
10/23/17	4.500%	318,467	318,866
Tranche G Term Loan			
01/20/20	4.000%	199,500	199,416
Mediacom Illinois LLC			
Tranche E Term Loan[c][n]			
10/23/17	4.500%	489,950	487,706
Total			1,205,276
Media Non-Cable 0.5%			
Clear Channel Communications, Inc.			
Tranche B Term Loan[c][n]			
01/29/16	3.862%	558,510	460,335
Cumulus Media Holdings, Inc.[c][n]			
1st Lien Term Loan			
09/17/18	4.500%	563,581	564,815
2nd Lien Term Loan			
09/16/19	7.500%	350,000	360,063
Encompass Digital Media, Inc.			
Tranche B Term Loan[c][n]			
08/10/17	8.000%	447,750	451,108
Getty Images, Inc.[c][j][n]			
Term Loan			
10/18/19	4.750%	550,000	550,000
Getty Images, Inc.[c][n]			
Term Loan			
10/18/19	4.750%	200,000	200,000
Granite Broadcasting			
Tranche B 1st Lien Term Loan[c][n]			
05/23/18	8.500%	199,000	198,503
Gray Television, Inc.			
Term Loan[c][n]			
10/12/19	4.750%	168,694	169,677
Hubbard Radio LLC			
1st Lien Term Loan[c][n]			
04/28/17	5.250%	120,971	121,878
Intelsat Jackson Holdings SA			
Tranche B Term Loan[c][n]			
04/02/18	4.500%	297,739	300,034
National CineMedia LLC			
Term Loan[c][n]			
11/26/19	3.470%	200,000	199,750
Radio One, Inc.			
Term Loan[c][n]			
03/31/16	7.500%	390,943	395,505
Tribune Co.			
Tranche B Term Loan[c][j][n]			
12/31/19	4.000%	225,000	224,438

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Univision Communications, Inc. 1st Lien Term Loan[c][n] 03/31/17	4.462%	475,456	467,212
Van Wagner Communications LLC Term Loan[c][n] 08/03/18	8.250%	150,000	151,376
Total			4,814,694
Metals 0.3%			
Essar Steel Algoma, Inc. Term Loan[c][n] 09/19/14	8.750%	124,688	122,817
FMG Resources August 2006 Proprietary Ltd.[c][j][n] Term Loan 10/18/17	5.250%	531,667	535,655
FMG Resources August 2006 Proprietary Ltd.[c][n] Term Loan 10/18/17	5.250%	2,300,235	2,317,487
Metals USA, Inc. Tranche B Term Loan[c][n] 12/14/19	6.250%	250,000	247,812
Novelis, Inc. Tranche B2 Term Loan[c][n] 03/10/17	4.000%	222,187	223,994
Total			3,447,765
Non-Captive Consumer —%			
Springleaf Financial Funding Co. Term Loan[c][n] 05/10/17	5.500%	400,000	397,356
Non-Captive Diversified —%			
Istar Financial, Inc. Term Loan[c][n] 10/15/17	5.750%	240,998	242,606
Oil Field Services —%			
FTS International, Inc. Term Loan[c][n] 05/06/16	8.500%	330,307	273,494
Other Financial Institutions 0.1%			
Alix Partners LLP[c][j][n] Tranche B2 1st Lien Term Loan 06/28/19	6.500%	300,000	303,375
Alix Partners LLP[c][n] Tranche B2 1st Lien Term Loan 06/28/19	6.500%	149,250	150,929
Total			454,304

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Other Industry 0.1%			
Advantage Sales & Marketing, Inc. 1st Lien Term Loan[c][n] 12/18/17	5.250%	73,500	73,941
Harland Clarke Holdings Corp. Tranche B1 Term Loan[c][n] 06/30/14	2.712%	293,782	282,974
On Assignment, Inc. Tranche B Term Loan[c][n] 05/15/19	5.000%	114,414	115,701
Sensus U.S.A., Inc. 2nd Lien Term Loan[c][n] 05/09/18	8.500%	350,000	350,000
WireCo WorldGroup, Inc. Term Loan[c][n] 02/15/17	6.000%	249,375	253,739
Total			1,076,355
Packaging 0.2%			
BWAY Holding Co. Term Loan[c][n] 08/06/17	4.500%	143,000	144,001
Berry Plastics Holding Corp. Tranche C Term Loan[c][n] 04/03/15	2.212%	796,373	791,316
Consolidated Container Co. LLC Term Loan[c][n] 07/03/19	5.000%	399,000	399,331
Reynolds Group Holdings, Inc.[c][j][n] Term Loan 09/28/18	4.750%	350,000	353,808
Reynolds Group Holdings, Inc.[c][n] Term Loan 09/28/18	4.750%	270,284	273,224
Total			1,961,680
Pharmaceuticals 0.2%			
Endo Pharmaceuticals Holdings, Inc.[c][n] Tranche A Term Loan 06/17/16	2.000%	115,625	115,576
Tranche B Term Loan 06/17/18	4.000%	28,670	28,892
Grifols, Inc. Tranche B Term Loan[c][n] 06/01/17	4.500%	267,246	269,547
Par Pharma Tranche B Term Loan[c][j][n] 08/02/19	5.000%	500,000	499,065

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Patheon, Inc. Term Loan[c][j][n] 12/06/18	7.250%	225,000	223,875
Pharmaceutical Product Development, Inc. Term Loan[c][n] 12/05/18	6.250%	99,000	100,467
RPI Finance Trust Term Loan[c][n] 05/09/18	3.500%	396,246	399,218
Valeant Pharmaceuticals International, Inc. Tranche B Term Loan[c][n] 02/13/19	4.250%	149,375	150,201
Total			1,786,841
Property & Casualty 0.1%			
Asurion LLC 2nd Lien Term Loan[c][n] 05/24/19	9.000%	222,930	229,154
HUB International Ltd. Term Loan[c][j][n] 06/13/17	4.709%	600,000	603,168
USI Holdings Corp. Tranche B Term Loan[c][j][n] 12/17/19	5.250%	300,000	299,001
Total			1,131,323
REITs —%			
CB Richard Ellis Services, Inc. Tranche C Term Loan[c][n] 03/04/18	3.462%	98,500	98,451
Restaurants —%			
OSI Restaurant Partners LLC Term Loan[c][n] 10/28/19	4.800%	150,000	151,374
Retailers 0.6%			
Academy Ltd.[c][j][n] Term Loan 08/03/18	4.750%	275,000	276,425
Academy Ltd.[c][n] Term Loan 08/03/18	4.750%	621,003	624,220
BJ Wholesale Club, Inc. Term Loan[c][n] 09/26/19	5.750%	475,000	480,610
Bass Pro Group LLC Term Loan[c][n] 11/20/19	4.000%	225,000	225,139

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Blue Buffalo Co., Ltd. Term Loan[c][n] 08/08/19	6.500%	274,312	275,799
David's Bridal, Inc.[c][j][n] Term Loan 10/11/19	5.000%	200,000	200,334
David's Bridal, Inc.[c][n] Term Loan 10/11/19	5.000%	300,000	300,501
General Nutrition Centers, Inc. Tranche B Term Loan[c][n] 03/02/18	3.750%	424,614	425,136
J. Crew Group, Inc. Term Loan[c][n] 03/07/18	4.500%	592,500	593,910
Jo-Ann Stores, Inc. Term Loan[c][n] 03/16/18	4.750%	409,871	410,981
Neiman Marcus Group, Inc. (The) Term Loan[c][n] 05/16/18	4.750%	475,000	475,119
Orchard Supply Hardware LLC Tranche B1 Term Loan[c][n] 12/21/13	5.000%	458,216	387,958
Pantry, Inc. (The) Term Loan[c][n] 08/03/19	5.750%	124,688	126,246
Party City Holdings, Inc. Term Loan[c][n] 07/27/19	5.750%	548,625	554,194
Pep Boys Term Loan[c][n] 10/11/18	5.000%	175,000	175,985
Pilot Travel Centers LLC Tranche B Term Loan[c][j][n] 08/07/19	4.250%	406,054	407,914
Toys 'R' Us — Delaware, Inc. Term Loan[c][n] 09/01/16	6.000%	338,932	326,927
Total			6,267,398
Technology 0.5%			
Aeroflex, Inc. Tranche B Term Loan[c][n] 05/09/18	5.750%	668,833	672,318
Ancestry.com Term Loan[c][j][n] 11/30/18	7.000%	300,000	288,939

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
CommScope, Inc. Tranche 1 Term Loan[(c)(n)] 01/14/18	4.250%	620,787	623,630
Edwards (Cayman Islands II) Ltd.[(c)(n)] 1st Lien Term Loan 05/31/16	5.500%	200,997	201,059
05/31/16	5.500%	166,775	166,826
Freescale Semiconductor, Inc. Tranche B1 Term Loan[(c)(n)] 12/01/16	4.460%	297,085	290,401
Greeneden U.S. Holdings II LLC Term Loan[(c)(n)] 01/31/19	6.750%	248,125	250,142
Interactive Data Corp. Tranche B Term Loan[(c)(n)] 02/11/18	4.500%	191,611	192,368
Kasima LLC Term Loan[(c)(n)] 03/31/17	5.000%	147,375	147,375
Openlink International, Inc. Term Loan[(c)(n)] 10/30/17	7.750%	74,250	73,693
RP Crown Parent LLC 1st Lien Term Loan[(c)(j)(n)] 12/20/18	6.750%	300,000	299,625
Riverbed Technology, Inc. Term Loan[(c)(j)(n)] 12/18/19	4.000%	175,000	176,386
Rovi Solutions Corp./Guides, Inc. Tranche B2 Term Loan[(c)(n)] 03/29/19	4.000%	309,784	308,622
SCS Holdings I, Inc. Term Loan[(c)(j)(n)] 10/23/18	7.000%	175,000	176,094
Sensata Technology BV/Finance Co. LLC Term Loan[(c)(j)(n)] 05/13/18	3.750%	550,000	552,349
Syniverse Holdings, Inc. Term Loan[(c)(n)] 04/23/19	5.000%	398,000	400,985
Trans Union LLC Term Loan[(c)(n)] 02/10/18	5.500%	97,197	98,493
Verint Systems, Inc. Term Loan[(c)(n)] 10/27/17	4.500%	98,500	98,962
Total			5,018,267

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Textile —%			
Springs Window Fashions LLC Tranche B Term Loan[(c)(n)] 05/31/17	6.000%	112,947	112,571
Transportation Services —%			
Avis Budget Car Rental LLC Tranche C Term Loan[(c)(n)] 03/15/19	4.250%	173,688	174,730
Hertz Corp. (The) Letter of Credit[(c)(n)] 03/11/18	3.750%	250,000	244,375
Total			419,105
Wireless 0.1%			
Cricket Communications, Inc. Term Loan[(c)(n)] 10/10/19	4.750%	75,000	75,313
Instant Web, Inc.[(c)(n)] Delayed Draw Term Loan 08/07/14	3.587%	13,758	10,559
Term Loan 08/07/14	3.587%	131,981	101,296
MetroPCS Wireless, Inc. Tranche B3 Term Loan[(c)(n)] 03/17/18	4.000%	692,674	693,325
Telesat Canada Tranche B Term Loan[(c)(n)] 03/28/19	4.250%	273,625	275,540
Total			1,156,033
Wirelines 0.1%			
Alaska Communications Systems Holdings, Inc. Term Loan[(c)(n)] 10/21/16	5.500%	419,647	393,243
Integra Telecom Holdings, Inc. Term Loan[(c)(n)] 04/15/15	9.250%	223,852	223,758
Windstream Corp. Tranche B3 Term Loan[(c)(n)] 08/08/19	4.000%	248,750	250,151
Total			867,152
Total Senior Loans (Cost: $61,848,258)			**62,017,878**

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

Portfolio of Investments *(continued)*

December 31, 2012

Common Stocks —%

Issuer	Shares	Value ($)
Financials —%		
Real Estate Investment Trusts (REITs) —%		
Fairlane Management Corp.[(d)(f)(p)]	2,000	—
Total Financials		**—**
Total Common Stocks (Cost: $—)		**—**

Warrants —%

Energy —%		
Energy Equipment & Services —%		
Green Field Energy Services, Inc.[(p)]	1,854	57,474
Total Energy		**57,474**
Total Warrants (Cost: $75,032)		**57,474**

Options Purchased Calls —%

Issuer	Contracts	Exercise Price	Expiration Date	Value ($)
U.S. Treasury Long Bond, 20-year	150	151.00	01/25/13	42,188
Total Options Purchased Calls (Cost: $363,634)				**42,188**

Options Purchased Puts 0.1%

Issuer	Contracts	Exercise Price	Expiration Date	Value ($)
U.S. Treasury Long Bond, 20-year	150	151.00	01/25/13	567,187
Total Options Purchased Puts (Cost: $389,415)				**567,187**

Money Market Funds 5.9%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.142%[(q)(r)]	61,678,259	61,678,259
Total Money Market Funds (Cost: $61,678,259)		**61,678,259**
Total Investments (Cost: $1,013,588,230)		**1,084,072,729**
Other Assets & Liabilities, Net		(35,501,644)
Net Assets		**1,048,571,085**

Investments in Derivatives

Futures Contracts Outstanding at December 31, 2012

Contract Description	Number of Contracts Long (Short)	Trading Currency	Notional Market Value ($)	Expiration Date	Unrealized Appreciation ($)	Unrealized Depreciation ($)
U.S. Treasury Long Bond, 20-year	196	USD	28,910,000	March 2013	—	(403,013)
U.S. Treasury Note, 2-year	90	USD	19,842,188	March 2013	5,489	—
U.S. Treasury Note, 5-year	(837)	USD	(104,134,568)	March 2013	290,447	—
U.S. Treasury Note, 10-year	(531)	USD	(70,506,844)	March 2013	260,423	—
U.S. Treasury Ultra Bond, 30-year	104	USD	16,909,750	March 2013	—	(408,144)
Total					556,359	(811,157)

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

Portfolio of Investments *(continued)*
December 31, 2012

Credit Default Swap Contracts Outstanding at December 31, 2012
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	(6,824)	(1,682)	—	(8,506)
Total							—	(8,506)

Forward Foreign Currency Exchange Contracts Open at December 31, 2012

Counterparty	Exchange Date	Currency to be Delivered	Currency to be Received	Unrealized Appreciation ($)	Unrealized Depreciation ($)
Citigroup Global Markets Inc.	January 10, 2013	649,726 (USD)	20,294,000 (RUB)	13,656	—
UBS Securities	January 14, 2013	2,729,000 (NZD)	2,236,497 (USD)	—	(17,087)
Deutsche Bank	January 16, 2013	4,779,000 (CHF)	5,210,707 (USD)	—	(15,676)
Goldman, Sachs & Co.	January 16, 2013	9,896,000 (EUR)	12,888,788 (USD)	—	(174,981)
Credit Suisse	January 16, 2013	4,843,000 (GBP)	7,783,408 (USD)	—	(83,509)
Morgan Stanley	January 16, 2013	13,025,167 (USD)	12,441,000 (AUD)	—	(119,070)
Morgan Stanley	January 16, 2013	156,632 (USD)	151,000 (AUD)	12	—
State Street Bank & Trust Company	January 16, 2013	7,825,408 (USD)	676,065,000 (JPY)	—	(21,807)
J.P. Morgan Securities, Inc.	January 16, 2013	5,165,978 (USD)	6,204,000 (NZD)	—	(43,455)
J.P. Morgan Securities, Inc.	January 16, 2013	121,662 (USD)	148,000 (NZD)	539	—
State Street Bank & Trust Company	January 24, 2013	3,300,000 (EUR)	4,286,601 (USD)	—	(70,066)
J.P. Morgan Securities, Inc.	January 25, 2013	9,000,000 (PLN)	2,827,610 (USD)	—	(73,038)
J.P. Morgan Securities, Inc.	February 7, 2013	4,167,585 (USD)	350,000,000 (JPY)	—	(126,465)
Total				14,207	(745,154)

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, 2012, the value of these securities amounted to $294,673,190 or 28.10% of net assets.

(c) Variable rate security.

(d) Negligible market value.

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

Portfolio of Investments *(continued)*
December 31, 2012

Notes to Portfolio of Investments *(continued)*

(e) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2012 was $335,156, representing 0.03% of net assets. Information concerning such security holdings at December 31, 2012 is as follows:

Security Description	Acquisition Dates	Cost ($)
Cabazon Band Mission Indians Revenue Bonds Series 2004 10/01/11 13.000%	10/04/04	350,000
Six Flags, Inc. 06/01/14 9.625%	05/07/10	—
Windsor Financing LLC Tranche B Term Loan 12/07/17 6.250%	11/30/12	123,750

(f) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2012, the value of these securities amounted to $0, which represents 0.00% of net assets.

(g) Represents comparable securities held to satisfy future delivery requirements of the following open forward sale commitments at December 31, 2012:

Security Description	Principal Amount ($)	Settlement Date	Proceeds Receivable ($)	Value ($)
Federal National Mortgage Association 01/01/43 4.500%	4,000,000	01/14/13	4,305,000	4,320,781

(h) 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.

(i) Interest Only (IO) security. The actual effective yield of this security is different than the stated coupon rate.

(j) Represents a security purchased on a when-issued or delayed delivery basis.

(k) At December 31, 2012, investments in securities included securities valued at $141,608 that were partially pledged as collateral to cover initial margin deposits on open interest rate futures contracts.

(l) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2012, the value of these securities amounted to $210,000, which represents 0.02% of net assets.

(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, 2012, 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 coupon as of December 31, 2012. The interest rate shown for senior loans purchased on a when-issued or delayed delivery basis, if any, reflects an estimated average coupon. 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) At December 31, 2012, the Fund had unfunded senior loan commitments pursuant to the terms of the loan agreement. The Fund receives a stated coupon rate until the borrower draws on the loan commitment, at which time the rate will become the stated rate in the loan agreement.

Borrower	Unfunded Commitment ($)
ROC Finance LLC Delayed Draw Term Loan	8,333
ROC Finance LLC Delayed Draw Term Loan	5,000
Total	13,333

(p) Non-income producing.

(q) The rate shown is the seven-day current annualized yield at December 31, 2012.

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

Portfolio of Investments *(continued)*

December 31, 2012

Notes to Portfolio of Investments *(continued)*

(r) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

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	37,296,441	374,586,042	(350,204,224)	—	61,678,259	93,734	61,678,259

Abbreviation Legend

CMO	Collateralized Mortgage Obligation
FGIC	Financial Guaranty Insurance Company
NPFGC	National Public Finance Guarantee Corporation
PIK	Payment-in-Kind
STRIPS	Separate Trading of Registered Interest and Principal Securities

Currency Legend

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
COP	Colombian Peso
EUR	Euro
GBP	British Pound
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

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

Portfolio of Investments *(continued)*

December 31, 2012

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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Bonds				
Corporate Bonds & Notes	—	491,731,874	—	491,731,874
Residential Mortgage-Backed Securities — Agency	—	124,317,291	—	124,317,291
Residential Mortgage-Backed Securities — Non-Agency	—	19,385,184	29,066,288	48,451,472
Commercial Mortgage-Backed Securities — Non-Agency	—	16,869,017	—	16,869,017
Asset-Backed Securities — Non-Agency	—	1,880,185	—	1,880,185
Inflation-Indexed Bonds	—	11,282,186	—	11,282,186
U.S. Treasury Obligations	39,503,446	—	—	39,503,446
Foreign Government Obligations	—	225,464,272	—	225,464,272
Municipal Bonds	—	210,000	—	210,000
Total Bonds	39,503,446	891,140,009	29,066,288	959,709,743
Senior Loans				
Aerospace & Defense	—	1,108,116	91,250	1,199,366
Chemicals	—	3,088,286	99,500	3,187,786
Consumer Cyclical Services	—	1,318,544	100,485	1,419,029
Diversified Manufacturing	—	2,751,198	370,298	3,121,496
Electric	—	1,732,928	145,812	1,878,740
Gaming	—	2,480,898	527,427	3,008,325
Health Care	—	4,844,202	103,188	4,947,390
Media Non-Cable	—	4,363,586	451,108	4,814,694
Other Industry	—	356,915	719,440	1,076,355
Retailers	—	6,141,152	126,246	6,267,398
Technology	—	4,870,892	147,375	5,018,267
All other industries	—	26,079,032	—	26,079,032
Total Senior Loans	—	59,135,749	2,882,129	62,017,878
Equity Securities				
Common Stocks				
Financials	—	—	—	—
Warrants				
Energy	—	57,474	—	57,474
Total Equity Securities	—	57,474	—	57,474

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Other				
Options Purchased Calls	42,188	—	—	42,188
Options Purchased Puts	567,187	—	—	567,187
Money Market Funds	61,678,259	—	—	61,678,259
Total Other	62,287,634	—	—	62,287,634
Investments in Securities	101,791,080	950,333,232	31,948,417	1,084,072,729
Forward Sale Commitments Liability	—	(4,320,781)	—	(4,320,781)
Derivatives				
Assets				
Futures Contracts	556,359	—	—	556,359
Forward Foreign Currency Exchange Contracts	—	14,207	—	14,207
Liabilities				
Futures Contracts	(811,157)	—	—	(811,157)
Forward Foreign Currency Exchange Contracts	—	(745,154)	—	(745,154)
Swap Contracts	—	(8,506)	—	(8,506)
Total	101,536,282	945,272,998	31,948,417	1,078,757,697

See the Portfolio of Investments for all investment classifications not indicated in the table.

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 residential mortgage backed securities and senior loans classified as Level 3 securities are valued using the market approach and utilize single market quotations from broker dealers which may have included, but not limited to, the distressed nature of the security and observable transactions for similar assets in the market. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement.

There were no transfers of financial assets between Levels 1 and 2 during the period.

Futures contracts, forward foreign currency contracts and swap contracts are valued at unrealized appreciation (depreciation).

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

The following table is a reconciliation of Level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes ($)	Residential Mortgage-Backed Securities — Non-Agency ($)	Senior Loans ($)	Warrants ($)	Total ($)
Balance as of December 31, 2011	352,024	6,145,020	3,260,269	33	9,757,346
Accrued discounts/premiums	898	18	12,103	—	13,019
Realized gain (loss)	(426)	5,768	33,681	—	39,023
Change in unrealized appreciation (depreciation)[(a)]	(14,218)	106,219	96,531	—	188,532
Sales	(515,328)	(4,566,603)	(3,238,355)	(33)	(8,320,319)
Purchases	177,050	31,219,046	2,362,183	—	33,758,279
Transfers into Level 3	—	—	1,083,783	—	1,083,783
Transfers out of Level 3	—	(3,843,180)	(728,066)	—	(4,571,246)
Balance as of December 31, 2012	—	29,066,288	2,882,129	—	31,948,417

(a) Change in unrealized appreciation (depreciation) relating to securities held at was $178,333, which is comprised of Residential Mortgage-Backed Securities — Non-Agency of $107,204 and Senior Loans of $71,129.

The Fund does not hold any significant investments with unobservable inputs which are categorized as Level 3.

Financial assets were transferred from Level 3 to Level 2 as observable market inputs were utilized and management's determination that there was sufficient, reliable and observable market data to value these assets as of period end, December 31, 2012.

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 value the security(s) under consistently applied procedures established by and under the general supervision of the Board of Trustees.

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.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $951,909,971)	$1,022,394,470
Affiliated issuers (identified cost $61,678,259)	61,678,259
Total investments (identified cost $1,013,588,230)	1,084,072,729
Foreign currency (identified cost $4,652,774)	4,726,646
Unrealized appreciation on forward foreign currency exchange contracts	14,207
Receivable for:	
Investments sold	5,539,422
Capital shares sold	126,899
Investments sold on a delayed delivery basis	74,248
Dividends	7,122
Interest	12,370,575
Reclaims	162,625
Trustees' deferred compensation plan	33,153
Total assets	1,107,127,626
Liabilities	
Forward sale commitments, at value (proceeds receivable $4,305,000)	4,320,781
Disbursements in excess of cash	2,394,029
Unrealized depreciation on forward foreign currency exchange contracts	745,154
Unrealized depreciation on swap contracts	8,506
Payable for:	
Investments purchased	74,807
Investments purchased on a delayed delivery basis	48,742,815
Capital shares purchased	1,314,821
Variation margin on futures contracts	211,430
Investment management fees	467,883
Distribution and/or service fees	7,912
Foreign capital gains taxes deferred	51,074
Transfer agent fees	53,276
Administration fees	59,631
Compensation of board members	3,378
Chief compliance officer expenses	258
Other expenses	67,633
Trustees' deferred compensation plan	33,153
Total liabilities	58,556,541
Net assets applicable to outstanding capital stock	**$1,048,571,085**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Represented by	
Paid-in capital	$913,780,088
Undistributed net investment income	42,741,255
Accumulated net realized gain	22,508,989
Unrealized appreciation (depreciation) on:	
Investments	70,484,499
Foreign currency translations	117,360
Forward sale commitments	(15,781)
Forward foreign currency exchange contracts	(730,947)
Futures contracts	(254,798)
Swap contracts	(8,506)
Foreign capital gains tax	(51,074)
Total — representing net assets applicable to outstanding capital stock	**$1,048,571,085**
Class 1	
Net assets	$1,011,054,895
Shares outstanding	107,858,506
Net asset value per share	$9.37
Class 2	
Net assets	$37,516,190
Shares outstanding	4,022,162
Net asset value per share	$9.33

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Dividends — affiliated issuers	$93,734
Interest	56,622,829
Income from securities lending — net	151,457
Foreign taxes withheld	(73,858)
Total income	56,794,162
Expenses:	
Investment management fees	5,669,097
Distribution and/or service fees	
Class 2	85,528
Transfer agent fees	
Class 1	572,206
Class 2	20,526
Administration fees	721,091
Compensation of board members	44,628
Custodian fees	71,865
Printing and postage fees	47,617
Professional fees	74,397
Chief compliance officer expenses	854
Other	39,473
Total expenses	7,347,282
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(314,452)
Total net expenses	7,032,830
Net investment income	49,761,332
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	35,950,320
Foreign currency translations	(286,454)
Forward foreign currency exchange contracts	1,768,675
Futures contracts	(4,194,749)
Options contracts written	126,591
Swap contracts	(5,978)
Net realized gain	33,358,405
Net change in unrealized appreciation (depreciation) on:	
Investments	39,779,945
Foreign currency translations	271,145
Forward sale commitments	(15,781)
Forward foreign currency exchange contracts	(832,736)
Futures contracts	103,165
Swap contracts	(3,782)
Foreign capital gains tax	44,368
Net change in unrealized appreciation (depreciation)	39,346,324
Net realized and unrealized gain	72,704,729
Net increase in net assets resulting from operations	**$122,466,061**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$49,761,332	$38,364,548
Net realized gain	33,358,405	4,516,482
Net change in unrealized appreciation (depreciation)	39,346,324	(16,434,361)
Net increase in net assets resulting from operations	122,466,061	26,446,669
Distributions to shareholders		
Net investment income		
Class 1	(44,227,829)	(2,779,236)
Class 2	(1,426,041)	(1,940,793)
Total distributions to shareholders	(45,653,870)	(4,720,029)
Increase (decrease) in net assets from capital stock activity	(103,685,110)	988,368,575
Total increase (decrease) in net assets	(26,872,919)	1,010,095,215
Net assets at beginning of year	1,075,444,004	65,348,789
Net assets at end of year	**$1,048,571,085**	**$1,075,444,004**
Undistributed net investment income	$42,741,255	$37,082,882

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	6,574,480	60,260,840	5,867,775	50,493,729
Fund merger	—	—	116,606,245	995,714,495
Distributions reinvested	4,880,221	44,227,829	326,585	2,779,236
Redemptions	(23,199,281)	(212,421,581)	(7,455,447)	(63,894,044)
Net increase (decrease)	(11,744,580)	(107,932,912)	115,345,158	985,093,416
Class 2 shares				
Subscriptions	1,239,710	11,286,103	611,156	5,234,018
Fund merger	—	—	369,809	3,147,028
Distributions reinvested	157,804	1,426,041	228,867	1,940,793
Redemptions	(928,934)	(8,464,342)	(814,148)	(7,046,680)
Net increase	468,580	4,247,802	395,684	3,275,159
Total net increase (decrease)	**(11,276,000)**	**(103,685,110)**	**115,740,842**	**988,368,575**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$8.73	$8.83	$8.60	$8.01	$9.47
Income from investment operations:					
Net investment income	0.42	0.45	0.47	0.51	0.53
Net realized and unrealized gain (loss)	0.63	0.13[a]	0.40	1.04	(1.21)
Total from investment operations	1.05	0.58	0.87	1.55	(0.68)
Less distributions to shareholders:					
Net investment income	(0.41)	(0.68)	(0.64)	(0.96)	(0.78)
Total distributions to shareholders	(0.41)	(0.68)	(0.64)	(0.96)	(0.78)
Net asset value, end of period	$9.37	$8.73	$8.83	$8.60	$8.01
Total return	12.25%	6.80%	10.43%	20.40%	(7.81%)
Ratios to average net assets[b]					
Total gross expenses	0.67%	0.68%	0.98%	0.90%	0.84%
Total net expenses[c]	0.65%	0.58%[d]	0.65%[d]	0.65%[d]	0.84%[d]
Net investment income	4.63%	5.22%	5.34%	6.11%	5.89%
Supplemental data					
Net assets, end of period (in thousands)	$1,011,055	$1,044,575	$37,602	$39,774	$37,407
Portfolio turnover	112%[e]	95%[e]	78%	50%[f]	28%[f]

Notes to Financial Highlights

(a) Calculation of the net gain (loss) per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized gain (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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, 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 74% and 82% for the years ended December 31, 2012 and December 31, 2011, respectively.

(f) Excludes mortgage dollar rolls.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 2	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$8.69	$8.79	$8.56	$7.98	$9.43
Income from investment operations:					
Net investment income	0.40	0.43	0.44	0.49	0.51
Net realized and unrealized gain (loss)	0.62	0.13[a]	0.41	1.03	(1.19)
Total from investment operations	1.02	0.56	0.85	1.52	(0.68)
Less distributions to shareholders:					
Net investment income	(0.38)	(0.66)	(0.62)	(0.94)	(0.77)
Total distributions to shareholders	(0.38)	(0.66)	(0.62)	(0.94)	(0.77)
Net asset value, end of period	$9.33	$8.69	$8.79	$8.56	$7.98
Total return	11.96%	6.56%	10.21%	20.14%	(7.92%)
Ratios to average net assets[b]					
Total gross expenses	0.93%	1.08%	1.23%	1.15%	1.09%
Total net expenses[c]	0.90%	0.91%[d]	0.90%[d]	0.90%[d]	1.00%[d]
Net investment income	4.36%	5.01%	5.09%	5.87%	5.73%
Supplemental data					
Net assets, end of period (in thousands)	$37,516	$30,869	$27,747	$30,755	$33,737
Portfolio turnover	112%[e]	95%[e]	78%	50%[f]	28%[f]

Notes to Financial Highlights

(a) Calculation of the net gain (loss) per share (both realized and unrealized) does not correlate to the aggregate realized and unrealized gain (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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, 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 74% and 82% for the years ended December 31, 2012 and December 31, 2011, respectively.

(f) Excludes mortgage dollar rolls.

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

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Strategic Income Fund (the Fund), 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.

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 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 ask 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.

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 ask 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 or market, 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

Notes to Financial Statements *(continued)*

December 31, 2012

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.

Option contracts are valued at the mean of the latest quoted bid and asked prices on their primary exchanges. Option contracts, including over-the-counter (OTC) option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the NYSE.

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 fair value.

Foreign Currency Transactions and Translations

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 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 expires.

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

Notes to Financial Statements *(continued)*

December 31, 2012

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 Contracts

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 exposure to movements in interest rates. 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. When 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, 2012 are as follows:

	Calls	
	Contracts	Premiums
Balance at December 31, 2011	—	$ —
Opened	380	240,299
Closed	(380)	(240,299)
Balance at December 31, 2012	—	$ —

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 increase or decrease its credit exposure to a single issuer of debt securities.

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).

Notes to Financial Statements *(continued)*

December 31, 2012

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.

The following table is a summary of the fair value of derivative instruments at December 31, 2012:

Asset Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Foreign exchange contracts	Unrealized appreciation on forward foreign currency exchange contracts	14,207
Interest rate contracts	Net assets — unrealized appreciation on futures contracts	556,359*
Total		570,566
Liability Derivatives		
Risk Exposure Category	**Statement of Assets and Liabilities Location**	**Fair Value ($)**
Credit contracts	Unrealized depreciation on swap contracts	8,506
Foreign exchange contracts	Unrealized depreciation on forward foreign currency exchange contracts	745,154
Interest rate contracts	Net assets — unrealized depreciation on futures contracts	811,157*
Total		1,564,817

*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.

Notes to Financial Statements *(continued)*

December 31, 2012

The effect of derivative instruments in the Statement of Operations for the year ended December 31, 2012:

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	—	—	—	(5,978)	(5,978)
Foreign exchange contracts	1,768,675	—	—	—	1,768,675
Interest rate contracts	—	(4,194,749)	(294,153)	—	(4,488,902)
Total	1,768,675	(4,194,749)	(294,153)	(5,978)	(2,726,205)

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	—	—	—	(3,782)	(3,782)
Foreign exchange contracts	(832,736)	—	—	—	(832,736)
Interest rate contracts	—	103,165	(143,674)	—	(40,509)
Total	(832,736)	103,165	(143,674)	(3,782)	(877,027)

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2012:

Derivative Instrument	Contracts Opened
Forward foreign currency exchange contracts	257
Futures contracts	8,610
Options contracts	2,935
Swap contracts	—

Derivative Instrument	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 and Forward Sale Commitments

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.

The Fund may enter into forward sale commitments to hedge its portfolio positions or to sell mortgage-backed securities it owns under delayed delivery arrangements. Proceeds of forward sale commitments are not received until the contractual settlement date. While a forward sale commitment is outstanding, equivalent deliverable securities or an offsetting forward purchase commitment deliverable on or before the sale commitment date, are used to satisfy the commitment.

Unsettled forward sale commitments are valued at the current market value of the underlying securities, generally according to the procedures described under "Security Valuation" above. The forward sale commitment is "marked-to-market" daily and the change in market value is recorded by the Fund as an unrealized gain or loss. If the forward sale commitment is closed through the acquisition of an offsetting purchase commitment, the Fund realizes a gain or loss. If the Fund delivers securities under the commitment, the Fund realizes a gain or a loss from the sale of the securities based upon the market price established at the date the commitment was entered into.

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

Notes to Financial Statements *(continued)*

December 31, 2012

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. These transactions may increase 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 an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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

Notes to Financial Statements *(continued)*

December 31, 2012

(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. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income distribution. 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

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11*, Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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. The effective investment management fee rate for the year ended December 31, 2012 was 0.53% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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 0.07% to 0.04% as the Fund's net assets increase. The effective administration fee rate for the year ended December 31, 2012 was 0.07% of the Fund's average daily net assets.

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

Notes to Financial Statements *(continued)*

December 31, 2012

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 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 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 fees.

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, 2012, 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, 2013, 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	0.71%
Class 2	0.96

Prior to May 1, 2012, the Investment Manager and certain of its affiliates contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), 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, did 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 governing these fee waivers and/or expense reimbursement arrangements, 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.

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards, principal and/or interest of fixed income securities, deferral/reversal of wash sales losses, Trustees' deferred compensation, foreign capital gains tax, foreign currency transactions and derivative investments. 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	$1,550,911
Accumulated net realized gain	(1,550,911)
Paid-in capital	—

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,	2012	2011
Ordinary income	$45,653,870	$4,720,029

Notes to Financial Statements *(continued)*

December 31, 2012

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$53,439,534
Undistributed accumulated long-term gain	22,667,276
Accumulated realized loss	(3,902,482)
Unrealized appreciation	63,656,946

At December 31, 2012, the cost of investments for federal income tax purposes was $1,020,415,783 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$68,213,887
Unrealized depreciation	(4,556,941)
Net unrealized appreciation	$63,656,946

The following capital loss carryforward, determined at December 31, 2012, 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	3,902,482

For the year ended December 31, 2012, $4,685,790 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, aggregated to $1,169,089,663 and $1,249,380,152, respectively, for the year ended December 31, 2012, of which $947,660,259 and $930,341,727, respectively, were U.S. government securities.

Note 6. Lending of Portfolio Securities

Effective December 31, 2012, the Fund no longer participates in securities lending activity. Prior to that date, the Fund had entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorized 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 were secured by cash or securities that either were issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value 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 was requested to be delivered the following business day. Cash collateral received was invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement.

Pursuant to the Agreement, the Fund received 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, 2012 is disclosed in the Statement of Operations. The Fund continued to earn and accrue interest and dividends on the securities loaned. At December 31, 2012, the Fund did not have any securities on loan.

Note 7. Affiliated Money Market Fund

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated 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 — affiliated issuers" 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, 2012, affiliated shareholder accounts owned 93.5% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated 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 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

Notes to Financial Statements *(continued)*

December 31, 2012

collective borrowings up to $500 million. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

Note 10. 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 plan 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 Columbia Variable Portfolio — Strategic Income 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 appreciation 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 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.

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

Notes to Financial Statements *(continued)*

December 31, 2012

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 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 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 portfolio 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 Columbia Variable Portfolio — Strategic Income Fund (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2012, the results of its operations, the changes in its net assets, 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 audit. We conducted our audit 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, 2012 by correspondence with the custodian, transfer agent, agent banks and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Federal Income Tax Information

(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2012.

Tax Designations:

Capital Gain Dividend	$23,800,640

Capital Gain Dividend. The Fund designates as a capital gain dividend the amount reflected above, or if subsequently determined to be different, the net capital gain of such fiscal period. The Fund also designates as capital gain dividends, to the extent necessary to fully distribute such capital gains, earnings and profits distributed to shareholders on the redemption of shares.

Trustees and Officers

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.

Independent Trustees

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
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 52; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2005 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parsons 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 52; 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; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; 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 of Marketing, 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 52; 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 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; 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 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (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 52; 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 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

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
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 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. 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 52; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Interested Trustee

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
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	President, Columbia Management Investment Advisers, LLC February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006. Oversees 208; Columbia Funds Board.

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.

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:

Officers

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
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)	Senior Vice President, 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; Vice President, General Counsel and Secretary, RiverSource Funds since December 2006; Senior Vice President, Secretary and Chief Legal Officer, Columbia Funds, since May 2010.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Thomas P. McGuire (Born 1972) 225 Franklin Street Boston, MA 02110 Chief Compliance Officer (since 2012)	Vice President — Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, 2005-2010.
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.
Paul D. Pearson (born 1956) 10468 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 Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-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); Assistant Secretary of RiverSource Funds since January 2007; officer of Columbia Funds and affiliated funds since 2007.
Michael E. DeFao (born 1968) 225 Franklin Street Boston, MA 02110 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

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Strategic Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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C-1521 C (3/13)

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio – Dividend Opportunity Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund) Class 3 shares returned 13.99% for the 12-month period that ended December 31, 2012.

> The Fund underperformed its benchmark, the Russell 1000 Value Index, which returned 17.51% for the same time period.

> The Fund's underperformance can be attributed primarily to sector allocation overall, which more than offset the modestly positive contributions made by individual stock selection.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	14.10	-0.73	8.97
Class 2*	05/03/10	13.86	-0.94	8.78
Class 3	09/15/99	13.99	-0.81	8.92
Russell 1000 Value Index		17.51	0.59	7.38

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

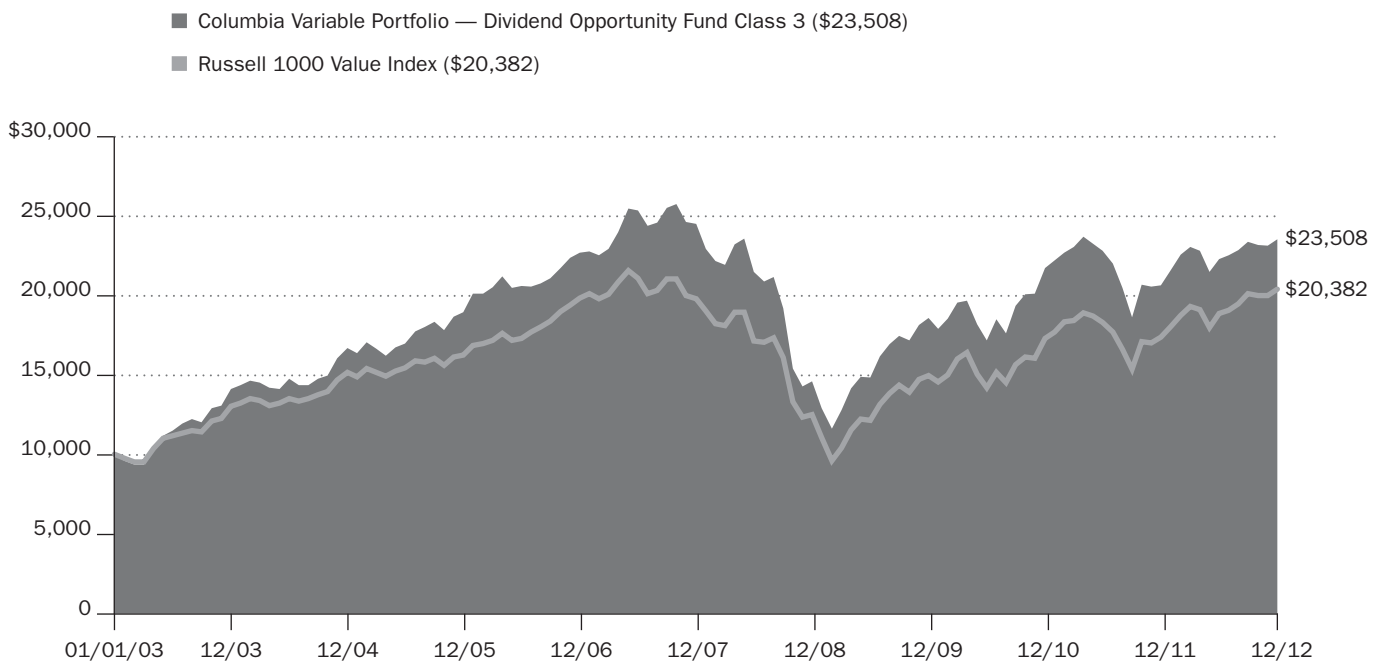
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

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.

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 Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 — December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 3 shares of Columbia Variable Portfolio — Dividend Opportunity Fund during the stated time period, and does not reflect the deduction of taxes if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

Portfolio Management
Steve Schroll
Laton Spahr, CFA
Paul Stocking

Top Ten Holdings (%) (at December 31, 2012)	
Enbridge, Inc.	3.2
Pfizer, Inc.	2.7
Royal Dutch Shell PLC, ADR	2.7
General Electric Co.	2.7
Cisco Systems, Inc.	2.6
JPMorgan Chase & Co.	2.4
Merck & Co., Inc.	2.2
XL Group PLC	2.1
Eaton Corp. Plc	2.0
Verizon Communications, Inc.	1.9

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 security.

Effective June 29, 2012, Columbia Variable Portfolio — Diversified Equity Income Fund was re-named Columbia Variable Portfolio — Dividend Opportunity Fund and its principal investment strategies were changed.

As of December 31, 2012, 25% or more 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 the Fund may experience relatively large purchases or redemptions from affiliated funds-of-funds. While the Investment Manager seeks to minimize the impact of these transactions by structuring them over a reasonable period of time, the Fund may experience increased expenses as it buys and sells securities as a result of purchases or redemptions by affiliated funds-of-funds.

For the 12-month period that ended December 31, 2012, the Fund's Class 3 shares returned 13.99%. The Fund underperformed its benchmark, the Russell 1000 Value Index (Russell Index), which increased 17.51% for the period. The Fund's underperformance can be attributed primarily to sector allocation overall, which more than offset the modestly positive contributions made by individual stock selection.

U.S. Equity Market Rallied Despite Pronounced Volatility

The U.S. equity market posted its best annual performance since 2007, but such gains mask what was particularly pronounced market volatility throughout 2012. Such volatility was driven by worries about the then-looming U.S. fiscal cliff, about economic health in Europe and China and about a gridlocked, highly partisan political environment at home.

Early in the annual period, the U.S. economic recovery generated enough solid economic data, especially in the manufacturing, employment, retail and housing markets, to raise consumer expectations and restore investor confidence. An unusually mild winter in the U.S. further supported economic activity. In turn, the S&P 500 Index, a broad measure of large company stock performance, gained 12.59%, its strongest first-quarter gain since 1998. The second quarter, however, saw a pullback, led by disappointing economic data — especially lackluster job formation. Europe's reluctance to craft a meaningful long-term solution to its lingering debt problems, especially in Greece, also weighed on investor sentiment as did a continued slowdown in emerging market growth, especially in China. The U.S. equity market declined during the second quarter, although a late agreement by Eurozone leaders to have a unified banking regulator lifted stocks in the quarter's final trading session.

The U.S. equity market came back strong enough in the third quarter to more than erase second quarter losses, as investors shrugged off still lackluster economic data both here and abroad. Even though Europe's sovereign debt problems continued to dominate the headlines, the European Central Bank raised hopes for a longer-term solution, and the U.S. Federal Reserve's (the Fed) commitment to an additional round of quantitative easing — buying up bonds to lower interest rates — further bolstered investor confidence.

The pace of economic growth remained sluggish but positive in the fourth quarter, as the Northeast U.S. recovered from the devastating effects of Hurricane Sandy, uncertainty dominated in advance of the November elections, and Congress delayed action to avert the fiscal cliff of tax increases and spending cuts. Despite generally positive economic news regarding manufacturing activity, consumer

Manager Discussion of Fund Performance *(continued)*

spending and housing market data and announcements by the Fed regarding the extension of its efforts to make financial conditions more accommodative, a cloud of uncertainty hung over the equity markets. Most major U.S. equity indices generated flat returns for the quarter.

Despite such volatility and uncertainty, all ten sectors of the Russell Index posted positive returns for the year. For the annual period overall, the consumer discretionary, financials and industrials sectors performed best on a relative basis. The utilities, energy and information technology sectors were the weakest performers in the Russell Index during the annual period.

Sector Allocation Hampered Fund Performance

The Fund underperformed the Russell Index due primarily to sector allocation overall. Individual stock selection contributed positively, albeit modestly, to the Fund's relative results.

Sector allocation in the financials sector negatively impacted the Fund's annual results most, more than offsetting the positive contribution made by stock selection within the sector. The Fund had a significantly lesser exposure to financials than the Russell Index, which hurt, as the sector was the second strongest performer during the annual period. Having an approximately 1.8% average position in cash and cash equivalents also detracted during an annual period when the U.S. equity market rallied so strongly.

The Fund's results were also hurt by stock selection within the consumer discretionary sector. In particular, having sizable positions in auto parts company Johnson Controls and fast-food restaurant retailer McDonald's hampered results. Johnson Controls struggled during the annual period against weak automobile battery demand amidst an inventory overhang and by poor results within its auto interiors business segment. McDonald's disappointed given a seeming plateau in its global same-store sales results and given an increasingly competitive environment in the U.S.

In the energy sector, a position in oilfield services giant Halliburton detracted from the Fund's relative performance. Halliburton's shares were pressured by missed earnings, largely the result of low natural gas prices and a decline in natural-gas directed wells.

Information Technology and Utilities Selection Boosted Results

On the positive side, stock selection in the information technology and utilities sectors proved particularly effective. In information technology, positions in computers and peripherals giant Apple and global payment solutions provider MasterCard benefited the Fund during the annual period. Timing of our trades during the annual period in Apple proved especially prudent, contributing positively to the Fund's results. Shares of MasterCard advanced as the company's volumes held up better than anticipated even in the face of a sluggish economy and after the Fed announced its final decision on debit interchange rates (i.e. charges on debit card transactions), which was more favorable for the company than the market had anticipated.

In utilities, a position in gas distribution company Sempra Energy boosted the Fund's results most. During the annual period, investors responded favorably to Sempra Energy's investment in future liquid natural gas (LNG) capacity and its

Portfolio Breakdown (%) (at December 31, 2012)	
Common Stocks	**98.1**
Consumer Discretionary	8.1
Consumer Staples	10.6
Energy	12.6
Financials	17.4
Health Care	13.7
Industrials	10.5
Information Technology	7.7
Materials	4.0
Telecommunication Services	6.6
Utilities	6.9
Convertible Bonds	**0.2**
Materials	0.2
Equity-Linked Notes	**0.5**
Money Market Funds	**1.2**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Manager Discussion of Fund Performance *(continued)*

efforts to get such capabilities approved by regulators. Amidst the worst performing sector in the Russell Index, Sempra Energy was a standout performer.

Elsewhere, a position in industrials company Cooper Industries contributed positively to the Fund's relative results. Cooper Industries' stock performed well as the company was the subject of an agreed-upon takeout by Eaton in a deal valued at about $11.46 billion.

New Fund Strategy Drove Fund Portfolio Changes

Through much of the annual period, we added to the Fund's allocation to the financials sector, as we felt there had been fundamental improvement in the credit statistics and lending segments of the industry. Also, in transitioning the Fund to a more dividend-oriented investment strategy beginning on the last trading day of June, we decreased the Fund's positions in the energy and industrials sectors and correspondingly increased its positions in utilities and health care sectors.

Looking Ahead

From a broad perspective, we believe the agreement reached regarding the fiscal cliff — the series of federal tax hikes and spending cuts that were due to take place at the start of 2013 — resolved some of the details of the tax half of the question but did nothing to fix the cliff's 10-year plan to cut spending by $1.2 trillion. That means Congress will have to finish that half of the problem at the same time it negotiates an extension of the U.S.' borrowing limits. Add to the mix a slew of new economic data for the markets to chew on and the result is likely continued volatility in the U.S. equity market.

That said, once these political budgetary and financial issues do fade, hopefully by the end of the first calendar quarter, we believe the rhetoric surrounding Washington D.C. decision making that has weighed on both U.S. and international equity markets for some time now will be reduced and investors will be able to re-focus their attention on the pace of economic growth and on prospects for corporate earnings and revenue growth in 2013. As investors return to a fundamental analysis of the traditional drivers of performance, we believe the U.S. should be perceived well relative to the rest of the developed world and that the potential for equities' multiple expansion that has been suppressed by government-driven macro issues will be enhanced. These factors, along with monetary policy that we believe remains in equity investors' favor and signs that global economic growth is picking up, particularly in China, lead us to be cautiously optimistic about the returns the U.S. equity market could generate in 2013.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,056.00	1,021.79	3.59	3.53	0.69
Class 2	1,000.00	1,000.00	1,054.90	1,020.52	4.88	4.80	0.94
Class 3	1,000.00	1,000.00	1,055.50	1,021.18	4.21	4.14	0.81

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 366.

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 investment vehicles (including mutual funds and exchange-traded funds).

Portfolio of Investments

December 31, 2012

(Percentages represent value of investments compared to net assets)

Common Stocks 98.1%

Issuer	Shares	Value ($)
Consumer Discretionary 8.1%		
Automobiles 0.8%		
Ford Motor Co.	1,830,315	23,702,579
Hotels, Restaurants & Leisure 2.4%		
Carnival Corp.	403,708	14,844,343
Intercontinental Hotels Group PLC	320,413	8,984,498
Las Vegas Sands Corp.	157,300	7,260,968
McDonald's Corp.	442,100	38,997,641
Total		70,087,450
Household Durables 1.2%		
Leggett & Platt, Inc.	937,713	25,524,548
Whirlpool Corp.	107,961	10,985,032
Total		36,509,580
Media 2.5%		
Cinemark Holdings, Inc.	285,800	7,425,084
Gannett Co., Inc.	673,245	12,125,142
National CineMedia, Inc.	943,093	13,325,904
Regal Entertainment Group, Class A	1,168,097	16,294,953
Time Warner, Inc.	370,508	17,721,398
Viacom, Inc., Class B	146,732	7,738,646
Total		74,631,127
Multiline Retail 0.6%		
Macy's, Inc.	419,659	16,375,094
Specialty Retail 0.6%		
Buckle, Inc. (The)	116,400	5,196,096
GameStop Corp., Class A	543,600	13,638,924
Total		18,835,020
Total Consumer Discretionary		**240,140,850**
Consumer Staples 10.7%		
Beverages 1.2%		
Coca-Cola Co. (The)	473,800	17,175,250
PepsiCo, Inc.	257,667	17,632,153
Total		34,807,403
Food & Staples Retailing 0.7%		
Costco Wholesale Corp.	120,100	11,862,277
SYSCO Corp.	232,100	7,348,286
Total		19,210,563
Food Products 2.9%		
B&G Foods, Inc.	816,511	23,115,426
ConAgra Foods, Inc.	290,100	8,557,950
Hershey Co. (The)	105,200	7,597,544
Kraft Foods Group, Inc.	234,628	10,668,535

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Mondelez International, Inc., Class A	703,884	17,927,926
Unilever NV — NY Shares	500,500	19,169,150
Total		87,036,531
Household Products 2.1%		
Kimberly-Clark Corp.	344,796	29,111,126
Procter & Gamble Co. (The)	465,358	31,593,155
Total		60,704,281
Personal Products 0.2%		
Avon Products, Inc.	466,700	6,701,812
Tobacco 3.6%		
Altria Group, Inc.	763,235	23,980,844
Lorillard, Inc.	435,565	50,817,368
Philip Morris International, Inc.	378,584	31,664,766
Total		106,462,978
Total Consumer Staples		**314,923,568**
Energy 12.5%		
Energy Equipment & Services 0.9%		
Seadrill Ltd.	746,208	27,460,455
Oil, Gas & Consumable Fuels 11.6%		
BP PLC, ADR	708,100	29,485,284
Chevron Corp.	462,430	50,007,180
Enbridge, Inc.	2,143,453	92,854,384
Kinder Morgan, Inc.	674,827	23,841,638
Occidental Petroleum Corp.	347,068	26,588,879
Royal Dutch Shell PLC, ADR	1,135,639	78,302,309
Spectra Energy Corp.	507,500	13,895,350
Total SA, ADR	292,092	15,191,705
Williams Companies, Inc. (The)	410,939	13,454,143
Total		343,620,872
Total Energy		**371,081,327**
Financials 17.4%		
Capital Markets 2.0%		
BlackRock, Inc.	105,752	21,859,996
Goldman Sachs Group, Inc. (The)	234,033	29,853,249
New Mountain Finance Corp.	586,562	8,739,774
Total		60,453,019
Commercial Banks 5.5%		
Bank of Montreal	453,000	27,768,900
Fifth Third Bancorp	585,900	8,899,821
M&T Bank Corp.	323,700	31,874,739
U.S. Bancorp	1,333,200	42,582,408
Wells Fargo & Co.	1,500,780	51,296,660
Total		162,422,528

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

Portfolio of Investments *(continued)*

December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Diversified Financial Services 4.2%		
Citigroup, Inc.	1,099,243	43,486,077
JPMorgan Chase & Co.	1,619,911	71,227,487
NYSE Euronext	260,200	8,206,708
Total		122,920,272
Insurance 5.4%		
ACE Ltd.	344,856	27,519,509
Aflac, Inc.	246,400	13,088,768
Allstate Corp. (The)	617,036	24,786,336
Endurance Specialty Holdings Ltd.	172,717	6,855,138
PartnerRe Ltd.	118,298	9,521,806
Travelers Companies, Inc. (The)	231,132	16,599,900
XL Group PLC	2,465,016	61,773,301
Total		160,144,758
Real Estate Investment Trusts (REITs) 0.3%		
Omega Healthcare Investors, Inc.	320,400	7,641,540
Total Financials		**513,582,117**
Health Care 13.7%		
Biotechnology 0.2%		
Amgen, Inc.	82,700	7,138,664
Pharmaceuticals 13.5%		
Abbott Laboratories	382,900	25,079,950
AstraZeneca PLC, ADR	474,206	22,415,718
Bristol-Myers Squibb Co.	1,031,095	33,603,386
Eli Lilly & Co.	333,900	16,467,948
GlaxoSmithKline PLC, ADR	647,800	28,159,866
Johnson & Johnson	783,323	54,910,942
Merck & Co., Inc.	1,594,161	65,264,951
Novartis AG, ADR	568,367	35,977,631
Pfizer, Inc.	3,160,984	79,277,479
Roche Holding AG, ADR	442,676	22,355,138
Warner Chilcott PLC, Class A	1,322,100	15,918,084
Total		399,431,093
Total Health Care		**406,569,757**
Industrials 10.5%		
Aerospace & Defense 1.6%		
Honeywell International, Inc.	278,322	17,665,098
Lockheed Martin Corp.	314,870	29,059,352
Total		46,724,450
Commercial Services & Supplies 2.2%		
ADT Corp. (The)	136,259	6,334,681
Deluxe Corp.	515,500	16,619,720

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Pitney Bowes, Inc.	1,073,941	11,426,732
RR Donnelley & Sons Co.	1,129,000	10,161,000
Tyco International Ltd.	272,519	7,971,181
Waste Management, Inc.	361,900	12,210,506
Total		64,723,820
Electrical Equipment 2.3%		
Eaton Corp. PLC	1,078,978	58,480,607
Hubbell, Inc., Class B	122,525	10,369,291
Total		68,849,898
Industrial Conglomerates 3.0%		
General Electric Co.	3,712,900	77,933,771
Siemens AG, ADR	95,188	10,420,230
Total		88,354,001
Machinery 1.4%		
Harsco Corp.	584,100	13,726,350
Illinois Tool Works, Inc.	405,714	24,671,468
Pentair Ltd.	65,389	3,213,870
Total		41,611,688
Total Industrials		**310,263,857**
Information Technology 7.7%		
Communications Equipment 2.6%		
Cisco Systems, Inc.	3,843,036	75,515,658
Computers & Peripherals 0.3%		
Dell, Inc.	966,200	9,787,606
Internet Software & Services 0.4%		
AOL, Inc.	408,031	12,081,798
Semiconductors & Semiconductor Equipment 3.5%		
Analog Devices, Inc.	478,300	20,117,298
Intel Corp.	1,251,676	25,822,076
Maxim Integrated Products, Inc.	771,100	22,670,340
Microchip Technology, Inc.	1,054,158	34,355,009
Total		102,964,723
Software 0.9%		
Microsoft Corp.	1,038,847	27,768,380
Total Information Technology		**228,118,165**
Materials 4.0%		
Chemicals 1.6%		
Dow Chemical Co. (The)	243,976	7,885,304
Mosaic Co. (The)	389,220	22,041,529
Olin Corp.	847,200	18,291,048
Total		48,217,881
Metals & Mining 0.6%		
Southern Copper Corp.	462,300	17,502,678

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

Portfolio of Investments *(continued)*

December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Paper & Forest Products 1.8%		
International Paper Co.	912,277	36,345,116
MeadWestvaco Corp.	517,300	16,486,351
Total		52,831,467
Total Materials		**118,552,026**
Telecommunication Services 6.6%		
Diversified Telecommunication Services 6.0%		
AT&T, Inc.	1,281,465	43,198,185
BCE, Inc.	356,100	15,290,934
CenturyLink, Inc.	862,390	33,736,697
Deutsche Telekom AG, ADR	1,198,563	13,621,668
Telstra Corp., Ltd.	1,525,500	6,951,288
Verizon Communications, Inc.	1,298,013	56,165,022
Windstream Corp.	807,645	6,687,301
Total		175,651,095
Wireless Telecommunication Services 0.6%		
Vodafone Group PLC, ADR	729,201	18,368,573
Total Telecommunication Services		**194,019,668**
Utilities 6.9%		
Electric Utilities 2.8%		
American Electric Power Co., Inc.	347,440	14,828,739
Duke Energy Corp.	322,500	20,575,500
FirstEnergy Corp.	350,515	14,637,507
NextEra Energy, Inc.	228,630	15,818,910
PPL Corp.	560,702	16,052,898
Total		81,913,554
Multi-Utilities 4.1%		
Ameren Corp.	456,800	14,032,896
Dominion Resources, Inc.	467,402	24,211,423
National Grid PLC	1,088,700	12,486,755
PG&E Corp.	522,994	21,013,899
Public Service Enterprise Group, Inc.	182,300	5,578,380
SCANA Corp.	171,200	7,813,568
Sempra Energy	333,197	23,636,995
TECO Energy, Inc.	749,900	12,568,324
Total		121,342,240
Total Utilities		**203,255,794**
Total Common Stocks (Cost: $2,626,208,250)		**2,900,507,129**

Equity-Linked Notes 0.5%

Issuer	Coupon Rate	Shares	Value ($)
Deutsche Bank AG Mandatory Exchangeable Notes (linked to common stock of Cisco Systems, Inc.)[a] 02/12/13	11.67%	412,500	15,906,412
Total Equity-Linked Notes (Cost: $15,031,500)			**15,906,412**

Convertible Bonds 0.2%

		Principal Amount	Value ($)
Building Materials 0.2%			
Cemex SAB de CV Subordinated Notes 03/15/18	3.750%	5,139,000	5,839,189
Total Convertible Bonds (Cost: $5,139,000)			**5,839,189**

Money Market Funds 1.2%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.142%[b][c]	35,930,083	35,930,083
Total Money Market Funds (Cost: $35,930,083)		**35,930,083**
Total Investments (Cost: $2,682,308,833)		**2,958,182,813**
Other Assets & Liabilities, Net		**(1,067,778)**
Net Assets		**2,957,115,035**

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

Portfolio of Investments *(continued)*

December 31, 2012

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, 2012, the value of these securities amounted to $15,906,412 or 0.54% of net assets.

(b) The rate shown is the seven-day current annualized yield at December 31, 2012.

(c) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Sales Cost/ Proceeds From Sales ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	79,103,189	927,380,229	(970,553,335)	35,930,083	85,486	35,930,083

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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third- party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	231,156,352	8,984,498	—	240,140,850
Consumer Staples	314,923,568	—	—	314,923,568
Energy	371,081,327	—	—	371,081,327
Financials	513,582,117	—	—	513,582,117
Health Care	406,569,757	—	—	406,569,757
Industrials	310,263,857	—	—	310,263,857
Information Technology	228,118,165	—	—	228,118,165
Materials	118,552,026	—	—	118,552,026
Telecommunication Services	187,068,380	6,951,288	—	194,019,668
Utilities	190,769,039	12,486,755	—	203,255,794
Total Equity Securities	2,872,084,588	28,422,541	—	2,900,507,129
Bonds				
Convertible Bonds	—	5,839,189	—	5,839,189
Total Bonds	—	5,839,189	—	5,839,189
Other				
Equity-Linked Notes	—	15,906,412	—	15,906,412
Money Market Funds	35,930,083	—	—	35,930,083
Total Other	35,930,083	15,906,412	—	51,836,495
Total	2,908,014,671	50,168,142	—	2,958,182,813

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $2,646,378,750)	$2,922,252,730
Affiliated issuers (identified cost $35,930,083)	35,930,083
Total investments (identified cost $2,682,308,833)	2,958,182,813
Receivable for:	
Capital shares sold	148,248
Dividends	5,833,057
Interest	56,743
Reclaims	144,846
Prepaid expenses	12,447
Trustees' deferred compensation plan	39,108
Total assets	2,964,417,262
Liabilities	
Payable for:	
Investments purchased	1,802,749
Capital shares purchased	3,323,610
Investment management fees	1,421,759
Distribution and/or service fees	124,204
Transfer agent fees	150,118
Administration fees	131,452
Compensation of board members	166,990
Other expenses	142,237
Trustees' deferred compensation plan	39,108
Total liabilities	7,302,227
Net assets applicable to outstanding capital stock	**$2,957,115,035**
Represented by	
Partners' capital	$2,957,115,035
Total — representing net assets applicable to outstanding capital stock	**$2,957,115,035**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Class 1	
Net assets	$1,803,840,726
Shares outstanding	125,997,330
Net asset value per share	$14.32
Class 2	
Net assets	$18,872,705
Shares outstanding	1,328,140
Net asset value per share	$14.21
Class 3	
Net assets	$1,134,401,604
Shares outstanding	79,548,016
Net asset value per share	$14.26

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Dividends — unaffiliated issuers	$108,740,162
Dividends — affiliated issuers	85,486
Interest	192,713
Income from securities lending — net	1,114,426
Foreign taxes withheld	(1,652,460)
Total income	108,480,327
Expenses:	
Investment management fees	17,216,129
Distribution and/or service fees	
Class 2	43,041
Class 3	1,508,201
Transfer agent fees	
Class 1	1,088,005
Class 2	10,330
Class 3	723,917
Administration fees	1,587,676
Compensation of board members	59,268
Custodian fees	23,809
Printing and postage fees	95,190
Professional fees	36,037
Other	142,054
Total expenses	22,533,657
Net investment income	85,946,670
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	378,415,327
Foreign currency translations	(5,086)
Net realized gain	378,410,241
Net change in unrealized appreciation (depreciation) on:	
Investments	(66,685,629)
Foreign currency translations	1,795
Net change in unrealized appreciation (depreciation)	(66,683,834)
Net realized and unrealized gain	311,726,407
Net increase in net assets resulting from operations	**$397,673,077**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$85,946,670	$51,213,002
Net realized gain	378,410,241	204,439,145
Net change in unrealized appreciation (depreciation)	(66,683,834)	(412,526,615)
Net increase (decrease) in net assets resulting from operations	397,673,077	(156,874,468)
Increase (decrease) in net assets from capital stock activity	(415,817,977)	3,168,911
Total decrease in net assets	(18,144,900)	(153,705,557)
Net assets at beginning of year	2,975,259,935	3,128,965,492
Net assets at end of year	**$2,957,115,035**	**$2,975,259,935**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	3,786,956	52,203,219	17,256,979	220,285,452
Fund merger	—	—	6,125,550	88,211,428
Redemptions	(16,273,548)	(221,363,348)	(2,823,265)	(37,086,803)
Net increase (decrease)	(12,486,592)	(169,160,129)	20,559,264	271,410,077
Class 2 shares				
Subscriptions	291,652	4,009,538	308,167	4,015,852
Fund merger	—	—	1,032,751	14,804,552
Redemptions	(217,297)	(2,958,122)	(177,675)	(2,294,173)
Net increase	74,355	1,051,416	1,163,243	16,526,231
Class 3 Shares				
Subscriptions	18,303	254,141	181,510	2,239,870
Redemptions	(18,134,719)	(247,963,405)	(21,961,167)	(287,007,267)
Net increase	(18,116,416)	(247,709,264)	(21,779,657)	(284,767,397)
Total net decrease	**(30,528,653)**	**(415,817,977)**	**(57,150)**	**3,168,911**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,		
Class 1	**2012**	**2011**	**2010[a]**
Per share data			
Net asset value, beginning of period	$12.55	$13.19	$12.05
Income from investment operations:			
Net investment income	0.40	0.23	0.13
Net realized and unrealized gain (loss)	1.37	(0.87)	1.01
Total from investment operations	1.77	(0.64)	1.14
Net asset value, end of period	$14.32	$12.55	$13.19
Total return	14.10%	(4.85%)	9.46%
Ratios to average net assets[b]			
Total gross expenses	0.69%	0.74%	0.78%[c]
Total net expenses[d]	0.69%	0.74%	0.78%[c]
Net investment income	2.89%	1.74%	1.68%[c]
Supplemental data			
Net assets, end of period (in thousands)	$1,803,841	$1,737,503	$1,554,975
Portfolio turnover	64%	41%	26%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(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) Annualized.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year Ended December 31, 2012	2011	2010[a]
Per share data			
Net asset value, beginning of period	$12.48	$13.15	$12.05
Income from investment operations:			
Net investment income	0.37	0.22	0.11
Net realized and unrealized gain (loss)	1.36	(0.89)	0.99
Total from investment operations	1.73	(0.67)	1.10
Net asset value, end of period	$14.21	$12.48	$13.15
Total return	13.86%	(5.09%)	9.13%
Ratios to average net assets[b]			
Total gross expenses	0.94%	0.97%	1.03%[c]
Total net expenses[d]	0.94%	0.97%	1.03%[c]
Net investment income	2.69%	1.71%	1.37%[c]
Supplemental data			
Net assets, end of period (in thousands)	$18,873	$15,653	$1,191
Portfolio turnover	64%	41%	26%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(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) Annualized.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 3	Year Ended December 31, 2012	2011	2010	2009	2008
Per share data					
Net asset value, beginning of period	$12.51	$13.17	$11.27	$8.84	$16.24
Income from investment operations:					
Net investment income	0.38	0.20	0.17	0.20	0.23
Net realized and unrealized gain (loss)	1.37	(0.86)	1.73	2.23	(6.35)
Total from investment operations	1.75	(0.66)	1.90	2.43	(6.12)
Net investment income	—	—	—	—	(0.01)
Net realized gains	—	—	—	—	(1.27)
Total distributions to shareholders	—	—	—	—	(1.28)
Net asset value, end of period	$14.26	$12.51	$13.17	$11.27	$8.84
Total return	13.99%	(5.01%)	16.83%	27.46%	(40.47%)
Ratios to average net assets[a]					
Total gross expenses	0.82%	0.86%	0.90%	0.76%	0.86%
Total net expenses[b]	0.82%	0.86%	0.90%	0.76%	0.86%
Net investment income	2.74%	1.57%	1.42%	2.14%	2.03%
Supplemental data					
Net assets, end of period (in thousands)	$1,134,402	$1,222,104	$1,572,800	$3,857,317	$2,765,112
Portfolio turnover	64%	41%	26%	49%	41%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Dividend Opportunity Fund (the Fund), formerly known as Columbia 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.

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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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 ask 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 ask 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 or market, 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 fair value.

Foreign Currency Transactions and Translations

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.

Equity-Linked Notes

The Fund may invest in equity-linked notes (ELNs). An ELN is a debt instrument whose value is based on the value of a single equity security, basket of equity securities or an index of equity securities (each, an Underlying Equity). An ELN typically provides interest income, thereby offering a yield advantage over investing directly in an Underlying Equity. However, the holder of an ELN may have limited or no benefit from any appreciation in the Underlying Equity, but is exposed to various risks, including, without limitation, volatility, issuer and market risk. The Fund may purchase ELNs that trade on a securities exchange or those that trade on the over-the-counter markets, including securities offered and sold under Rule 144A of the Securities Act of 1933, as amended. The Fund may also purchase an ELN in a privately negotiated transaction with the issuer of the ELN (or its broker-dealer affiliate).

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.

Awards from class action litigation are recorded as a reduction of cost basis 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.

Interest income is recorded on an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

The Fund may receive distributions from holdings in business development companies (BDCs), exchange traded funds (ETFs) and real estate investment trusts (REITs), which report information on the character of their distributions annually. These 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. If the Fund no longer owns the applicable securities, return of capital is recorded as realized gain. Management's estimates are subsequently adjusted when the actual character of the distributions is disclosed by the BDCs, ETFs and REITs, which could result in a proportionate change in return of capital to shareholders.

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

Notes to Financial Statements *(continued)*

December 31, 2012

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. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

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

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11*, Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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. The effective investment management fee rate for the year ended December 31, 2012 was 0.57% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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, 2012 was 0.05% of the Fund's average daily net assets.

Other Expenses

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, 2012, other expenses paid to this company were $10,487.

Notes to Financial Statements *(continued)*

December 31, 2012

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 Agent 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 fees.

Distribution Fees

The Fund has an agreement with Columbia Management Investment Distributors, Inc. (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 May 1, 2012, 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, 2013, 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	0.76%
Class 2	1.01
Class 3	0.885

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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, 2012, there was no contractual agreement to waive fees and/or reimburse expenses.

Note 4. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $1,900,878,613 and $2,184,192,936, respectively, for the year ended December 31, 2012.

Note 5. Lending of Portfolio Securities

Effective December 31, 2012, the Fund no longer participates in securities lending activity. Prior to that date, the Fund had entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorized 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 were secured by cash or securities that either were issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value 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 was requested to be delivered the following business day. Cash collateral received was invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement.

Pursuant to the Agreement, the Fund received 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, 2012 is disclosed in the Statement of

Notes to Financial Statements *(continued)*

December 31, 2012

Operations. The Fund continued to earn and accrue interest and dividends on the securities loaned. At December 31, 2012, the Fund did not have any securities on loan.

Note 6. Affiliated Money Market Fund

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated 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 — affiliated issuers" 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, 2012, affiliated shareholder accounts owned 97.5% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated 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 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. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

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 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 Series Trust II and the Shareholders of Columbia Variable Portfolio — Dividend Opportunity Fund (formerly Columbia Variable Portfolio — Diversified Equity Income Fund)

In our opinion, the accompanying statement of assets and liabilities, including the portfolio 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 Columbia Variable Portfolio — Dividend Opportunity Fund (formerly Columbia Variable Portfolio — Diversified Equity Income Fund) (the "Fund") (a series of Columbia Funds Variable Series Trust II) at December 31, 2012, the results of its operations, the changes in its net assets and the financial highlights for the year 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 audit. We conducted our audit 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 audit, which included confirmation of securities at December 31, 2012 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion. The statement of changes in net assets and the financial highlights of the Fund for the periods ended December 31, 2011 and prior were audited by another independent registered public accounting firm whose report dated February 17, 2012 expressed an unqualified opinion on those statements and highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Trustees 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.

Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, were members 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 and began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011.

Independent Trustees

Name, Address, Year of Birth	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 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	152	None
Edward J. Boudreau, Jr. 225 Franklin Street Boston, MA 02110 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	145	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company)	152	None
William P. Carmichael 225 Franklin Street Boston, MA 02110 1943	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	145	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; McMoRan Exploration Company (oil and gas exploration and development) since 2010; 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 1950	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	152	None

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	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 Boston, MA 02110 1942	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	145	Trustee, BofA Funds Series Trust (11 funds)
R. Glenn Hilliard 225 Franklin Street Boston, MA 02110 1943	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. (insurance), September 2003-May 2011	145	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 1939	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	152	Director, Valmont Industries, Inc. (manufactures irrigation systems) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	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)	152	None
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	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	152	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 225 Franklin Street Boston, MA 02110 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments)	145	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	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	152	Director, Healthways, Inc. (health management programs) since 2005; Director, ICI Mutual Insurance Company, RRG; Director, Abt Associates (government contractor)

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	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 Boston, MA 02110 1946	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	145	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup since 2009; Director, Citibank, N.A. since 2009; 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 Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	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 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	President, Columbia Management Investment Advisers, LLC February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006	204	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2012; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006-January 2013

* 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.

Trustees 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:

Officers

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 1964	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 1965	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 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 1969	Treasurer since 1/11 and Chief Financial Officer since 4/11 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 1959	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	Senior Vice President, 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, 2005-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
Colin Moore 225 Franklin Street Boston, MA 02110 1958	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
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 1972	Chief Compliance Officer since 3/12	Vice President-Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company since September 2010; Compliance Executive, Bank of America, 2005-2010
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 1957	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 1970	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

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
Paul D. Pearson 10468 Ameriprise Financial Center Minneapolis, MN 55474 1956	Vice President since 4/11 and Assistant Treasurer since 1999 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 1968	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 1968	Vice President since 4/11 and Assistant Secretary since 11/08 for RiverSource Funds and 5/10 for Nations Funds	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-July 2008)
Michael E. DeFao 225 Franklin Street Boston, MA 02110 1968	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

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio – Dividend Opportunity Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio — Asset Allocation Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — Asset Allocation Fund (the Fund) Class 1 shares returned 13.03% for the 12-month period that ended December 31, 2012.

> During the 12-month period, the Fund underperformed the S&P 500 Index, which returned 16.00%, and outperformed the Barclays U.S. Aggregate Bond Index, which returned 4.21%.

> The Fund benefited from a decision early in the year to raise equity exposure, thus capturing the strong performance of the equity markets in 2012. Exposure to both emerging and high-yield bond markets aided performance in the fixed income portion of the portfolio.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1	01/01/89	13.03	2.47	6.89
Class 2	06/01/00	12.76	2.27	6.71
S&P 500 Index		16.00	1.66	7.10
Barclays U.S. Aggregate Bond Index		4.21	5.95	5.18

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

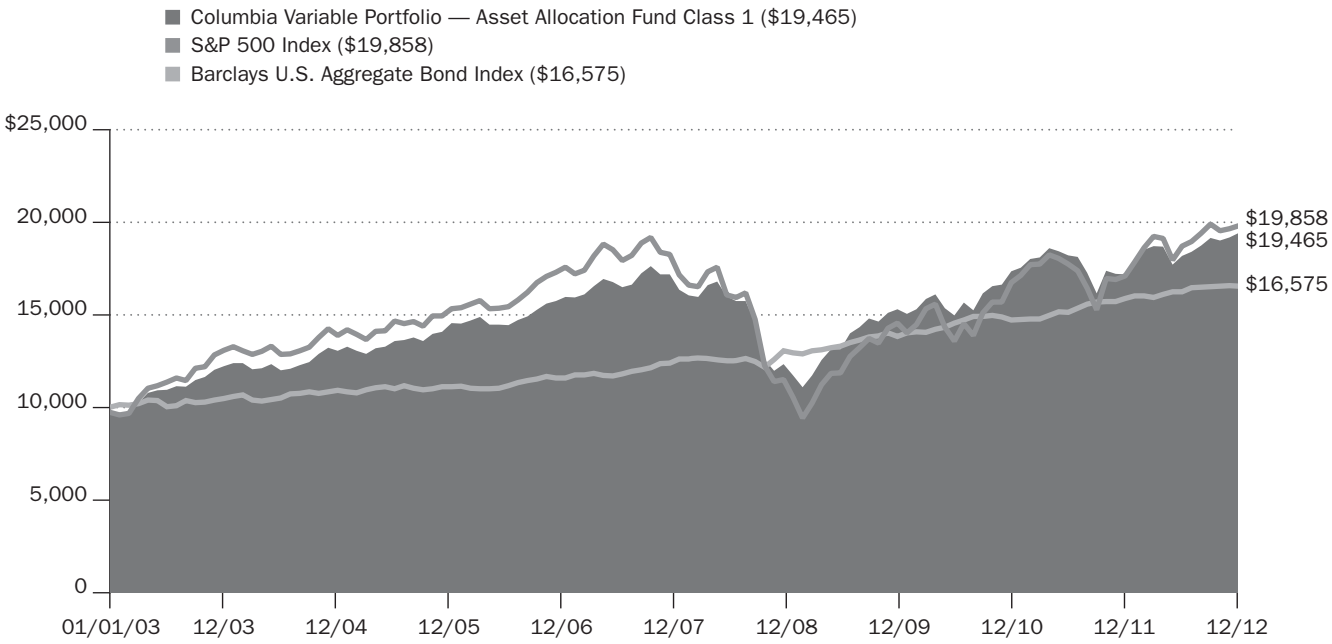
The S&P 500 Index, an unmanaged index, measures the performance of 500 widely held, large-capitalization U.S. stocks and is frequently used as a general measure of market performance.

The Barclays U.S. Aggregate Bond Index is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage passthroughs), asset-backed securities, and commercial mortgage-backed securities.

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 Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 – December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 1 shares of Columbia Variable Portfolio — Asset Allocation Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period that ended December 31, 2012, the Fund's Class 1 shares returned 13.03%. During the period, the Fund underperformed the S&P 500 Index, which returned 16.00%, and outperformed the Barclays U.S. Aggregate Bond Index, which returned 4.21%. The Fund benefited from a decision early in the year to raise equity exposure, thus capturing the strong performance of the equity markets in 2012. Exposure to both emerging and high-yield bond markets aided performance in the fixed income portion of the portfolio.

Modest Economic Growth

The U.S. economy expanded at a modest but sluggish pace in 2012. Job growth picked up but failed to reach a level that could drive unemployment significantly lower. Manufacturing activity stalled during the summer and again late in the year, a sign that the engine of this recovery had lost some steam. The housing market showed steady improvement throughout the year, but its contribution to growth was modest. A host of other factors weighed on the economy. Superstorm Sandy battered the Northeast in October, with damage estimated to exceed $65 billion. Europe's debt woes, economic slowdown in China and Congressional wrangling over the fiscal cliff of tax increases and spending cuts scheduled for year end all contributed to an uncertain environment.

Despite these challenges, the financial markets were buoyed by the actions of European and U.S. policymakers, who opened the liquidity spigots. In August, the European Central Bank unveiled a package of measures that involved buying sovereign bonds to ease the strain of Europe's debt crisis and safeguard the euro. In the United States, the Federal Reserve (the Fed) announced that it would keep short-term interest rates near zero until unemployment declined to 6.5% or inflation exceeded 2.5%. The Fed also extended its purchase of long-term Treasury and agency-backed mortgage securities to maintain downward pressure on longer-term interest rates, support mortgage markets and help make broader financial conditions more accommodative. Against this backdrop, the U.S. and foreign stocks and the riskiest sectors of the fixed income markets all generated robust gains in 2012.

Allocation Decisions Aided Fund Results

With expectations that the U.S. economy would continue to generate modest growth, we increased the Fund's equity allocation from a significant underweight at the end of 2011. With strong performance from both growth and value, small, mid and large caps in the U.S. market, the Fund benefited from this decision. Continued weakness in Europe left us cautious on eurozone markets, and we reduced the Fund's European exposure, which was a slight drag on performance. Despite a challenging environment, the MSCI EAFE Index, a broad proxy for developed foreign market performance, performed even better than the S&P 500 Index for the year, as investors responded to the ECB's action to protect the euro. Within fixed income, allocations to high yield and emerging-market bonds aided returns, as both sectors delivered returns on par with equities and neither is included in the Fund's fixed-income benchmark, the Barclays U.S. Aggregate Bond Index. Outside traditional asset classes, an increase in exposure to convertible securities aided performance, as convertibles enjoyed returns nearly on par with equities. At the end of 2012, equities accounted for close to 61% of the Fund's assets, fixed income accounted for approximately 31% and the remaining 8% was invested in alternative asset classes, convertibles and cash.

Portfolio Management

Anwiti Bahuguna, PhD

Melda Mergen, CFA, CAIA

Colin Moore

Marie Schofield, CFA

Beth Vanney, CFA

Portfolio Breakdown (%) (at December 31, 2012)	
Equity Funds	**60.8**
Dividend Income	6.0
International	8.2
U.S. Large Cap	31.4
U.S. Mid Cap	9.1
U.S. Small Cap	6.1
Fixed-Income Funds	**30.8**
Convertible	3.0
Emerging Markets	2.0
International	2.0
Investment Grade	23.8
Alternative Investments	**5.0**
Inflation-Indexed Bonds	**2.7**
Money Market Funds	**0.7**
Total	**100.0**

Percentages indicated are based upon total investments.

Manager Discussion of Fund Performance *(continued)*

Of the underlying equity funds in the portfolio, performance benefited most from positions in Columbia Large Cap Growth Fund, Columbia Emerging Markets Fund and Columbia Contrarian Core Fund. All three Funds outperformed their benchmarks by a solid margin. Columbia Small Cap Value Fund I, Columbia Mid Cap Growth Fund and Columbia Dividend Income Fund were the most significant benchmark laggards. On the fixed income side of the portfolio, Columbia International Bond Fund, Columbia U.S. Government Mortgage Fund and Columbia Emerging Market Bond Fund all outperformed their benchmarks. Columbia's fixed income funds had a remarkable year, with only Columbia Income Opportunities Fund underperforming its benchmark. The shortfall for the Fund was sufficiently narrow to be considered insignificant.

Looking Ahead

At the very last minute, Congress raised income, dividend, capital gains and estate taxes on the wealthiest Americans in an effort to raise revenues. However, it failed to produce meaningful spending cuts that would reduce the budget deficit or address the debt-ceiling limit that the federal government will reach early in 2013. Against this backdrop, the Fund's neutral equity reflects our cautious optimism on global growth and its impact on the world's stock markets. We currently continue to underweight 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. However, we cut back somewhat on the Fund's exposure to investment grade and high-yield bonds. With interest rates at historical lows across the maturity spectrum, we kept U.S. Treasury exposure low but modestly raised exposure to mortgages. We also made modest increases to developed market and emerging market debt. Currently, yields on emerging market debt are attractive and monetary policy remains accommodative. At present, we continue to maintain positions in alternative asset classes as their relatively low correlation to traditional assets help broaden diversification within the portfolio. However, we eliminated the Fund's position in commodities during the year.

Understanding Your Fund's Expenses

(Unaudited)

As an investor, you incur ongoing costs, which generally include 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.

In addition to the ongoing expenses which the Fund bears directly, the Fund's shareholders indirectly bear the Fund's allocable share of the costs and expenses of each underlying fund in which the Fund invests. You can also estimate the effective expenses paid during the period, which includes the indirect fees associated with investing in the underlying funds, by using the amounts listed in the effective expenses paid during the period column.

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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,068.70	1,024.52	0.78	0.77	0.15	4.65	4.55	0.89
Class 2	1,000.00	1,000.00	1,067.50	1,023.25	2.09	2.05	0.40	5.96	5.83	1.14

Expenses paid during the period are equal to the Fund's 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 366.

Effective expenses paid during the period and the Fund's effective annualized expense ratio include expenses borne directly to the class plus the Fund's pro rata portion of the ongoing expenses charged by the underlying funds using the expense ratio of each class of the underlying funds as of the underlying fund's most recent shareholder report.

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

December 31, 2012

(Percentages represent value of investments compared to net assets)

Equity Funds 60.8%

	Shares	Value ($)
Dividend Income 6.0%		
Columbia Dividend Income Fund, Class I Shares[a]	195,061	2,879,100
Columbia Dividend Opportunity Fund, Class I Shares[a]	332,693	2,901,088
Total		5,780,188
International 8.3%		
Columbia Emerging Markets Fund, Class I Shares[a]	470,696	4,899,946
Columbia Greater China Fund, Class I Shares[a]	19,157	992,135
Columbia Overseas Value Fund, Class I Shares[a]	269,024	2,009,611
Total		7,901,692
U.S. Large Cap 31.3%		
Columbia Contrarian Core Fund, Class I Shares[a]	569,520	9,197,748
Columbia Large Cap Growth Fund, Class I Shares[a]	175,915	4,842,937
Columbia Large Core Quantitative Fund, Class I Shares[a]	1,420,526	9,219,211
Columbia Large Growth Quantitative Fund, Class I Shares[a]	497,239	3,858,575
Columbia Large Value Quantitative Fund, Class I Shares[a]	271,651	1,934,153
Columbia Select Large-Cap Value Fund, Class I Shares[a]	59,878	974,223
Total		30,026,847
U.S. Mid Cap 9.1%		
Columbia Mid Cap Growth Fund, Class I Shares[a][b]	163,781	4,376,233
Columbia Mid Cap Value Fund, Class I Shares[a]	295,754	4,377,161
Total		8,753,394
U.S. Small Cap 6.1%		
Columbia Small Cap Growth Fund I, Class I Shares[a][b]	106,272	2,930,970
Columbia Small Cap Value Fund I, Class I Shares[a]	22,375	980,468

Equity Funds *(continued)*

	Shares	Value ($)
Columbia Small Cap Value Fund II, Class I Shares[a]	132,274	1,962,950
Total		5,874,388
Total Equity Funds (Cost: $55,630,495)		**58,336,509**

Fixed-Income Funds 30.8%

Convertible 3.0%		
Columbia Convertible Securities Fund, Class I Shares[a]	194,079	2,913,130
Emerging Markets 2.0%		
Columbia Emerging Markets Bond Fund, Class I Shares[a]	152,891	1,937,127
International 2.0%		
Columbia International Bond Fund, Class I Shares[a]	165,273	1,928,736
Investment Grade 23.8%		
Columbia Corporate Income Fund, Class I Shares[a]	826,769	8,730,675
Columbia Income Opportunities Fund, Class I Shares[a]	432,432	4,354,593
Columbia Limited Duration Credit Fund, Class I Shares[a]	287,319	2,907,672
Columbia U.S. Government Mortgage Fund, Class I Shares[a]	1,210,851	6,792,873
Total		22,785,813
Total Fixed-Income Funds (Cost: $28,261,217)		**29,564,806**

Alternative Investments 5.0%

Columbia Absolute Return Currency and Income Fund, Class I Shares[a][b]	188,174	1,930,669
Columbia Absolute Return Multi-Strategy Fund, Class I Shares[a]	290,254	2,890,928
Total Alternative Investments (Cost: $4,789,561)		**4,821,597**

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

Portfolio of Investments *(continued)*

December 31, 2012

Inflation-Indexed Bonds 2.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
U.S. Treasury Inflation-Indexed Bond			
04/15/29	3.875%	274,383	454,789
01/15/25	2.375%	374,287	504,907
02/15/40	2.125%	107,022	157,038
07/15/13	1.875%	188,918	191,958
01/15/14	2.000%	200,302	206,703
01/15/15	1.625%	254,400	270,280
01/15/16	2.000%	203,955	226,136
07/15/17	2.625%	167,414	200,608
01/15/19	2.125%	215,480	261,623
01/15/21	1.125%	84,595	99,347
Total Inflation-Indexed Bonds (Cost: $2,251,838)			**2,573,389**

Money Market Funds 0.7%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.142%[a][c]	688,066	688,066
Total Money Market Funds (Cost: $688,066)		**688,066**
Total Investments (Cost: $91,621,177)		**95,984,367**
Other Assets and Liabilities		(32,450)
Net Assets		**95,951,917**

Notes to Portfolio of Investments

(a) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Capital Gain Distributions ($)	Dividends or Interest Income ($)	Value ($)
Columbia Absolute Return Currency and Income Fund, Class I Shares	3,258,871	178,239	(1,563,324)	25,789	1,899,575	43,220	—	1,930,669
Columbia Absolute Return Multi-Strategy Fund, Class I Shares	5,076,932	417,150	(2,612,638)	8,542	2,889,986	—	35,010	2,890,928
Columbia Bond Fund, Class I Shares	4,053,724	10,492	(4,102,960)	38,744	—	—	30,750	—
Columbia Commodity Strategy Fund, Class I Shares	—	1,606,618	(1,593,169)	(13,449)	—	—	—	—
Columbia Contrarian Core Fund, Class I Shares	5,158,776	4,809,698	(1,356,440)	540	8,612,574	10,546	109,000	9,197,748
Columbia Convertible Securities Fund, Class I Shares	2,243,159	1,087,209	(405,025)	(26,083)	2,899,260	—	77,171	2,913,130
Columbia Corporate Income Fund, Class I Shares	6,933,690	3,089,475	(1,968,933)	42,831	8,097,063	172,228	321,906	8,730,675
Columbia Dividend Income Fund, Class I Shares	2,512,183	639,036	(579,725)	16,364	2,587,858	—	83,028	2,879,100
Columbia Dividend Opportunity Fund, Class I Shares	1,329,267	1,979,780	(541,259)	7,962	2,775,750	—	132,448	2,901,088

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

Portfolio of Investments *(continued)*

December 31, 2012

Notes to Portfolio of Investments *(continued)*

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Capital Gain Distributions ($)	Dividends or Interest Income ($)	Value ($)
Columbia Emerging Markets Fund, Class I Shares	3,571,347	3,807,223	(2,318,080)	(293,540)	4,766,950	276,609	28,883	4,899,946
Columbia Emerging Markets Bond Fund, Class I Shares	1,804,138	390,481	(483,620)	18,504	1,729,503	12,499	110,700	1,937,127
Columbia Energy and Natural Resources Fund, Class I Shares	2,867,923	5,034	(3,164,305)	291,348	—	—	—	—
Columbia European Equity Fund, Class I Shares	4,076,886	51,273	(4,042,576)	(85,583)	—	—	—	—
Columbia Greater China Fund, Class I Shares	1,975,939	75,760	(720,017)	(206,272)	1,125,410	—	14,064	992,135
Columbia High Yield Bond Fund, Class I Shares	4,703,406	119,419	(4,975,126)	152,301	—	—	114,016	—
Columbia Income Opportunities Fund, Class I Shares	—	4,764,044	(569,328)	5,861	4,200,577	—	165,971	4,354,593
Columbia International Bond Fund, Class I Shares	1,789,150	351,304	(302,242)	1,346	1,839,558	—	38,325	1,928,736
Columbia Large Cap Growth Fund, Class I Shares	4,599,697	1,957,847	(2,647,315)	337,415	4,247,644	—	31,815	4,842,937
Columbia Large Cap Core Fund, Class I Shares	4,307,105	—	(4,523,937)	216,832	—	—	—	—
Columbia Large Core Quantitative Fund, Class I Shares	2,597,610	7,439,716	(1,381,758)	32,088	8,687,656	—	168,786	9,219,211
Columbia Large Growth Quantitative Fund, Class I Shares	—	4,414,196	(254,869)	12,063	4,171,390	334,803	73,102	3,858,575
Columbia Large Value Quantitative Fund, Class I Shares	1,713,293	662,100	(447,773)	(25,141)	1,902,479	47,943	66,133	1,934,153
Columbia Limited Duration Credit Fund, Class I Shares	3,600,960	276,237	(1,005,377)	1,335	2,873,155	43,901	76,092	2,907,672
Columbia Mid Cap Growth Fund, Class I Shares	3,832,156	1,282,749	(1,142,219)	71,564	4,044,250	123,630	—	4,376,233
Columbia Mid Cap Value Fund, Class I Shares	2,931,754	1,687,098	(885,721)	10,539	3,743,670	—	52,983	4,377,161

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

Portfolio of Investments *(continued)*

December 31, 2012

Notes to Portfolio of Investments *(continued)*

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Capital Gain Distributions ($)	Dividends or Interest Income ($)	Value ($)
Columbia Multi-Advisor International Equity Fund, Class I Shares	5,297,433	8,624	(5,150,198)	(155,859)	—	—	—	—
Columbia Overseas Value Fund, Class I Shares	2,646,403	174,352	(722,897)	(56,150)	2,041,708	—	48,011	2,009,611
Columbia Pacific/ Asia Fund, Class I Shares	1,688,701	1,105,952	(2,769,775)	(24,878)	—	—	17,243	—
Columbia Select Large Cap Growth Fund, Class I Shares	3,770,584	611,025	(4,524,320)	142,711	—	—	—	—
Columbia Select Large-Cap Value Fund, Class I Shares	855,040	335,310	(231,710)	(543)	958,097	31,515	16,214	974,223
Columbia Short-Term Cash Fund	23,041	3,229,001	(2,563,976)	—	688,066	—	1,535	688,066
Columbia Small Cap Growth Fund I, Class I Shares	755,476	3,314,837	(921,759)	(18,290)	3,130,264	286,074	—	2,930,970
Columbia Small Cap Growth Fund II, Class I Shares	988,369	9,998	(980,894)	(17,473)	—	—	—	—
Columbia Small Cap Value Fund I, Class I Shares	1,844,386	132,924	(1,073,869)	45,162	948,603	35,740	9,403	980,468
Columbia Small Cap Value Fund II, Class I Shares	1,056,008	1,167,120	(332,745)	(4,190)	1,886,193	41,946	23,418	1,962,950
Columbia U.S. Government Mortgage Fund, Class I Shares	4,707,163	2,977,935	(1,064,991)	1,993	6,622,100	128,992	192,430	6,792,873
Mortgage- and Asset-Backed Portfolio	3,492,604	198,367	(3,707,713)	16,742	—	111,347	51,838	—
Total	102,063,174	54,367,623	(67,632,583)	571,125	89,369,339	1,700,993	2,090,275	93,410,978

(b) Non-income producing.

(c) The rate shown is the seven-day current annualized yield at December 31, 2012.

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

Portfolio of Investments *(continued)*

December 31, 2012

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 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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Mutual Funds				
Investments in Affiliated Funds	93,410,978	—	—	93,410,978
Total Mutual Funds	93,410,978	—	—	93,410,978
Bonds				
Inflation-Indexed Bonds	—	2,573,389	—	2,573,389
Total Bonds	—	2,573,389	—	2,573,389
Total	93,410,978	2,573,389	—	95,984,367

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $2,251,838)	$2,573,389
Affiliated issuers (identified cost $89,369,339)	93,410,978
Total investments (identified cost $91,621,177)	95,984,367
Receivable for:	
Investments sold	136,810
Capital shares sold	786
Dividends	97,190
Interest	17,925
Reclaims	1,078
Expense reimbursement due from Investment Manager	588
Prepaid expenses	931
Trustees' deferred compensation plan	36,078
Total assets	96,275,753
Liabilities	
Payable for:	
Investments purchased	95,912
Capital shares purchased	139,160
Investment management fees	150
Distribution and/or service fees	365
Transfer agent fees	468
Administration fees	156
Compensation of board members	18,566
Chief compliance officer expenses	23
Other expenses	32,958
Trustees' deferred compensation plan	36,078
Total liabilities	323,836
Net assets applicable to outstanding capital stock	**$95,951,917**
Represented by	
Paid-in capital	$93,948,804
Undistributed net investment income	2,177,826
Accumulated net realized loss	(4,537,923)
Unrealized appreciation (depreciation) on:	
Investments — unaffiliated issuers	321,551
Investments — affiliated issuers	4,041,639
Foreign currency translations	20
Total — representing net assets applicable to outstanding capital stock	**$95,951,917**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Class 1	
Net assets	$77,975,745
Shares outstanding	5,976,282
Net asset value per share	$13.05
Class 2	
Net assets	$17,976,172
Shares outstanding	1,387,472
Net asset value per share	$12.96

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Dividends — unaffiliated issuers	$6,097
Dividends — affiliated issuers	2,090,275
Interest	64,097
Foreign taxes withheld	(56)
Total income	2,160,413
Expenses:	
Investment management fees	28,572
Distribution and/or service fees	
Class 2	49,220
Transfer agent fees	
Class 1	48,646
Class 2	11,813
Administration fees	20,153
Compensation of board members	26,111
Custodian fees	27,303
Printing and postage fees	50,987
Professional fees	27,725
Chief compliance officer expenses	47
Other	2,760
Total expenses	293,337
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(84,550)
Total net expenses	208,787
Net investment income	1,951,626
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments — unaffiliated issuers	13,055
Investments — affiliated issuers	571,125
Capital gain distributions from underlying affiliated funds	1,700,993
Foreign currency translations	(81)
Net realized gain	2,285,092
Net change in unrealized appreciation (depreciation) on:	
Investments — unaffiliated issuers	103,436
Investments — affiliated issuers	7,873,854
Foreign currency translations	21
Net change in unrealized appreciation (depreciation)	7,977,311
Net realized and unrealized gain	10,262,403
Net increase in net assets resulting from operations	**$12,214,029**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$1,951,626	$2,094,314
Net realized gain	2,285,092	5,392,082
Net change in unrealized appreciation (depreciation)	7,977,311	(7,997,733)
Net increase (decrease) in net assets resulting from operations	12,214,029	(511,337)
Distributions to shareholders		
Net investment income		
Class 1	(1,786,909)	(2,270,728)
Class 2	(384,448)	(557,108)
Total distributions to shareholders	(2,171,357)	(2,827,836)
Increase (decrease) in net assets from capital stock activity	(15,128,888)	(16,278,298)
Total decrease in net assets	(5,086,216)	(19,617,471)
Net assets at beginning of year	101,038,133	120,655,604
Net assets at end of year	**$95,951,917**	**$101,038,133**
Undistributed net investment income	$2,177,826	$2,085,406

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	117,978	1,499,786	191,136	2,302,234
Distributions reinvested	144,222	1,786,909	182,241	2,270,728
Redemptions	(1,142,678)	(14,398,989)	(1,294,033)	(15,938,289)
Net decrease	(880,478)	(11,112,294)	(920,656)	(11,365,327)
Class 2 shares				
Subscriptions	58,726	744,771	69,299	842,247
Distributions reinvested	31,231	384,448	44,964	557,108
Redemptions	(410,087)	(5,145,813)	(515,726)	(6,312,326)
Net decrease	(320,130)	(4,016,594)	(401,463)	(4,912,971)
Total net decrease	**(1,200,608)**	**(15,128,888)**	**(1,322,119)**	**(16,278,298)**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$11.81	$12.22	$11.08	$9.32	$15.25
Income from investment operations:					
Net investment income	0.25	0.24	0.26	0.25	0.35
Net realized and unrealized gain (loss)	1.27	(0.33)	1.19	1.93	(4.24)
Total from investment operations	1.52	(0.09)	1.45	2.18	(3.89)
Less distributions to shareholders:					
Net investment income	(0.28)	(0.32)	(0.31)	(0.42)	(0.44)
Net realized gains	—	—	—	—	(1.60)
Total distributions to shareholders	(0.28)	(0.32)	(0.31)	(0.42)	(2.04)
Net asset value, end of period	$13.05	$11.81	$12.22	$11.08	$9.32
Total return	13.03%	(0.85%)	13.43%	24.00%[a]	(28.32%)
Ratios to average net assets[b]					
Total gross expenses	0.24%	0.40%	0.97%	1.00%	0.87%
Total net expenses[c]	0.16%	0.13%	0.68%[d]	0.80%[d]	0.75%[d]
Net investment income	1.99%	1.93%	2.27%	2.48%	2.75%
Supplemental data					
Net assets, end of period (in thousands)	$77,976	$81,002	$95,031	$97,435	$93,500
Portfolio turnover	51%	89%	234%[e]	103%	94%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The 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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, 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)*

	Year Ended December 31,				
Class 2	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$11.73	$12.15	$11.02	$9.27	$15.18
Income from investment operations:					
Net investment income	0.22	0.20	0.24	0.23	0.32
Net realized and unrealized gain (loss)	1.26	(0.32)	1.18	1.92	(4.21)
Total from investment operations	1.48	(0.12)	1.42	2.15	(3.89)
Less distributions to shareholders:					
Net investment income	(0.25)	(0.30)	(0.29)	(0.40)	(0.42)
Net realized gains	—	—	—	—	(1.60)
Total distributions to shareholders	(0.25)	(0.30)	(0.29)	(0.40)	(2.02)
Net asset value, end of period	$12.96	$11.73	$12.15	$11.02	$9.27
Total return	12.76%	(1.09%)	13.26%	23.79%[a]	(28.45%)
Ratios to average net assets[b]					
Total gross expenses	0.49%	0.68%	1.22%	1.25%	1.12%
Total net expenses[c]	0.41%	0.38%	0.85%[d]	0.95%[d]	0.90%[d]
Net investment income	1.72%	1.66%	2.10%	2.34%	2.60%
Supplemental data					
Net assets, end of period (in thousands)	$17,976	$20,036	$25,624	$27,677	$29,985
Portfolio turnover	51%	89%	234%[e]	103%	94%

Notes to Financial Highlights

(a) Total return includes a reimbursement of a loss experienced by the Fund due to a compliance violation. The 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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, 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.

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Asset Allocation Fund (the Fund), 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.

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 variable life insurance policies (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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

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.

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 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 fair value.

Foreign Currency Transactions and Translations

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.

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.

Notes to Financial Statements *(continued)*

December 31, 2012

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

Income and capital gain distributions from the Underlying Funds, if any, are recorded on the ex-dividend date.

Interest income is recorded on an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income distribution. 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

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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), the Investment Manager, a wholly-owned subsidiary of Ameriprise Financial, Inc. (Ameriprise Financial), determines which securities will be purchased, held or sold. The investment management fee is an annual fee that is a blend of (i) 0.55% on all assets invested in securities (other than third-party advised mutual funds and Columbia Funds that pay an investment management fee), including other Columbia Funds that do not pay an investment management fee, ETFs, derivatives and individual securities and (ii) 0.10% on assets invested in non-exchange traded, third-party advised mutual funds. The effective investment management fee rate for the year ended December 31, 2012 was 0.03% of the Fund's average daily net assets.

Notes to Financial Statements *(continued)*

December 31, 2012

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.

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 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 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 fees.

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, 2013, 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 governing these fee waivers and/or expense reimbursement arrangements, 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.

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards, deferral/reversal of wash sale losses, Trustees' deferred compensation, foreign currency transactions, and re-characterization of distributions from investments. 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	$312,151
Accumulated net realized loss	(312,150)
Paid-in capital	(1)

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,	2012	2011
Ordinary income	$2,171,357	$2,827,836
Long-term capital gains	—	—
Total	$2,171,357	$2,827,836

Notes to Financial Statements *(continued)*

December 31, 2012

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$2,231,186
Undistributed accumulated long-term gain	—
Accumulated realized losses	(4,317,053)
Unrealized appreciation	4,142,320

At December 31, 2012, the cost of investments for federal income tax purposes was $91,842,047 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$4,819,801
Unrealized depreciation	(677,481)
Net unrealized appreciation	$4,142,320

The following capital loss carryforward, determined at December 31, 2012, 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	$4,317,053
Total	$4,317,053

For the year ended December 31, 2012, $2,050,442 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, aggregated to $51,139,006 and $65,620,739, respectively, for the year ended December 31, 2012, of which $0 and $31,975, respectively, were U.S. government securities.

Note 6. Shareholder Concentration

At December 31, 2012, two unaffiliated shareholder accounts owned an aggregate of 76.3% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Subscription and redemption activity by concentrated accounts 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. 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. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

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 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 portfolio 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 Columbia Variable Portfolio — Asset Allocation Fund (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2012, the results of its operations, the changes in its net assets, 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 audit. We conducted our audit 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, 2012 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Federal Income Tax Information
(Unaudited)

The Fund hereby designates the following tax attributes for the fiscal year ended December 31, 2012.

Tax Designations:

Dividends Received Deduction	20.06%

Dividend Received Deduction. The percentage of ordinary income dividends paid during the fiscal year that qualifies for the corporate dividend received deduction.

Trustees and Officers

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.

Independent Trustees

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
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 52; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2005 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parsons 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 52; 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; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; 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 of Marketing, 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 52; 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 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; 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 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (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 52; 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 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

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
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 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. 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 52; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Interested Trustee

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
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	President, Columbia Management Investment Advisers, LLC since February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006. Oversees 208; Columbia Funds Board.

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.

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:

Officers

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
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)	Senior Vice President, 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; Vice President, General Counsel and Secretary, RiverSource Funds since December 2006; Senior Vice President, Secretary and Chief Legal Officer, Columbia Funds, since May 2010.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Thomas P. McGuire (Born 1972) 225 Franklin Street Boston, MA 02110 Chief Compliance Officer (since 2012)	Vice President — Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, 2005-2010.
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.
Paul D. Pearson (born 1956) 10468 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 Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-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); Assistant Secretary of RiverSource Funds since January 2007; officer of Columbia Funds and affiliated funds since 2007.
Michael E. DeFao (born 1968) 225 Franklin Street Boston, MA 02110 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

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Asset Allocation Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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C-1471 C (3/13)

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio – Large Cap Growth Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — Large Cap Growth Fund (the Fund) Class 3 shares returned 20.15% for the 12 months ended December 31, 2012.

> The Fund outperformed its benchmark, the Russell 1000 Growth Index, which gained 15.26% for the same 12-month period.

> Strong stock selection across multiple industry sectors contributed to the Fund's outperformance of its benchmark.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1*	05/03/10	20.27	0.82	5.47
Class 2*	05/03/10	20.06	0.61	5.28
Class 3	09/15/99	20.15	0.77	5.44
Russell 1000 Growth Index		15.26	3.12	7.52

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

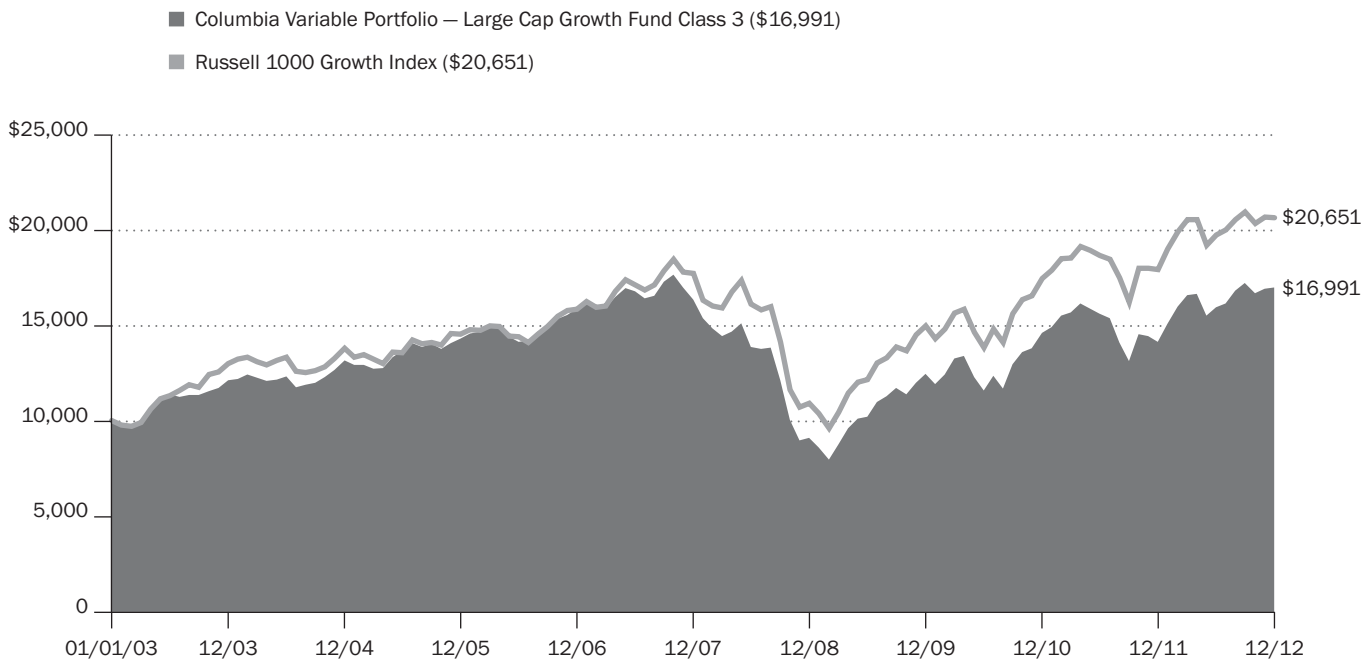
* The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The Russell 1000 Growth Index, an unmanaged index, measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher 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.

Performance Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 — December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 3 shares of Columbia Variable Portfolio — Large Cap Growth Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

Portfolio Management

John Wilson, CFA

Peter Deininger, CFA, CAIA

Top Ten Holdings (%) (at December 31, 2012)	
Apple, Inc.	5.8
Google, Inc., Class A	4.3
QUALCOMM, Inc.	2.9
Oracle Corp.	2.8
Gilead Sciences, Inc.	2.4
eBay, Inc.	2.3
Amazon.com, Inc.	2.2
Honeywell International, Inc.	2.2
EMC Corp.	2.1
Mastercard, Inc., Class A	2.0

Percentages indicated are based upon total investments (excluding Money Market Funds).

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 security.

Columbia Variable Portfolio — Large Cap Growth Fund (the Fund) Class 3 shares returned 20.15% for the 12 months ended December 31, 2012. The Fund outperformed its benchmark, the Russell 1000 Growth Index, which gained 15.26% for the same 12-month period. Strong stock selection across multiple industry sectors contributed to the Fund's outperformance of its benchmark.

Stock Selection Across Sectors Led to Relative Outperformance

The Fund outperformed its benchmark against the backdrop of a positively trending equity market. Though investor sentiment frequently fluctuated between desiring and avoiding risk, we began to see more discrimination based on individual stock attributes. Our investment process is very much focused on stock selection, rather than market timing or sector bets, so 2012 was the kind of equity market where we would expect the Fund to perform well and it did.

The breadth of the Fund's performance was particularly rewarding to us. The Fund outperformed its benchmark in nine of 12 months and seven of the 10 market sectors where we invest. Positioning in the consumer discretionary, information technology, health care, consumer staples and industrials sectors had the most significant positive effects on the Fund's relative performance.

Within consumer discretionary, outperformance was driven by overweights and stock selection in three industry groups: internet retail, specialty retail and media. The Fund benefited from holdings of on-line travel companies Expedia and Priceline, which increased their share of the travel industry's on-line bookings. Amazon.com was another strong performer due to its broad-based on-line retail presence and greater appreciation of the company's expansion into the separate business of cloud computing services. Specialty retailers that added to relative return included Home Depot, which benefited from the housing recovery, and TJX, operator of TJ Maxx and other retailers, which benefited from solid execution and market share gains in the discount retail segment. Media giant Comcast was another notable contributor as fears about internet television competition seem to have been premature.

Information technology performance was largely driven by the IT services, internet and computing industries. Having limited exposure to semiconductors was also advantageous. Individual contributor eBay was able to stabilize and reaccelerate its core marketplace business while also benefiting from momentum in its PayPal unit. Another contributor, Teradata, provides computer systems and software that let companies analyze tremendous amounts of data to better manage their businesses.

There were some negatives for the Fund within technology. Positioning in the communications equipment, electrical equipment and software industries modestly detracted from relative return. The Fund's position in Cisco Systems and being underweight in Apple relative to the benchmark also detracted. We prematurely anticipated a positive inflection in Cisco's business, while with Apple, we were early in predicting decelerating growth and a narrowing innovation window. Though Apple's deceleration did not materialize during the Fund's fiscal year, we have since seen signs of it and think it could continue.

The Fund benefited from strong performance from a number of health care segments, including pharmaceuticals, biotechnology and health care equipment. Though it is usually difficult to find compelling growth opportunities in consumer staples, our choice of beverage makers and food and staples retailers had a favorable effect. Within industrials, fourth quarter outperformance from

Manager Discussion of Fund Performance *(continued)*

commercial services stocks and positioning in logistics, road and railroad stocks positively affected performance.

Financials and Energy Underperformed

Two smaller sectors within the benchmark and the portfolio — financials and energy — had minimal negative effects on relative performance. In the financials sector, an underweight in real estate investment trusts (REITs) was disadvantageous. We believe REITs lack attractive growth and risk/reward characteristics, but they performed well as investors sought yield opportunities outside fixed income. In energy, a positive contribution from Continental Resources was offset by Halliburton, where unexpectedly higher North American costs seemed to overshadow an improved international picture, leading to downward earnings revisions.

Modest Sector Changes Favored Industrials

There were no meaningful positioning shifts or strategy changes as we continued to focus on individual stock selection. Sector weightings changed modestly, based on where we found opportunities. In the second half of the year, we slightly trimmed the Fund's consumer discretionary allocation, where reductions in luxury goods providers, apparel and restaurant/leisure stocks were partly offset by an increase in specialty retailers.

We also slightly reduced technology by lowering exposure to semiconductor companies and mega-cap services and software companies. We trimmed semiconductors because of lackluster demand and excess inventory and we believe we found more attractive growth opportunities away from the largest technology names.

We increased the industrials weighting in the second half, with increased allocations to aerospace, electrical equipment and commercial services where, in our opinion, valuations started to more fully reflect cyclical growth concerns and we saw greater opportunity for earnings to rise in 2013.

Opportunity in Quality Growth Companies

We are currently encouraged by recent economic signs, including a seemingly improving U.S. housing market and a rebound in China's growth. However, we are also mindful of potential turbulence, such as Washington's political stalemate and impending fiscal decisions, which could stall the nascent economic recovery and temper enthusiasm for equities. We are also watching the Eurozone situation, which seems to ebb and flow without a comprehensive resolution, and tensions in the Middle East and Asia.

In spite of these uncertainties, we see opportunity in quality growth companies. We are focused on owning growth companies that are current or emerging leaders in their industries. Our baseline is to seek companies supported by healthy balance sheets, capable management teams and solid risk/reward profiles. We then try to identify companies that are also either increasing their global reach, in the midst of strong product cycles or able to expand their market share. Certainly, we hope that the equity markets continue to reward individual stock characteristics as we think such an environment would favor our investment process, with its focus on stock selection.

Portfolio Breakdown (%) (at December 31, 2012)	
Common Stocks	**95.8**
Consumer Discretionary	17.1
Consumer Staples	8.6
Energy	4.4
Financials	4.8
Health Care	13.0
Industrials	11.6
Information Technology	31.6
Materials	3.7
Telecommunication Services	1.0
Convertible Preferred Stocks	**1.2**
Industrials	1.2
Money Market Funds	**3.0**
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,067.10	1,021.28	4.13	4.04	0.79
Class 2	1,000.00	1,000.00	1,066.10	1,020.02	5.43	5.31	1.04
Class 3	1,000.00	1,000.00	1,065.90	1,020.67	4.75	4.65	0.91

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 366.

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 investment vehicles (including mutual funds and exchange-traded funds).

Portfolio of Investments

December 31, 2012

(Percentages represent value of investments compared to net assets)

Common Stocks 95.6%

Issuer	Shares	Value ($)
Consumer Discretionary 17.1%		
Automobiles 1.0%		
Ford Motor Co.	186,047	2,409,308
Distributors 0.7%		
LKQ Corp.[a]	88,730	1,872,203
Hotels, Restaurants & Leisure 2.2%		
Las Vegas Sands Corp.	56,604	2,612,841
Yum! Brands, Inc.	42,498	2,821,867
Total		5,434,708
Internet & Catalog Retail 2.8%		
Amazon.com, Inc.[a]	21,293	5,347,524
Expedia, Inc.	26,913	1,653,804
Total		7,001,328
Media 4.5%		
Comcast Corp., Class A	78,594	2,937,844
Discovery Communications, Inc., Class A[a]	37,132	2,357,139
DISH Network Corp., Class A	81,028	2,949,419
News Corp., Class A	123,460	3,153,169
Total		11,397,571
Multiline Retail 1.2%		
Target Corp.	48,973	2,897,732
Specialty Retail 4.7%		
Dick's Sporting Goods, Inc.	35,990	1,637,185
Gap, Inc. (The)	78,700	2,442,848
Home Depot, Inc. (The)	27,127	1,677,805
Lowe's Companies, Inc.	126,430	4,490,794
Urban Outfitters, Inc.[a]	41,903	1,649,302
Total		11,897,934
Total Consumer Discretionary		**42,910,784**
Consumer Staples 8.5%		
Food & Staples Retailing 2.9%		
Costco Wholesale Corp.	25,195	2,488,510
CVS Caremark Corp.	96,740	4,677,379
Total		7,165,889
Food Products 2.3%		
Hershey Co. (The)	36,000	2,599,920
Kraft Foods Group, Inc.	71,085	3,232,235
Total		5,832,155
Household Products 1.3%		
Procter & Gamble Co. (The)	49,920	3,389,069
Personal Products 1.3%		
Estee Lauder Companies, Inc. (The), Class A	53,740	3,216,876

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Tobacco 0.7%		
Philip Morris International, Inc.	21,868	1,829,040
Total Consumer Staples		**21,433,029**
Energy 4.4%		
Energy Equipment & Services 2.4%		
Ensco PLC, Class A	55,964	3,317,546
National Oilwell Varco, Inc.	40,665	2,779,453
Total		6,096,999
Oil, Gas & Consumable Fuels 2.0%		
Anadarko Petroleum Corp.	28,719	2,134,109
Kinder Morgan Management LLC[a][b]	1,381	1
Pioneer Natural Resources Co.	25,735	2,743,093
Total		4,877,203
Total Energy		**10,974,202**
Financials 4.8%		
Capital Markets 1.3%		
BlackRock, Inc.	15,436	3,190,775
Commercial Banks 2.1%		
Fifth Third Bancorp	157,965	2,399,488
Wells Fargo & Co.	84,620	2,892,312
Total		5,291,800
Diversified Financial Services 0.8%		
Citigroup, Inc.	55,251	2,185,730
Real Estate Investment Trusts (REITs) 0.6%		
Simon Property Group, Inc.	9,390	1,484,465
Total Financials		**12,152,770**
Health Care 13.0%		
Biotechnology 5.4%		
Amgen, Inc.	44,230	3,817,934
Gilead Sciences, Inc.[a]	78,985	5,801,448
Onyx Pharmaceuticals, Inc.[a]	30,312	2,289,465
Vertex Pharmaceuticals, Inc.[a]	38,923	1,632,431
Total		13,541,278
Health Care Equipment & Supplies 2.4%		
Edwards Lifesciences Corp.[a]	16,878	1,521,889
Hologic, Inc.[a]	87,690	1,756,431
Zimmer Holdings, Inc.	38,918	2,594,274
Total		5,872,594
Life Sciences Tools & Services 1.5%		
Life Technologies Corp.[a]	1,671	82,013
Thermo Fisher Scientific, Inc.	58,320	3,719,649
Total		3,801,662

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

Portfolio of Investments *(continued)*
December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Pharmaceuticals 3.7%		
Allergan, Inc.	44,092	4,044,559
Johnson & Johnson	37,905	2,657,141
Watson Pharmaceuticals, Inc.[a]	31,037	2,669,182
Total		9,370,882
Total Health Care		**32,586,416**
Industrials 11.6%		
Aerospace & Defense 3.7%		
Honeywell International, Inc.	83,197	5,280,514
Precision Castparts Corp.	21,310	4,036,540
Total		9,317,054
Commercial Services & Supplies 2.4%		
ADT Corp. (The)	55,978	2,602,417
Tyco International Ltd.	117,356	3,432,663
Total		6,035,080
Electrical Equipment 2.6%		
Eaton Corp. PLC	52,120	2,824,904
Rockwell Automation, Inc.	43,334	3,639,623
Total		6,464,527
Machinery 0.9%		
Pall Corp.	38,939	2,346,464
Road & Rail 2.0%		
JB Hunt Transport Services, Inc.	48,903	2,919,998
Kansas City Southern	25,174	2,101,525
Total		5,021,523
Total Industrials		**29,184,648**
Information Technology 31.5%		
Communications Equipment 4.0%		
F5 Networks, Inc.[a]	32,921	3,198,275
QUALCOMM, Inc.	112,934	7,004,167
Total		10,202,442
Computers & Peripherals 9.0%		
Apple, Inc.	26,630	14,194,589
EMC Corp.[a]	206,497	5,224,374
NCR Corp.[a]	122,061	3,110,114
Total		22,529,077
Internet Software & Services 8.2%		
eBay, Inc.[a]	110,945	5,660,414
Facebook, Inc., Class A[a]	97,243	2,589,581

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Google, Inc., Class A[a]	14,658	10,397,946
LinkedIn Corp., Class A[a]	16,200	1,860,084
Total		20,508,025
IT Services 4.6%		
Accenture PLC, Class A	41,212	2,740,598
Alliance Data Systems Corp.[a]	17,193	2,488,858
Mastercard, Inc., Class A	9,982	4,903,957
Teradata Corp.[a]	24,857	1,538,400
Total		11,671,813
Software 5.7%		
Citrix Systems, Inc.[a]	36,735	2,415,326
Oracle Corp.	205,530	6,848,260
Salesforce.com, Inc.[a]	22,270	3,743,587
ServiceNow, Inc.[a]	41,233	1,238,227
Total		14,245,400
Total Information Technology		**79,156,757**
Materials 3.7%		
Chemicals 3.7%		
Airgas, Inc.	24,110	2,201,002
LyondellBasell Industries NV, Class A	42,113	2,404,231
Monsanto Co.	48,150	4,557,398
Total		9,162,631
Total Materials		**9,162,631**
Telecommunication Services 1.0%		
Diversified Telecommunication Services 1.0%		
Verizon Communications, Inc.	57,680	2,495,814
Total Telecommunication Services		**2,495,814**
Total Common Stocks (Cost: $206,002,925)		**240,057,051**

Convertible Preferred Stocks 1.2%

Industrials 1.2%		
Aerospace & Defense 1.2%		
United Technologies Corp., 7.500%	54,530	3,037,866
Total Industrials		**3,037,866**
Total Convertible Preferred Stocks (Cost: $2,858,766)		**3,037,866**

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

Portfolio of Investments *(continued)*

December 31, 2012

Money Market Funds 3.0%

	Shares	Value ($)
Columbia Short-Term Cash Fund, 0.142%[c][d]	7,578,886	7,578,886
Total Money Market Funds (Cost: $7,578,886)		**7,578,886**
Total Investments (Cost: $216,440,577)		**250,673,803**
Other Assets & Liabilities, Net		**448,737**
Net Assets		**251,122,540**

Notes to Portfolio of Investments

(a) Non-income producing.

(b) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2012 was $1, representing less than 0.01% of net assets. Information concerning such security holdings at December 31, 2012 is as follows:

Security Description	Acquisition Dates	Cost ($)
Kinder Morgan Management LLC	12/19/03 – 01/18/05	—

(c) The rate shown is the seven-day current annualized yield at December 31, 2012.

(d) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	3,085,176	90,596,324	(86,102,614)	7,578,886	9,559	7,578,886

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

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Equity Securities				
Common Stocks				
Consumer Discretionary	42,910,784	—	—	42,910,784
Consumer Staples	21,433,029	—	—	21,433,029
Energy	10,974,201	1	—	10,974,202
Financials	12,152,770	—	—	12,152,770
Health Care	32,586,416	—	—	32,586,416
Industrials	29,184,648	—	—	29,184,648
Information Technology	79,156,757	—	—	79,156,757
Materials	9,162,631	—	—	9,162,631
Telecommunication Services	2,495,814	—	—	2,495,814
Convertible Preferred Stocks				
Industrials	3,037,866	—	—	3,037,866
Total Equity Securities	243,094,916	1	—	243,094,917
Other				
Money Market Funds	7,578,886	—	—	7,578,886
Total Other	7,578,886	—	—	7,578,886
Total	250,673,802	1	—	250,673,803

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $208,861,691)	$243,094,917
Affiliated issuers (identified cost $7,578,886)	7,578,886
Total investments (identified cost $216,440,577)	250,673,803
Receivable for:	
Investments sold	785,927
Capital shares sold	35,500
Dividends	125,061
Reclaims	16,817
Expense reimbursement due from Investment Manager	12,667
Prepaid expenses	2,607
Trustees' deferred compensation plan	27,326
Total assets	251,679,708
Liabilities	
Payable for:	
Capital shares purchased	281,437
Investment management fees	150,897
Distribution and/or service fees	22,657
Transfer agent fees	12,752
Administration fees	12,752
Compensation of board members	14,361
Other expenses	34,986
Trustees' deferred compensation plan	27,326
Total liabilities	557,168
Net assets applicable to outstanding capital stock	**$251,122,540**
Represented by	
Partners' capital	$251,122,540
Total — representing net assets applicable to outstanding capital stock	**$251,122,540**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Class 1	
Net assets	$46,511,688
Shares outstanding	5,851,043
Net asset value per share	$7.95
Class 2	
Net assets	$9,740,947
Shares outstanding	1,233,718
Net asset value per share	$7.90
Class 3	
Net assets	$194,869,905
Shares outstanding	24,567,853
Net asset value per share	$7.93

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

Statement of Operations

Year ended December 31, 2012

Net investment income	
Income:	
Dividends — unaffiliated issuers	$3,716,983
Dividends — affiliated issuers	9,559
Income from securities lending — net	35,984
Foreign taxes withheld	(100,073)
Total income	3,662,453
Expenses:	
Investment management fees	1,820,957
Distribution and/or service fees	
Class 2	22,077
Class 3	249,913
Transfer agent fees	
Class 1	28,626
Class 2	5,298
Class 3	119,955
Administration fees	153,880
Compensation of board members	13,409
Custodian fees	7,489
Printing and postage fees	60,582
Professional fees	26,888
Other	15,488
Total expenses	2,524,562
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(247,319)
Total net expenses	2,277,243
Net investment income	1,385,210
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	28,502,932
Options contracts written	3,509
Net realized gain	28,506,441
Net change in unrealized appreciation (depreciation) on:	
Investments	16,866,269
Foreign currency translations	402
Net change in unrealized appreciation (depreciation)	16,866,671
Net realized and unrealized gain	45,373,112
Net increase in net assets resulting from operations	**$46,758,322**

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

Statement of Changes in Net Assets

	2012	2011
Operations		
Net investment income	$1,385,210	$641,872
Net realized gain	28,506,441	22,433,441
Net change in unrealized appreciation (depreciation)	16,866,671	(36,648,548)
Net increase (decrease) in net assets resulting from operations	46,758,322	(13,573,235)
Increase (decrease) in net assets from capital stock activity	(36,486,623)	20,933,627
Total increase in net assets	10,271,699	7,360,392
Net assets at beginning of year	240,850,841	233,490,449
Net assets at end of year	**$251,122,540**	**$240,850,841**

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	156,040	1,179,982	176,322	1,277,429
Fund merger	—	—	7,273,180	54,764,794
Redemptions	(977,650)	(7,482,082)	(777,638)	(5,364,332)
Net increase (decrease)	(821,610)	(6,302,100)	6,671,864	50,677,891
Class 2 shares				
Subscriptions	337,437	2,535,468	175,215	1,209,414
Fund merger	—	—	1,137,310	8,542,419
Redemptions	(305,378)	(2,293,895)	(157,827)	(1,085,793)
Net increase	32,059	241,573	1,154,698	8,666,040
Class 3 Shares				
Subscriptions	291,816	2,239,547	194,766	1,366,110
Redemptions	(4,330,703)	(32,665,643)	(5,765,203)	(39,776,414)
Net decrease	(4,038,887)	(30,426,096)	(5,570,437)	(38,410,304)
Total net increase (decrease)	**(4,828,438)**	**(36,486,623)**	**2,256,125**	**20,933,627**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,		
Class 1	**2012**	**2011**	**2010[a]**
Per share data			
Net asset value, beginning of period	$6.61	$6.82	$6.34
Income from investment operations:			
Net investment income	0.05	0.03	0.02
Net realized and unrealized gain (loss)	1.29	(0.24)	0.46
Total from investment operations	1.34	(0.21)	0.48
Net asset value, end of period	$7.95	$6.61	$6.82
Total return	20.27%	(3.08%)	7.57%
Ratios to average net assets[b]			
Total gross expenses	0.88%	0.89%	0.83%[c]
Total net expenses[d]	0.78%	0.77%	0.83%[c]
Net investment income	0.64%	0.51%	0.60%[c]
Supplemental data			
Net assets, end of period (in thousands)	$46,512	$44,092	$5
Portfolio turnover	102%	104%	152%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(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) Annualized.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 2	Year Ended December 31, 2012	2011	2010[a]
Per share data			
Net asset value, beginning of period	$6.58	$6.81	$6.34
Income from investment operations:			
Net investment income	0.03	0.02	0.02
Net realized and unrealized gain (loss)	1.29	(0.25)	0.45
Total from investment operations	1.32	(0.23)	0.47
Net asset value, end of period	$7.90	$6.58	$6.81
Total return	20.06%	(3.38%)	7.41%
Ratios to average net assets[b]			
Total gross expenses	1.13%	1.15%	1.09%[c]
Total net expenses[d]	1.03%	1.02%	1.09%[c]
Net investment income	0.43%	0.26%	0.50%[c]
Supplemental data			
Net assets, end of period (in thousands)	$9,741	$7,907	$320
Portfolio turnover	102%	104%	152%

Notes to Financial Highlights

(a) For the period from May 3, 2010 (commencement of operations) to December 31, 2010.

(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) Annualized.

(d) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Financial Highlights *(continued)*

Class 3	Year Ended December 31, 2012	2011	2010	2009	2008
Per share data					
Net asset value, beginning of period	$6.60	$6.82	$5.82	$4.25	$7.65
Income from investment operations:					
Net investment income (loss)	0.04	0.01	0.02	0.03	0.10
Net realized and unrealized gain (loss)	1.29	(0.23)	0.98	1.54	(3.48)
Total from investment operations	1.33	(0.22)	1.00	1.57	(3.38)
Less distributions to shareholders:					
Net investment income	—	—	—	—	(0.02)
Total distributions to shareholders	—	—	—	—	(0.02)
Net asset value, end of period	$7.93	$6.60	$6.82	$5.82	$4.25
Total return	20.15%	(3.23%)	17.16%	37.00%	(44.35%)
Ratios to average net assets[a]					
Total gross expenses	1.00%	0.99%	0.93%	0.80%	0.75%
Total net expenses[b]	0.91%	0.92%	0.93%	0.80%	0.75%
Net investment income	0.52%	0.21%	0.34%	0.71%	1.36%
Supplemental data					
Net assets, end of period (in thousands)	$194,870	$188,852	$233,165	$240,404	$275,348
Portfolio turnover	102%	104%	152%	152%	150%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

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

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Large Cap Growth Fund (the 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.

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 (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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 ask 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 ask 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 or market, 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.

Option contracts are valued at the mean of the latest quoted bid and asked prices on their primary exchanges. Option contracts, including over-the-counter (OTC) option contracts, with no readily available market value are valued using quotations obtained from independent brokers as of the close of the NYSE.

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

Notes to Financial Statements *(continued)*

December 31, 2012

assumptions including but not limited to future cash flows and estimated risk premiums. Multiple inputs from various sources may be used to determine fair value.

Foreign Currency Transactions and Translations

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.

Options Contracts

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 wrote option contracts to decrease the Fund's exposure to equity risk and to increase return on investments. 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. When 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.

Notes to Financial Statements *(continued)*

December 31, 2012

Contracts and premiums associated with options contracts written for the year ended December 31, 2012 are as follows:

	Calls	
	Contracts	Premiums ($)
Balance at December 31, 2011	—	—
Opened	30	3,509
Expired	(30)	(3,509)
Balance at December 31, 2012	—	—

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, 2012, the fund had no outstanding derivatives.

The effect of derivative instruments in the Statement of Operations for the year ended December 31, 2012:

Amount of Realized Gain (Loss) on Derivatives Recognized in Income	
Risk Exposure Category	Options Contracts Written and Purchased ($)
Equity contracts	3,509

The following table is a summary of the volume of derivative instruments for the year ended December 31, 2012:

Derivative Instrument	Contracts Opened
Options contracts	30

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 an accrual basis.

Awards from class action litigation are recorded as a reduction of cost basis 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 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.

Notes to Financial Statements *(continued)*

December 31, 2012

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. The amount, if any, is disclosed as a liability on the Statement of Assets and Liabilities.

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

Disclosures about Offsetting Assets and Liabilities

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11*, Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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. The effective investment management fee rate for the year ended December 31, 2012 was 0.71% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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, 2012 was 0.06% of the Fund's average daily net assets.

Other Expenses

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, 2012, other expenses paid to this company were $2,118.

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 Agent 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 fees.

Notes to Financial Statements *(continued)*

December 31, 2012

Distribution Fees

The Fund has an agreement with Columbia Management Investment Distributors, Inc. (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 May 1, 2012, 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, 2013, 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	0.790%
Class 2	1.040
Class 3	0.915

Prior to May 1, 2012, the Investment Manager and certain of its affiliates contractually agreed to waive fees and/or reimburse expenses (excluding certain fees and expenses described below), 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, did not exceed the following 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 governing these fee waivers and/or expense reimbursement arrangements, 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. Portfolio Information

The cost of purchases and proceeds from sales of securities, excluding short-term obligations, aggregated to $253,694,071 and $294,023,212, respectively, for the year ended December 31, 2012.

Note 5. Lending of Portfolio Securities

Effective December 31, 2012, the Fund no longer participates in securities lending activity. Prior to that date, the Fund had entered into a Master Securities Lending Agreement (the Agreement) with JPMorgan Chase Bank, N.A. (JPMorgan). The Agreement authorized 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 were secured by cash or securities that either were issued or guaranteed as to principal and interest by the U.S. government, its agencies, authorities or instrumentalities with value 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 was requested to be delivered the following business day. Cash collateral received was invested by the lending agent on behalf of the Fund into authorized investments pursuant to the Agreement.

Pursuant to the Agreement, the Fund received 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, 2012 is disclosed in the Statement of Operations. The Fund continued to earn and accrue interest and dividends on the securities loaned. At December 31, 2012, the Fund did not have any securities on loan.

Note 6. Affiliated Money Market Fund

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated 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 — affiliated issuers" 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.

Notes to Financial Statements *(continued)*

December 31, 2012

Note 7. Shareholder Concentration

At December 31, 2012, one unaffiliated shareholder account owned 10.4% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such account. Affiliated shareholder accounts owned 78.9% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated 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 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. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

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. Significant Risks

Information Technology Sector Risk

The Fund's portfolio managers may invest significantly in issuers operating in the information technology sector. The Fund may be more susceptible to the particular risks of this sector than if the Fund were invested in a wider variety of issuers operating in unrelated sectors.

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 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 Series Trust II and the Shareholders of Columbia Variable Portfolio — Large Cap Growth Fund

In our opinion, the accompanying statement of assets and liabilities, including the portfolio 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 Columbia Variable Portfolio — Large Cap Growth Fund (the "Fund") (a series of Columbia Funds Variable Series Trust II) at December 31, 2012, the results of its operations, the changes in its net assets and the financial highlights for the year 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 audit. We conducted our audit 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 audit, which included confirmation of securities at December 31, 2012 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion. The statement of changes in net assets and the financial highlights of the Fund for the periods ended December 31, 2011 and prior were audited by another independent registered public accounting firm whose report dated February 17, 2012 expressed an unqualified opinion on those statements and highlights.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Trustees 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.

Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, were members 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 and began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011.

Independent Trustees

Name, Address, Year of Birth	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 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	152	None
Edward J. Boudreau, Jr. 225 Franklin Street Boston, MA 02110 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	145	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company)	152	None
William P. Carmichael 225 Franklin Street Boston, MA 02110 1943	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	145	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; McMoRan Exploration Company (oil and gas exploration and development) since 2010; 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 1950	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	152	None

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	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 Boston, MA 02110 1942	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	145	Trustee, BofA Funds Series Trust (11 funds)
R. Glenn Hilliard 225 Franklin Street Boston, MA 02110 1943	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. (insurance), September 2003-May 2011	145	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 1939	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	152	Director, Valmont Industries, Inc. (manufactures irrigation systems) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	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)	152	None
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	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	152	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 225 Franklin Street Boston, MA 02110 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments)	145	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	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	152	Director, Healthways, Inc. (health management programs) since 2005; Director, ICI Mutual Insurance Company, RRG; Director, Abt Associates (government contractor)

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated with Investment Manager*

Name, Address, Year of Birth	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 Boston, MA 02110 1946	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	145	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup since 2009; Director, Citibank, N.A. since 2009; 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 Trustee Affiliated with Investment Manager*

Name, Address, Year of Birth	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 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	President, Columbia Management Investment Advisers, LLC February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President – U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006	204	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2012; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006 – January 2013

* 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.

Trustees 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:

Officers

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 1964	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 1965	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 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 1969	Treasurer since 1/11 and Chief Financial Officer since 4/11 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 1959	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	Senior Vice President, 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, 2005-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
Colin Moore 225 Franklin Street Boston, MA 02110 1958	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
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 1972	Chief Compliance Officer since 3/12	Vice President-Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company since September 2010; Compliance Executive, Bank of America, 2005-2010
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 1957	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

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
Christopher O. Petersen 5228 Ameriprise Financial Center Minneapolis, MN 55474 1970	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 1956	Vice President since 4/11 and Assistant Treasurer since 1999 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 1968	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 1968	Vice President since 4/11 and Assistant Secretary since 11/08 for RiverSource Funds and 5/10 for Nations Funds	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010 – January 2013 and Group Counsel from November 2008 – January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008 – November 2008 (previously, Managing Director and Associate General Counsel, January 2005 – July 2008)
Michael E. DeFao 225 Franklin Street Boston, MA 02110 1968	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

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Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio – Large Cap Growth Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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S-6464 C (3/13)

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio — Money Market Fund

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 prospectus carefully before you invest.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — Money Market Fund (the Fund) Class 1 shares returned 0.00% for the 12-month period that ended December 31, 2012.

> The 7-day yield for the Fund as of December 31, 2012 was 0.00%. The 7-day yield reflects the earnings of the Fund as of December 31, 2012, while the total return reflects past holding periods.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1	01/01/89	0.00	0.56	1.68

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

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.

Portfolio Overview

Portfolio Breakdown (%) (at December 31, 2012)	
Asset-Backed Commercial Paper	17.5
Asset-Backed Securities — Non-Agency	3.7
Certificates of Deposit	15.7
Commercial Paper	30.6
Repurchase Agreements	11.6
Treasury Bills	5.8
U.S. Government & Agency Obligations	15.1
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,024.52	0.76	0.77	0.15

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 366.

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 investment 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

December 31, 2012

(Percentages represent value of investments compared to net assets)

Asset-Backed Commercial Paper 17.5%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Fairway Finance Co. LLC[a] 03/18/13	0.210%	2,000,000	1,999,113
Market Street Funding LLC[a] 02/22/13	0.190%	2,000,000	1,999,451
MetLife Short Term Funding LLC[a] 01/15/13	0.150%	2,000,000	1,999,876
Old Line Funding LLC[a] 03/25/13	0.200%	2,000,000	1,999,078
Regency Markets No. 1 LLC 01/17/13	0.200%	1,000,000	999,907
01/25/13	0.210%	1,000,000	999,853
Thunder Bay Funding LLC[a] 01/07/13	0.130%	2,000,000	1,999,950
Total Asset-Backed Commercial Paper (Cost: $11,997,228)			**11,997,228**

Asset-Backed Securities — Non-Agency 3.7%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ABS Other 1.7%			
CIT Equipment Collateral Series 2012-VT1 Class A1[a] 04/22/13	0.441%	74,894	74,894
CNH Equipment Trust Series 2012-C Class A1 10/15/13	0.230%	731,500	731,500
GE Equipment Small Ticket LLC Series 2012-1A Class A1[a] 06/21/13	0.433%	81,494	81,494
Macquarie Equipment Funding Trust Series 2012-A Class A1[a] 10/21/13	0.290%	227,955	227,955
Wheels SPV LLC Series 2012-1 Class A1[a] 05/20/13	0.500%	43,575	43,575
Total			1,159,418
Car Loan 2.0%			
AmeriCredit Automobile Receivables Trust Series 2012-5 Class A1 12/09/13	0.270%	277,301	277,301
Ford Credit Auto Lease Trust Series 2012-B Class A1[a] 10/15/13	0.230%	261,585	261,585

Asset-Backed Securities — Non-Agency *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
SMART Trust Series 2012-4US Class A1 10/14/13	0.290%	382,281	382,281
Westlake Automobile Receivables Trust Series 2012-1A Class A1[a] 09/16/13	0.426%	463,199	463,199
Total			1,384,366
Total Asset-Backed Securities — Non-Agency (Cost: $2,543,784)			**2,543,784**

Certificates of Deposit 15.8%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
BB&T Corp. 01/23/13	0.170%	1,500,000	1,500,000
Bank Of Montreal 01/03/13	0.050%	2,500,000	2,500,000
Canadian Imperial Bank of Commerce 01/07/13	0.110%	2,500,000	2,500,000
Royal Bank of Canada 01/02/13	0.050%	2,300,000	2,300,000
Toronto Dominion Bank 01/14/13	0.200%	2,000,000	2,000,000
Total Certificates of Deposit (Cost: $10,800,000)			**10,800,000**

Commercial Paper 30.6%

Banking 8.8%			
Bank of Nova Scotia Trust Co. 01/02/13	0.050%	2,500,000	2,499,993
HSBC Bank PLC 01/02/13	0.110%	1,500,000	1,499,991
State Street Corp. 01/10/13	0.160%	2,000,000	1,999,910
Total			5,999,894
Consumer Products 2.2%			
Procter & Gamble Co. (The)[a] 01/14/13	0.150%	1,500,000	1,499,913

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

Portfolio of Investments *(continued)*

December 31, 2012

Commercial Paper *(continued)*

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Integrated Energy 5.8%			
Chevron Corp.[a] 01/18/13	0.110%	2,000,000	1,999,887
Exxon Mobil Corp. 01/07/13	0.010%	2,000,000	1,999,995
Total			3,999,882
Non-Captive Diversified 3.6%			
General Electric Capital Corp. 01/04/13	0.020%	2,500,000	2,499,994
Pharmaceuticals 5.8%			
Merck & Co., Inc. 01/28/13	0.100%	2,000,000	1,999,850
Roche Holdings, Inc.[a] 01/17/13	0.110%	2,000,000	1,999,893
Total			3,999,743
Property & Casualty 1.5%			
Travelers Companies, Inc. (The)[a] 01/16/13	0.090%	1,000,000	999,962
Retailers 2.9%			
Wal-Mart Stores, Inc. 01/24/13	0.090%	2,000,000	1,999,879
Total Commercial Paper (Cost: $20,999,267)			**20,999,267**

Treasury Bills 5.8%

U.S. Treasury Bills 01/03/13	0.000%	4,000,000	4,000,000
Total Treasury Bills (Cost: $4,000,000)			**4,000,000**

U.S. Government & Agency Obligations 15.2%

Issuer	Effective Yield	Par ($)/ Principal ($)/ Shares	Value ($)
Federal Home Loan Banks			
01/09/13	0.020%	3,000,000	2,999,982
01/18/13	0.010%	1,000,000	999,995
01/23/13	0.020%	1,000,000	999,988
01/28/13	0.020%	2,000,000	1,999,970
02/06/13	0.050%	3,000,000	2,999,835
12/23/13	0.250%	400,000	400,000
Total U.S. Government & Agency Obligations (Cost: $10,399,770)			**10,399,770**

Repurchase Agreements 11.7%

RBC Capital Markets LLC dated 12/31/12, due 01/02/13 at 2.000%, collateralized by U.S. Treasury obligation maturing 07/15/14, market value $8,160,055 (repurchase proceeds $8,000,067)	0.150%	8,000,000	8,000,000
Total Repurchase Agreements (Cost: $8,000,000)			**8,000,000**
Total Investments (Cost: $68,740,049)			**68,740,049**
Other Assets & Liabilities, Net			(186,871)
Net Assets			**68,553,178**

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, 2012, the value of these securities amounted to $17,649,825 or 25.75% of net assets.

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

Portfolio of Investments *(continued)*

December 31, 2012

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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

The following table is a summary of the inputs used to value the Fund's investments at December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Short-Term Securities				
Asset-Backed Commercial Paper	—	11,997,228	—	11,997,228
Asset-Backed Securities — Non-Agency	—	2,543,784	—	2,543,784
Certificates of Deposit	—	10,800,000	—	10,800,000
Commercial Paper	—	20,999,267	—	20,999,267
Treasury Bills	—	4,000,000	—	4,000,000
U.S. Government & Agency Obligations	—	10,399,770	—	10,399,770
Repurchase Agreements	—	8,000,000	—	8,000,000
Total	—	68,740,049	—	68,740,049

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
(identified cost $60,740,049)	$60,740,049
Repurchase agreements (identified cost $8,000,000)	8,000,000
Total investments (identified cost $68,740,049)	68,740,049
Cash	43,307
Receivable for:	
Capital shares sold	12,910
Interest	1,957
Expense reimbursement due from Investment Manager	25,099
Prepaid expenses	755
Trustees' deferred compensation plan	39,095
Total assets	68,863,172
Liabilities	
Payable for:	
Capital shares purchased	204,543
Investment management fees	20,501
Transfer agent fees	3,514
Administration fees	8,786
Compensation of board members	172
Chief compliance officer expenses	20
Other expenses	33,363
Trustees' deferred compensation plan	39,095
Total liabilities	309,994
Net assets applicable to outstanding capital stock	**$68,553,178**
Represented by	
Paid-in capital	$68,592,175
Excess of distributions over net investment income	(34,345)
Accumulated net realized loss	(4,652)
Total — representing net assets applicable to outstanding capital stock	**$68,553,178**
Class 1	
Net assets	$68,553,178
Shares outstanding	68,638,779
Net asset value per share	$1.00

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Interest	$112,618
Total income	112,618
Expenses:	
Investment management fees	273,721
Transfer agent fees	46,922
Administration fees	117,310
Compensation of board members	22,809
Custodian fees	11,767
Printing and postage fees	26,262
Professional fees	20,232
Other	3,125
Total expenses	522,148
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(409,530)
Total net expenses	112,618
Net investment income	—
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	(2)
Net realized loss	(2)
Net decrease in net assets from operations	**$(2)**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$ —	$ —
Net realized gain (loss)	(2)	290
Net increase (decrease) in net assets resulting from operations	(2)	290
Increase (decrease) in net assets from capital stock activity	(16,414,496)	(24,686,233)
Total decrease in net assets	(16,414,498)	(24,685,943)
Net assets at beginning of year	84,967,676	109,653,619
Net assets at end of year	**$68,553,178**	**$84,967,676**
Excess of distributions over net investment income	$(34,345)	$(34,345)

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	**Dollars ($)**	**Shares**	**Dollars ($)**
Capital stock activity				
Class 1 shares				
Subscriptions	20,091,597	20,091,597	24,995,324	24,995,324
Redemptions	(36,506,093)	(36,506,093)	(49,681,557)	(49,681,557)
Net decrease	(16,414,496)	(16,414,496)	(24,686,233)	(24,686,233)
Total net decrease	**(16,414,496)**	**(16,414,496)**	**(24,686,233)**	**(24,686,233)**

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

Financial Highlights

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 are calculated based on average shares outstanding during the period. Total return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
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
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]	0.00[a]	0.03
Less distributions to shareholders:					
Net investment income	—	—	(0.00)[a]	(0.00)[a]	(0.03)
Total distributions to shareholders	—	—	(0.00)[a]	(0.00)[a]	(0.03)
Net asset value, end of period	$1.00	$1.00	$1.00	$1.00	$1.00
Total return	0.00%	0.00%	0.03%	0.23%	2.58%[b]
Ratios to average net assets					
Total gross expenses	0.67%	0.69%	0.67%	0.67%	0.64%
Total net expenses[c]	0.14%	0.16%[d]	0.26%[d]	0.44%[d]	0.46%[d]
Net investment income	0.00%	0.00%	0.00%	0.25%	2.56%
Supplemental data					
Net assets, end of period (in thousands)	$68,553	$84,968	$109,654	$128,732	$164,340

Notes to Financial Highlights

(a) Rounds to less than $0.01.

(b) 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%.

(c) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(d) The benefits derived from expense reductions had an impact of less than 0.01%.

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

Notes to Financial Statements

December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — Money Market Fund (the Fund), 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.

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 variable life insurance policies (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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.

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 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.

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 an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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 Subaccounts

Distributions from net investment income, if any, are declared daily and paid monthly. Net realized capital gains, if any, are

Notes to Financial Statements *(continued)*
December 31, 2012

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

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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 annualized effective investment management fee rate for the year ended December 31, 2012 was 0.35% of the Fund's average daily net assets.

Administration Fees

Under an Administrative Services Agreement, the Investment Manager also 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.

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 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 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 fees.

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, 2013, 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 governing these fee waivers and/or expense reimbursement arrangements, the following fees and expenses are excluded from the waiver/reimbursement commitment, and therefore will be paid by the Fund, if

Notes to Financial Statements *(continued)*

December 31, 2012

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.

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.

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards and Trustees' deferred compensation. 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.

The Fund did not have any permanent differences; therefore, no reclassifications were made to the Statement of Assets and Liabilities.

For the years ended December 31, 2012 and 2011, there were no distributions.

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$3,608
Accumulated realized loss	(4,653)

At December 31, 2012, the cost of investments for federal income tax purposes was $68,740,049 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$ —
Unrealized depreciation	—
Net unrealized appreciation	$ —

The following capital loss carryforward, determined at December 31, 2012, 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	417
2014	1,707
2015	2,520
2018	6
Unlimited short-term	3
Total	4,653

Unlimited capital loss carryforwards are required to be utilized prior to any capital losses which carry an expiration date. As a result of this ordering rule, capital loss carryforwards which carry an expiration date 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. Shareholder Concentration

At December 31, 2012, one unaffiliated shareholder account owned 76.7% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such account. Subscription and redemption activity by concentrated accounts may have a significant effect on the operations of the Fund.

Note 6. Line of Credit

The Fund has entered into a revolving credit facility with a syndicate of banks led by JPMorgan Chase Bank N.A. 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. 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 (ii) 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.

Notes to Financial Statements *(continued)*

December 31, 2012

The Fund had no borrowings during the year ended December 31, 2012.

Note 7. Proposed Fund Merger

In September 2012, the Board of Trustees approved a proposal to merge the Fund into Columbia Variable Portfolio — Cash Management Fund. Shareholders of the Fund will vote on the proposed merger at a special meeting of shareholders to be held during the first half of 2013.

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 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 portfolio 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 Columbia Variable Portfolio — Money Market Fund (the "Fund") (a series of Columbia Funds Variable Insurance Trust) at December 31, 2012, the results of its operations, the changes in its net assets, 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 audit. We conducted our audit 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, 2012 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
February 19, 2013

Trustees and Officers

The Trustees serve terms of indefinite duration. The names, addresses and birth years of the Trustees and Officers of the Funds in Columbia Funds Series Trust I, 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 Series Trust I.

Independent Trustees

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
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 52; Jackson Hewitt Tax Service Inc. (tax preparation services from 2004 to 2011); Celgene Corporation (global biotechnology company); Student Loan Corporation (student loan provider from 2005 to 2010); Celgene Corporation (global biotechnology company); The Helios Funds and Brookfield Funds (closed-end funds); Crystal River Capital, Inc. from 2005 to 2010; Parsons 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 52; 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; Chief Administrative Officer and Senior Vice President, Kmart Holding Corporation (consumer goods) from September 2003 to March 2004. Oversees 52; 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 of Marketing, 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 52; 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 52; DynaVox Inc. (speech creation); Lee Enterprises (print media); WR Hambrecht + Co. (financial service provider) from 2000 to 2012; 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 52; CIT Group Inc. (commercial and consumer finance); eBay Inc. (online trading community); MBIA Inc. (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 52; 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 52; Liberty All-Star Equity Fund and Liberty All-Star Growth Fund (closed-end funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

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
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 52; None
Anne-Lee Verville (Born 1945) c/o Columbia Management Investment Advisers, LLC 225 Franklin Street Boston, MA 02110 Trustee (since 1998)	Retired. 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 52; Enesco Group, Inc. (producer of giftware and home and garden decor products) from 2001 to 2006

Interested Trustee

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
William F. Truscott (born 1960) 53600 Ameriprise Financial Center Minneapolis, MN 55474 Senior Vice President (since 2012)	President, Columbia Management Investment Advisers, LLC since February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006. Oversees 208; Columbia Funds Board.

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.

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:

Officers

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
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)	Senior Vice President, 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; Vice President, General Counsel and Secretary, RiverSource Funds since December 2006; Senior Vice President, Secretary and Chief Legal Officer, Columbia Funds, since May 2010.

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Year of Birth and Address	Principal Occupation(s) During the Past Five Years
Thomas P. McGuire (Born 1972) 225 Franklin Street Boston, MA 02110 Chief Compliance Officer (since 2012)	Vice President — Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company, since September 2010; Compliance Executive, Bank of America, 2005-2010.
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.
Paul D. Pearson (born 1956) 10468 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 Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-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); Assistant Secretary of RiverSource Funds since January 2007; officer of Columbia Funds and affiliated funds since 2007.
Michael E. DeFao (born 1968) 225 Franklin Street Boston, MA 02110 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.

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — Money Market Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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C-1511 C (3/13)

Annual Report
December 31, 2012

ColumbiaManagement

Columbia Variable Portfolio — High Income Fund

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. Please contact your financial advisor or insurance representative for more information.

Not FDIC insured • No bank guarantee • May lose value

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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 Overview

Performance Summary

> Columbia Variable Portfolio — High Income Fund (the Fund) Class 1 shares returned 15.06% for the 12-month period that ended December 31, 2012.

> The Fund outperformed its benchmark, the Credit Suisse High Yield Index, which returned 14.71% for the same time period.

> The Fund's asset allocation and security selection added value in an already strong market.

Average Annual Total Returns (%) (for period ended December 31, 2012)

	Inception	1 Year	5 Years	10 Years
Class 1	07/07/00	15.06	8.28	9.68
Class 2*	05/01/06	15.00	8.22	9.63
Credit Suisse High Yield Index		14.71	9.53	10.24

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 the effect of any fee waivers or reimbursements of fund expenses by Columbia Management Investment Advisers, LLC 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 the effect of 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.

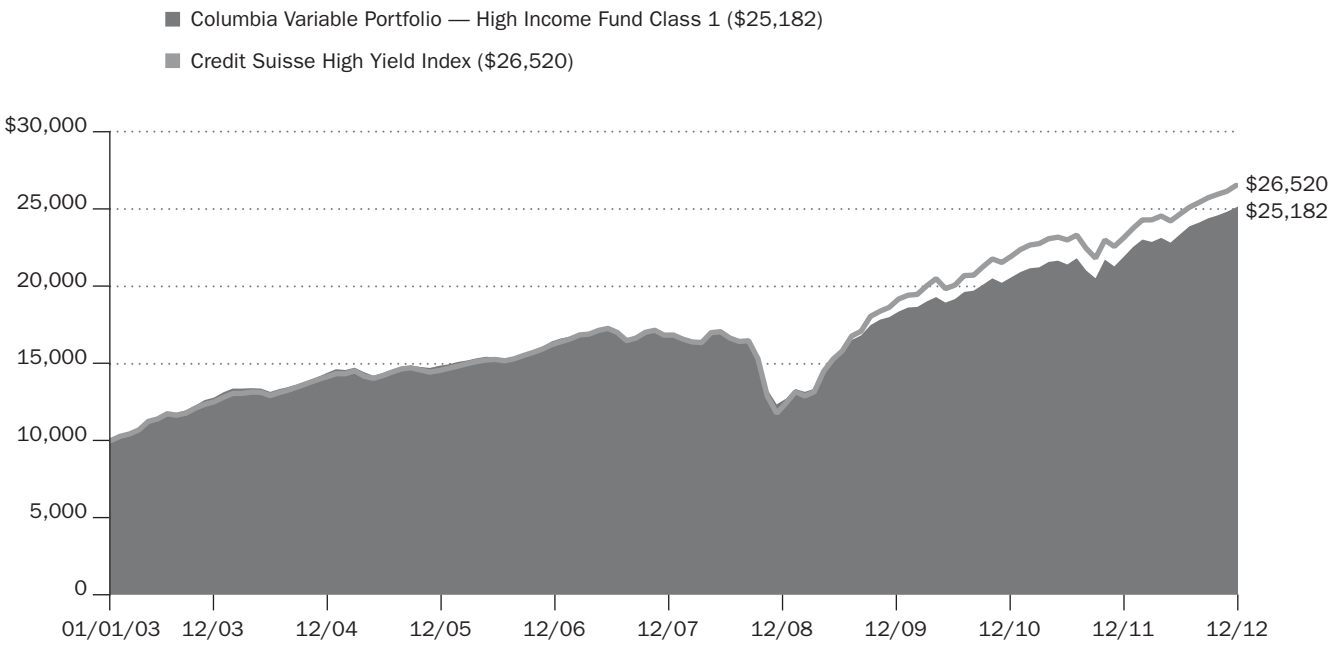
*The returns shown for periods prior to the share class inception date (including returns for the Life of the Fund, if shown, which are since Fund inception) include the returns of the Fund's oldest share class. These returns are adjusted to reflect any higher class-related operating expenses of the newer share classes, as applicable. Please visit columbiamanagement.com/variable-products/appended-performance for more information.

The Credit Suisse High Yield Index is a broad-based index that tracks the performance of high-yield bonds.

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 Overview *(continued)*

Performance of a Hypothetical $10,000 Investment (January 1, 2003 – December 31, 2012)



The chart above shows the change in value of a hypothetical $10,000 investment in Class 1 shares of Columbia Variable Portfolio — High Income Fund during the stated time period, and does not reflect the deduction of taxes, if any, that a shareholder may pay on Fund distributions or on the redemption of Fund shares. The returns also do not reflect fees and expenses imposed under your variable annuity contract and/or variable life insurance policy or qualified pension or retirement plan, if any.

Manager Discussion of Fund Performance

For the 12-month period ended December 31, 2012, the Fund's Class 1 shares returned 15.06%. The Fund outperformed its benchmark, the Credit Suisse High Yield Index, which returned 14.71% for the same period. The Fund's asset allocation and security selection added value in an already strong market.

Within the fixed income universe, riskier sectors performed well in 2012, and the high-yield sector was no exception. High-yield bonds got off to a strong start early in the year, the result of an improving U.S. economy as well as the seeming stabilization of the sovereign crisis in Europe. The European Central Bank's LTRO (long-term refinancing operation) did more than simply reduce the prevailing high interest rates in troubled eurozone countries. It also helped increase investor demand for riskier assets worldwide, thereby creating a more positive environment for the high-yield market. A general improvement in corporate balance sheets, which resulted in a low default rate, was an additional favorable factor for the high-yield market. Although the financial markets faced numerous challenges toward the end of the year, including a contentious U.S. presidential election and the impending negotiations to avert year-end tax hikes and spending cuts, demand for high-yield issues remained strong, and the market ended the year with its positive momentum intact.

Sector Allocation, Security Selection Aided Results

The Fund benefited from its overweight positions in the telecommunications and auto sectors, which outperformed the overall market during the period. In the energy sector, the Fund found the right mix of investments in an environment of prevailing high oil prices, emphasizing exploration and production companies while underweighting refining and marketing. By contrast, overweight positions in the metals and mining sector (excluding steel) detracted from performance, as did security selections among natural gas distributors and broadcast media companies. During the course of the year, the Fund increased its overweight in energy and also increased its exposure to technology and electronics. Reductions were made in the Fund's positions in capital goods and wireless telecommunications. The banking sector remains a notable underweight, as the risk/reward characteristics of many finance-related companies continue to appear unattractive.

Looking Ahead

We continue to hold a positive view on the high-yield market. Access to capital has remained at or near record levels, allowing companies to refinance debt and extend near-term maturities. Because high-yield issuers have been able to lock in debt at low prevailing rates, the benefits of refinancing will be felt for years to come. Even though earnings growth began to decelerate at the end of 2012, consensus expectations call for solid corporate earnings in the year ahead. We are mindful that many challenges remain, including sequestration and the near-term uncertainty surrounding the U.S. debt ceiling. We also recognize a very real possibility that an improvement in the domestic labor market could trigger higher interest rates, a circumstance that could dampen returns in the high-yield market. We therefore do not think that this is the appropriate time to compromise on credit quality in a search for higher yields. We will continue to maintain our disciplined credit selection based on strong fundamental analysis and rigorous risk management in order to take advantage of opportunities in the marketplace as they arise.

Portfolio Management

Brian Lavin

Portfolio Breakdown (%) (at December 31, 2012)	
Common Stocks	**0.1**
Consumer Discretionary	0.0[a]
Consumer Staples	0.0[a]
Industrials	0.0[a]
Information Technology	0.0[a]
Materials	0.1
Convertible Bonds	**0.0**[a]
Information Technology	0.0[a]
Corporate Bonds & Notes	**92.7**
Consumer Discretionary	13.4
Consumer Staples	1.7
Energy	14.2
Financials	7.5
Health Care	7.3
Industrials	8.4
Materials	12.1
Mortgage-Backed	21.6
Telecommunication	6.5
Money Market Funds	**2.8**
Preferred Stocks	**0.00**[a]
Industrials	0.0[a]
Senior Loans	**4.4**
Consumer Discretionary	0.9
Consumer Staples	0.2
Financials	0.9
Industrials	0.1
Information Technology	0.6
Materials	1.1
Telecommunication	0.6
Utilities	0.0[a]
Warrants	**0.0**[a]
Total	**100.0**

Percentages indicated are based upon total investments. The Fund's portfolio composition is subject to change.
(a) Rounds to less than 0.1%.

Quality Breakdown (%) (at December 31, 2012)	
BBB rating	3.6
BB rating	36.6
B rating	55.2
CCC rating	4.0
Not rated	0.6
Total	**100.0**

Percentages indicated are based upon total fixed income securities (excluding Money Market Funds).
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 average of the ratings from Moody's, S&P, and Fitch. When a rating from only two agencies is available, the average of the two is used. When a rating from only one agency is available, that rating is used. When a bond is not rated by any of these agencies, it is designated as Not rated. Credit ratings are subjective opinions and not statements of fact.

Understanding Your Fund's Expenses

(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 redemption or exchange fees, or expenses that apply to the subaccount or the contract. 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, 2012 – December 31, 2012

	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	1,079.00	1,021.63	3.78	3.68	0.72
Class 2	1,000.00	1,000.00	1,078.40	1,021.33	4.10	3.98	0.78

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 366.

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 investment 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

December 31, 2012

(Percentages represent value of investments compared to net assets)

Corporate Bonds & Notes 92.3%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Aerospace & Defense 2.9%			
ADS Tactical, Inc. Senior Secured[a]			
04/01/18	11.000%	1,254,000	1,279,080
Huntington Ingalls Industries, Inc.			
03/15/18	6.875%	590,000	641,625
Kratos Defense & Security Solutions, Inc. Senior Secured			
06/01/17	10.000%	1,673,000	1,836,117
Oshkosh Corp.			
03/01/17	8.250%	244,000	267,790
03/01/20	8.500%	811,000	898,183
TransDigm, Inc.[a]			
10/15/20	5.500%	355,000	369,200
Total			5,291,995
Automotive 1.6%			
Chrysler Group LLC/Co-Issuer, Inc. Secured			
06/15/19	8.000%	284,000	309,560
06/15/21	8.250%	436,000	479,600
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	40,755
Lear Corp. Escrow Bond[b][c][f]			
03/31/16	0.000%	595,000	893
Lear Corp.			
03/15/20	8.125%	400,000	452,000
Schaeffler Finance BV[a] Senior Secured			
02/15/17	7.750%	275,000	305,250
02/15/19	8.500%	322,000	362,250
Visteon Corp.			
04/15/19	6.750%	990,000	1,054,350
Total			3,004,720
Banking 0.4%			
Synovus Financial Corp. Senior Unsecured			
02/15/19	7.875%	599,000	661,895
Brokerage 0.6%			
E*TRADE Financial Corp. Senior Unsecured			
11/15/19	6.375%	511,000	523,775

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Neuberger Berman Group LLC/Finance Corp.[a] Senior Unsecured			
03/15/20	5.625%	221,000	231,498
03/15/22	5.875%	331,000	350,860
Total			1,106,133
Building Materials 1.4%			
Building Materials Corp. of America[a] Senior Notes			
05/01/21	6.750%	210,000	232,050
Senior Secured			
02/15/20	7.000%	440,000	479,600
Gibraltar Industries, Inc.			
12/01/15	8.000%	472,000	477,900
Interface, Inc.			
12/01/18	7.625%	660,000	708,675
Norcraft Companies LP/Finance Corp. Secured			
12/15/15	10.500%	254,000	257,810
Nortek, Inc.			
12/01/18	10.000%	63,000	70,087
04/15/21	8.500%	260,000	288,600
Total			2,514,722
Chemicals 4.6%			
Ashland, Inc.[a]			
08/15/22	4.750%	264,000	274,560
Celanese U.S. Holdings LLC			
06/15/21	5.875%	163,000	182,560
11/15/22	4.625%	353,000	369,767
Huntsman International LLC[a]			
11/15/20	4.875%	203,000	205,284
JM Huber Corp. Senior Notes[a]			
11/01/19	9.875%	490,000	543,900
Koppers, Inc.			
12/01/19	7.875%	565,000	621,500
LyondellBasell Industries NV Senior Unsecured			
11/15/21	6.000%	1,644,000	1,927,590
04/15/24	5.750%	1,039,000	1,220,825
Momentive Performance Materials, Inc. Senior Secured[a]			
10/15/20	8.875%	449,000	453,490
Nova Chemicals Corp. Senior Unsecured			
11/01/19	8.625%	6,000	6,810
Nufarm Australia Ltd.[a]			
10/15/19	6.375%	130,000	135,850

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
PQ Corp. Secured[a] 05/01/18	8.750%	1,415,000	1,471,600
Polypore International, Inc. 11/15/17	7.500%	545,000	594,050
Rockwood Specialties Group, Inc. 10/15/20	4.625%	441,000	456,435
Total			8,464,221
Construction Machinery 2.8%			
Ashtead Capital, Inc. Secured[a] 07/15/22	6.500%	132,000	142,560
CNH Capital LLC 11/01/16	6.250%	692,000	762,930
Case New Holland, Inc. 12/01/17	7.875%	1,663,000	1,966,497
Columbus McKinnon Corp. 02/01/19	7.875%	188,000	201,630
H&E Equipment Services, Inc.[a] 09/01/22	7.000%	193,000	205,545
Neff Rental LLC/Finance Corp. Secured[a] 05/15/16	9.625%	739,000	764,865
United Rentals North America, Inc. 12/15/19	9.250%	450,000	513,000
United Rentals North America, Inc.[a] 05/15/20	7.375%	223,000	244,185
Secured 07/15/18	5.750%	269,000	289,848
Total			5,091,060
Consumer Cyclical Services 1.2%			
Goodman Networks, Inc. Senior Secured[a] 07/01/18	12.375%	497,000	544,215
Vivint, Inc. Senior Secured[a] 12/01/19	6.375%	1,632,000	1,617,720
Total			2,161,935
Consumer Products 1.3%			
Libbey Glass, Inc. Senior Secured 05/15/20	6.875%	196,000	210,700
Spectrum Brands Escrow Corp.[a] Senior Unsecured 11/15/20	6.375%	392,000	411,600
11/15/22	6.625%	209,000	224,153

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Spectrum Brands, Inc. Senior Secured 06/15/18	9.500%	1,220,000	1,384,700
Spectrum Brands, Inc.[a] 03/15/20	6.750%	133,000	142,310
Tempur-Pedic International, Inc.[a] 12/15/20	6.875%	67,000	68,926
Total			2,442,389
Diversified Manufacturing 0.8%			
Actuant Corp. 06/15/22	5.625%	261,000	270,135
Amsted Industries, Inc. Senior Notes[a] 03/15/18	8.125%	1,095,000	1,171,650
Tomkins LLC/Inc. Secured 10/01/18	9.000%	34,000	38,080
Total			1,479,865
Electric 1.3%			
AES Corp. Senior Unsecured 07/01/21	7.375%	472,000	523,920
CMS Energy Corp. Senior Unsecured 03/15/22	5.050%	137,000	152,682
Calpine Corp. Senior Secured[a] 02/15/21	7.500%	387,000	427,635
GenOn Energy, Inc. Senior Unsecured 10/15/18	9.500%	401,000	473,180
Ipalco Enterprises, Inc. Senior Secured 05/01/18	5.000%	220,000	230,450
Ipalco Enterprises, Inc.[a] Senior Secured 04/01/16	7.250%	525,000	582,750
Total			2,390,617
Entertainment 0.9%			
AMC Entertainment, Inc. 06/01/19	8.750%	952,000	1,054,340
Cinemark USA, Inc.[a] 12/15/22	5.125%	199,000	201,488
Speedway Motorsports, Inc. 02/01/19	6.750%	330,000	349,800

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates[b][c]			
07/01/15	9.300%	21,599	21,599
Total			1,627,227
Environmental 0.4%			
Clean Harbors, Inc.			
08/01/20	5.250%	455,000	474,338
Clean Harbors, Inc.[a]			
06/01/21	5.125%	344,000	356,900
Total			831,238
Food and Beverage 0.3%			
Cott Beverages, Inc.			
09/01/18	8.125%	545,000	602,225
Gaming 2.9%			
Caesars Entertainment Operating Co., Inc. Senior Secured			
02/15/20	8.500%	267,000	264,998
MGM Resorts International			
12/15/21	6.625%	691,000	691,000
MGM Resorts International[a]			
10/01/20	6.750%	86,000	87,828
ROC Finance LLC/Corp. Secured[a]			
09/01/18	12.125%	554,000	639,870
Seminole Indian Tribe of Florida[a] Secured			
10/01/17	7.750%	500,000	540,625
Senior Secured			
10/01/20	6.535%	1,260,000	1,370,023
Seneca Gaming Corp.[a]			
12/01/18	8.250%	488,000	514,840
Studio City Finance Ltd.[a]			
12/01/20	8.500%	941,000	985,697
Tunica-Biloxi Gaming Authority Senior Unsecured[a]			
11/15/15	9.000%	236,000	212,400
Total			5,307,281
Gas Pipelines 5.2%			
Access Midstream Partners LP/Finance Corp.			
05/15/23	4.875%	695,000	705,425
El Paso LLC			
06/01/18	7.250%	322,000	371,910
09/15/20	6.500%	1,041,000	1,176,330
01/15/32	7.750%	1,355,000	1,592,116
Hiland Partners LP/Finance Corp.[a]			
10/01/20	7.250%	1,102,000	1,179,140

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
MarkWest Energy Partners LP/Finance Corp.			
06/15/22	6.250%	705,000	774,619
02/15/23	5.500%	560,000	607,600
Northwest Pipeline GP Senior Unsecured			
12/01/25	7.125%	150,000	196,975
Regency Energy Partners LP/Finance Corp.			
12/01/18	6.875%	705,000	770,212
07/15/21	6.500%	848,000	928,560
Southern Star Central Corp. Senior Unsecured			
03/01/16	6.750%	859,000	874,032
Tesoro Logistics LP/Finance Corp. Senior Unsecured[a]			
10/01/20	5.875%	303,000	314,363
Total			9,491,282
Health Care 6.2%			
American Renal Holdings, Inc. Senior Secured			
05/15/18	8.375%	249,000	262,073
Amsurg Corp.[a]			
11/30/20	5.625%	207,000	215,280
Biomet, Inc.[a]			
08/01/20	6.500%	517,000	549,312
CHS/Community Health Systems, Inc.			
11/15/19	8.000%	530,000	573,725
07/15/20	7.125%	482,000	514,535
Senior Secured			
08/15/18	5.125%	618,000	644,265
ConvaTec Healthcare E SA Senior Unsecured[a]			
12/15/18	10.500%	882,000	972,405
DaVita HealthCare Partners, Inc.			
08/15/22	5.750%	341,000	359,329
Fresenius Medical Care U.S. Finance II, Inc.[a]			
07/31/19	5.625%	164,000	176,095
01/31/22	5.875%	212,000	230,020
Fresenius Medical Care U.S. Finance, Inc.[a]			
09/15/18	6.500%	136,000	151,980
HCA Holdings, Inc. Senior Unsecured			
02/15/21	6.250%	824,000	844,600
HCA, Inc.			
05/01/23	5.875%	331,000	342,585
Senior Secured			
02/15/20	6.500%	1,368,000	1,539,000
05/01/23	4.750%	220,000	223,850
Health Management Associates, Inc.			
01/15/20	7.375%	357,000	385,560

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Hologic, Inc.[a]			
08/01/20	6.250%	100,000	107,750
IMS Health, Inc. Senior Unsecured[a]			
11/01/20	6.000%	289,000	302,727
Physio-Control International, Inc. Senior Secured[a]			
01/15/19	9.875%	422,000	463,145
STHI Holding Corp. Secured[a]			
03/15/18	8.000%	198,000	214,335
Tenet Healthcare Corp. Senior Secured[a]			
06/01/20	4.750%	794,000	805,910
Universal Hospital Services, Inc. Secured[a]			
08/15/20	7.625%	164,000	172,815
VWR Funding, Inc.[a]			
09/15/17	7.250%	36,000	37,710
Vanguard Health Holding Co. II LLC/Inc.			
02/01/18	8.000%	800,000	828,000
02/01/19	7.750%	388,000	401,580
Vanguard Health Holding Co. II LLC/Inc.[a]			
02/01/19	7.750%	101,000	104,030
Total			11,422,616
Healthcare Insurance 0.2%			
AMERIGROUP Corp. Senior Unsecured			
11/15/19	7.500%	292,000	350,400
Home Construction 0.9%			
KB Home			
03/15/20	8.000%	210,000	238,350
09/15/22	7.500%	164,000	179,375
Meritage Homes Corp.			
04/01/22	7.000%	198,000	215,325
Shea Homes LP/Funding Corp. Senior Secured			
05/15/19	8.625%	333,000	367,965
Taylor Morrison Communities, Inc./Monarch, Inc.[a]			
04/15/20	7.750%	131,000	138,860
04/15/20	7.750%	428,000	453,680
Total			1,593,555
Independent Energy 12.7%			
Antero Resources Finance Corp.			
12/01/17	9.375%	31,000	34,023
08/01/19	7.250%	114,000	124,260

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Berry Petroleum Co. Senior Unsecured			
11/01/20	6.750%	180,000	193,500
Carrizo Oil & Gas, Inc.			
10/15/18	8.625%	519,000	560,520
Chaparral Energy, Inc.			
09/01/21	8.250%	260,000	282,100
11/15/22	7.625%	60,000	63,150
Chesapeake Energy Corp.			
08/15/20	6.625%	1,219,000	1,311,949
02/15/21	6.125%	993,000	1,030,237
Cimarex Energy Co.			
05/01/22	5.875%	631,000	690,945
Comstock Resources, Inc.			
06/15/20	9.500%	799,000	858,925
Concho Resources, Inc.			
10/01/17	8.625%	121,000	131,739
01/15/21	7.000%	806,000	898,690
01/15/22	6.500%	382,000	420,200
04/01/23	5.500%	227,000	237,783
Continental Resources, Inc.			
10/01/19	8.250%	65,000	72,800
10/01/20	7.375%	377,000	426,010
04/01/21	7.125%	145,000	163,488
09/15/22	5.000%	1,843,000	1,985,832
EP Energy Holdings LLC/Bond Co., Inc. PIK Senior Unsecured[a]			
12/15/17	8.125%	278,000	275,568
EP Energy LLC/Everest Acquisition Finance, Inc.			
09/01/22	7.750%	82,000	86,920
Senior Secured			
05/01/19	6.875%	553,000	602,770
EP Energy LLC/Finance, Inc. Senior Unsecured			
05/01/20	9.375%	802,000	904,255
Halcon Resources Corp.[a]			
05/15/21	8.875%	328,000	347,680
Kodiak Oil & Gas Corp.			
12/01/19	8.125%	1,567,000	1,727,617
Laredo Petroleum, Inc.			
02/15/19	9.500%	863,000	964,402
05/01/22	7.375%	352,000	381,920
MEG Energy Corp.[a]			
03/15/21	6.500%	580,000	610,450
01/30/23	6.375%	351,000	365,917
Oasis Petroleum, Inc.			
02/01/19	7.250%	676,000	726,700
11/01/21	6.500%	670,000	711,875
01/15/23	6.875%	428,000	459,030

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Plains Exploration & Production Co.			
11/15/20	6.500%	1,139,000	1,261,442
02/15/23	6.875%	860,000	982,550
QEP Resources, Inc.			
Senior Unsecured			
03/01/21	6.875%	940,000	1,083,350
10/01/22	5.375%	145,000	155,875
05/01/23	5.250%	943,000	1,009,010
Range Resources Corp.			
06/01/21	5.750%	580,000	620,600
SM Energy Co.			
Senior Unsecured			
11/15/21	6.500%	264,000	282,480
01/01/23	6.500%	204,000	218,280
Sandridge Energy, Inc.			
10/15/22	8.125%	38,000	41,610
Whiting Petroleum Corp.			
10/01/18	6.500%	32,000	34,400
Total			23,340,852
Lodging 0.1%			
Choice Hotels International, Inc.			
07/01/22	5.750%	206,000	228,145
Media Cable 4.2%			
CCO Holdings LLC/Capital Corp.			
04/30/20	8.125%	1,681,000	1,895,327
01/31/22	6.625%	149,000	162,783
09/30/22	5.250%	84,000	85,050
CSC Holdings LLC			
Senior Unsecured[a]			
11/15/21	6.750%	835,000	925,806
Cablevision Systems Corp.			
Senior Unsecured			
09/15/22	5.875%	683,000	683,854
Cequel Communications Holdings I LLC/Capital Corp.			
Senior Unsecured[a]			
09/15/20	6.375%	446,000	464,398
DISH DBS Corp.			
09/01/19	7.875%	768,000	910,080
06/01/21	6.750%	1,324,000	1,509,360
Quebecor Media, Inc.[a]			
Senior Unsecured			
01/15/23	5.750%	376,000	396,210
Quebecor Media, Inc.[a][b][c]			
01/15/49	9.750%	1,855,000	74,571
Unitymedia Hessen GmbH & Co. KG NRW			
Senior Secured[a]			
01/15/23	5.500%	497,000	513,152

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Videotron Ltd.			
07/15/22	5.000%	3,000	3,146
WaveDivision Escrow LLC/Corp.			
Senior Unsecured[a]			
09/01/20	8.125%	14,000	14,490
Total			7,638,227
Media Non-Cable 6.5%			
AMC Networks, Inc.			
07/15/21	7.750%	997,000	1,139,072
12/15/22	4.750%	473,000	475,365
Clear Channel Worldwide Holdings, Inc.[a]			
11/15/22	6.500%	610,000	626,775
11/15/22	6.500%	2,028,000	2,104,050
Hughes Satellite Systems Corp.			
Senior Secured			
06/15/19	6.500%	433,000	477,383
Intelsat Jackson Holdings SA			
04/01/19	7.250%	580,000	623,500
Intelsat Jackson Holdings SA[a]			
Senior Unsecured			
10/15/20	7.250%	561,000	608,685
Lamar Media Corp.[a]			
05/01/23	5.000%	690,000	708,975
National CineMedia LLC			
Senior Secured			
04/15/22	6.000%	435,000	461,100
Nielsen Finance LLC/Co.[a]			
10/01/20	4.500%	997,000	992,015
Salem Communications Corp.			
Secured			
12/15/16	9.625%	1,110,000	1,229,325
Starz LLC/Finance Corp.			
Senior Unsecured[a]			
09/15/19	5.000%	202,000	207,050
Univision Communications, Inc.[a]			
Senior Secured			
05/15/19	6.875%	473,000	491,920
11/01/20	7.875%	1,075,000	1,161,000
09/15/22	6.750%	524,000	541,030
Ziff Davis Media, Inc.[b][c][d]			
12/15/11	13.500%	68,749	1,794
Total			11,849,039
Metals 4.8%			
Alpha Natural Resources, Inc.			
04/15/18	9.750%	673,000	726,840
06/01/19	6.000%	459,000	425,723

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
ArcelorMittal			
Senior Unsecured			
03/01/21	6.000%	237,000	236,321
02/25/22	6.750%	395,000	413,606
Arch Coal, Inc.			
06/15/19	7.000%	173,000	160,890
06/15/21	7.250%	32,000	29,520
Arch Coal, Inc.[a]			
06/15/19	9.875%	565,000	587,600
CONSOL Energy, Inc.			
04/01/20	8.250%	225,000	243,563
Calcipar SA			
Senior Secured[a]			
05/01/18	6.875%	834,000	850,680
FMG Resources August 2006 Proprietary Ltd.[a]			
11/01/19	8.250%	1,253,000	1,337,577
Inmet Mining Corp.[a]			
06/01/20	8.750%	1,000,000	1,092,500
06/01/21	7.500%	273,000	283,238
JMC Steel Group, Inc.			
Senior Notes[a]			
03/15/18	8.250%	417,000	435,765
Neenah Foundry Co.			
Secured PIK			
07/29/15	15.000%	271,397	249,685
Peabody Energy Corp.			
11/15/18	6.000%	518,000	550,375
11/15/21	6.250%	562,000	597,125
Rain CII Carbon LLC/Corp.			
Senior Secured[a]			
12/01/18	8.000%	635,000	646,112
Total			8,867,120
Non-Captive Consumer 0.8%			
SLM Corp.			
Senior Unsecured			
03/25/20	8.000%	653,000	746,053
Springleaf Finance Corp.			
Senior Unsecured			
12/15/17	6.900%	799,000	715,105
Total			1,461,158
Non-Captive Diversified 5.6%			
AerCap Aviation Solutions BV			
05/30/17	6.375%	473,000	496,650
Ally Financial, Inc.			
02/15/17	5.500%	344,000	367,998
03/15/20	8.000%	3,194,000	3,912,650
09/15/20	7.500%	52,000	62,790

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
CIT Group, Inc.			
Senior Unsecured			
05/15/20	5.375%	394,000	430,445
08/15/22	5.000%	228,000	243,120
CIT Group, Inc.[a]			
Senior Secured			
04/01/18	6.625%	695,000	785,350
Senior Unsecured			
02/15/19	5.500%	1,174,000	1,273,790
International Lease Finance Corp.			
Senior Unsecured			
09/01/17	8.875%	145,000	170,375
04/01/19	5.875%	509,000	536,486
12/15/20	8.250%	1,239,000	1,477,508
01/15/22	8.625%	401,000	495,235
Total			10,252,397
Oil Field Services 1.5%			
Atwood Oceanics, Inc.			
Senior Unsecured			
02/01/20	6.500%	799,000	858,925
Offshore Group Investments Ltd.			
Senior Secured			
08/01/15	11.500%	778,000	848,020
Oil States International, Inc.			
06/01/19	6.500%	557,000	593,205
Oil States International, Inc.[a]			
01/15/23	5.125%	395,000	400,431
Total			2,700,581
Other Financial Institutions 0.1%			
FTI Consulting, Inc.[a]			
11/15/22	6.000%	269,000	278,415
Other Industry 0.6%			
Interline Brands, Inc.			
11/15/18	7.500%	694,000	749,520
SPL Logistics Escrow LLC/Finance Corp.			
Senior Secured[a]			
08/01/20	8.875%	319,000	340,533
Total			1,090,053
Packaging 1.2%			
Reynolds Group Issuer, Inc./LLC			
08/15/19	9.875%	287,000	307,090
Senior Secured			
08/15/19	7.875%	413,000	459,462
Reynolds Group Issuer, Inc./LLC[a]			
Senior Secured			
10/15/20	5.750%	1,035,000	1,068,637

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Sealed Air Corp.[a]			
09/15/21	8.375%	185,000	211,363
Senior Unsecured			
12/01/20	6.500%	147,000	158,760
Total			2,205,312
Pharmaceuticals 0.8%			
Catalent Pharma Solutions, Inc.[a]			
10/15/18	7.875%	443,000	446,323
Jaguar Holding Co. II/Merger Sub, Inc. Senior Unsecured[a]			
12/01/19	9.500%	185,000	209,975
VPI Escrow Corp.[a]			
10/15/20	6.375%	687,000	736,807
Valeant Pharmaceuticals International Senior Notes[a]			
10/15/20	6.375%	138,000	148,005
Total			1,541,110
Property & Casualty —%			
Lumbermens Mutual Casualty Co.[a][d]			
12/01/97	8.450%	30,000	15
Subordinated Notes			
07/01/26	9.150%	645,000	323
Total			338
Restaurants 0.2%			
Shearer's Foods, Inc. LLC Senior Secured[a]			
11/01/19	9.000%	320,000	336,000
Retailers 1.2%			
AutoNation, Inc.			
02/01/20	5.500%	37,000	39,683
Limited Brands, Inc.			
02/15/22	5.625%	649,000	705,787
Penske Automotive Group, Inc.[a]			
10/01/22	5.750%	331,000	340,930
Rite Aid Corp. Senior Secured			
08/15/20	8.000%	870,000	993,975
Sally Holdings LLC/Capital, Inc.			
11/15/19	6.875%	180,000	198,900
Total			2,279,275
Technology 4.7%			
Alliance Data Systems Corp.[a]			
12/01/17	5.250%	432,000	438,480
04/01/20	6.375%	245,000	257,250

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Amkor Technology, Inc. Senior Unsecured			
06/01/21	6.625%	780,000	778,050
Amkor Technology, Inc.[a] Senior Unsecured			
10/01/22	6.375%	446,000	439,310
Anixter, Inc.			
05/01/19	5.625%	131,000	137,878
Brocade Communications Systems, Inc. Senior Secured			
01/15/20	6.875%	520,000	560,300
CDW LLC/Finance Corp.			
04/01/19	8.500%	261,000	282,533
Senior Secured			
12/15/18	8.000%	1,050,000	1,161,562
Cardtronics, Inc.			
09/01/18	8.250%	93,000	103,230
Equinix, Inc. Senior Unsecured			
07/15/21	7.000%	245,000	271,950
First Data Corp.[a] Secured			
01/15/21	8.250%	459,000	459,000
Senior Secured			
06/15/19	7.375%	885,000	918,187
08/15/20	8.875%	165,000	179,850
11/01/20	6.750%	695,000	703,687
Interactive Data Corp.			
08/01/18	10.250%	880,000	990,000
Nuance Communications, Inc.[a]			
08/15/20	5.375%	889,000	929,005
Total			8,610,272
Textile 0.2%			
PVH Corp. Senior Unsecured			
12/15/22	4.500%	331,000	334,310
Transportation Services 0.9%			
Avis Budget Car Rental LLC/Finance, Inc.			
01/15/19	8.250%	402,000	444,210
03/15/20	9.750%	290,000	334,950
Hertz Corp. (The)			
01/15/21	7.375%	606,000	666,600
Hertz Corp. (The)[a]			
10/15/20	5.875%	80,000	83,600
10/15/22	6.250%	68,000	72,420
Total			1,601,780

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

Portfolio of Investments *(continued)*

December 31, 2012

Corporate Bonds & Notes *(continued)*

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wireless 4.7%			
Cricket Communications, Inc.			
10/15/20	7.750%	555,000	566,100
Senior Secured			
05/15/16	7.750%	1,012,000	1,071,455
Crown Castle International Corp.			
Senior Unsecured[a]			
01/15/23	5.250%	705,000	754,350
SBA Telecommunications, Inc.[a]			
07/15/20	5.750%	871,000	925,437
Sprint Capital Corp.			
11/15/28	6.875%	1,205,000	1,253,200
Sprint Nextel Corp.[a]			
11/15/18	9.000%	2,277,000	2,812,095
03/01/20	7.000%	254,000	295,275
Wind Acquisition Finance SA			
Senior Secured[a]			
02/15/18	7.250%	956,000	969,384
Total			8,647,296
Wirelines 5.6%			
CenturyLink, Inc.			
Senior Unsecured			
06/15/21	6.450%	1,690,000	1,867,448
03/15/22	5.800%	1,312,000	1,386,951
CyrusOne LLP/Finance Corp.[a]			
11/15/22	6.375%	441,000	459,743
Frontier Communications Corp.			
Senior Unsecured			
04/15/20	8.500%	772,000	887,800
07/01/21	9.250%	575,000	674,187
04/15/22	8.750%	190,000	220,400
Integra Telecom Holdings, Inc.			
Senior Secured[a]			
04/15/16	10.750%	32,000	33,560
Level 3 Communications, Inc.			
Senior Unsecured[a]			
06/01/19	8.875%	92,000	97,980
Level 3 Financing, Inc.			
02/01/18	10.000%	242,000	269,830
04/01/19	9.375%	936,000	1,045,980
07/01/19	8.125%	558,000	608,220
PAETEC Holding Corp.			
Senior Secured			
06/30/17	8.875%	499,000	535,177
Windstream Corp.			
10/15/20	7.750%	1,177,000	1,271,160
06/01/22	7.500%	365,000	386,900
Zayo Group LLC/Capital, Inc.			
Senior Secured			
01/01/20	8.125%	326,000	362,675
tw telecom holdings, Inc.[a]			
10/01/22	5.375%	206,000	215,785
Total			10,323,796
Total Corporate Bonds & Notes (Cost: $158,727,148)			**169,420,852**

Convertible Bonds —%

Issuer	Coupon Rate	Principal Amount ($)	Value ($)
Wirelines —%			
At Home Corp.			
Subordinated Notes[b][c][d]			
06/12/15	4.750%	296,350	30
Total Convertible Bonds (Cost: $—)			**30**

Senior Loans 4.4%

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
Aerospace & Defense 0.1%			
Silver II Borrower SCA			
Term Loan[e][g][h]			
12/13/19	5.000%	102,000	102,892
Chemicals 0.4%			
PQ Corp.			
Tranche B Term Loan[e][g]			
04/15/17	5.250%	663,000	666,222
Construction Machinery 0.5%			
CPM Acquisition Corp.			
1st Lien Term Loan[e][g]			
08/29/17	6.250%	564,000	566,820
CPM Holdings, Inc.			
2nd Lien Term Loan[e][g]			
03/01/18	10.250%	362,000	364,715
Total			931,535
Consumer Cyclical Services 0.7%			
New Breed, Inc.			
Term Loan[e][g]			
10/01/19	6.000%	641,000	632,988

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

Portfolio of Investments *(continued)*

December 31, 2012

Senior Loans *(continued)*

Borrower	Weighted Average Coupon	Principal Amount ($)	Value ($)
West Corp. Tranche B6 Term Loan[e][g] 06/30/18	5.750%	549,240	557,061
Total			1,190,049
Consumer Products 0.2%			
Serta Simmons Holdings LLC Term Loan[e][g] 10/01/19	5.000%	364,000	364,302
Spectrum Brands, Inc. Term Loan[e][g][h] 12/17/19	4.500%	75,000	75,680
Total			439,982
Electric —%			
BHM Technologies LLC Term Loan[b][c][d][e][g] 11/26/13	6.313%	386,034	1,042
Health Care 0.1%			
ConvaTec, Inc. Term Loan[e][g] 12/22/16	5.000%	79,000	79,855
United Surgical Partners International, Inc. Tranche B Term Loan[e][g][h] 04/03/19	5.059%	108,000	108,630
Total			188,485
Life Insurance 0.1%			
Alliant Holdings I, Inc. Term Loan[e][g][h] 12/07/19	5.000%	238,000	238,238
Media Cable 0.2%			
WideOpenWest Finance LLC Term Loan[e][g] 07/17/18	6.250%	402,975	407,097
Metals 0.7%			
FMG Resources August 2006 Proprietary Ltd.[e][g] Term Loan 10/18/17	5.250%	494,760	498,471
FMG Resources August 2006 Proprietary Ltd.[e][g][h] Term Loan 10/18/17	5.250%	779,341	785,186
Total			1,283,657
Property & Casualty 0.8%			
Asurion LLC 1st Lien Term Loan[e][g] 05/24/18	5.500%	439,000	443,061
Lonestar Intermediate Super Holdings LLC Term Loan[e][g] 09/02/19	11.000%	910,000	964,600
Total			1,407,661
Technology 0.6%			
Ancestry.com Term Loan[e][g][h] 12/18/18	7.000%	814,000	783,988
Blue Coat Systems Term Loan[e][g] 02/15/18	5.750%	381,045	383,190
Total			1,167,178
Total Senior Loans (Cost: $8,846,740)			**8,024,038**

Common Stocks 0.2%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Media —%		
Haights Cross Communications, Inc.[b][c][i]	27,056	—
Ziff Davis Holdings, Inc.[b][c][j]	553	6
Total		6
Total Consumer Discretionary		**6**
Consumer Staples —%		
Beverages —%		
Cott Corp.	1,700	13,651
Industrials 0.1%		
Airlines —%		
Delta Air Lines, Inc.[j]	399	4,736
Building Products —%		
BHM Technologies LLC[b][c]	35,922	359
Commercial Services & Supplies 0.1%		
Quad/Graphics, Inc.	3,118	63,576
Road & Rail —%		
Quality Distribution, Inc.[j]	195	1,170
Total		69,841

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

Portfolio of Investments *(continued)*
December 31, 2012

Common Stocks *(continued)*

Issuer	Shares	Value ($)
Information Technology —%		
Communications Equipment —%		
Loral Space & Communications, Inc.	6	328
Total Information Technology		**328**
Materials 0.1%		
Metals & Mining 0.1%		
Neenah Enterprises, Inc.[(b)(c)(j)]	45,482	188,750
Total Materials		**188,750**
Utilities —%		
Independent Power Producers & Energy Traders —%		
Calpine Corp. Escrow[(b)(c)(i)]	6,049,000	—
Total Common Stocks (Cost: $845,401)		**272,576**

Preferred Stocks —%

Industrials —%		
Industrial Conglomerates —%		
BHM Technologies LLC[(b)(c)(j)]	430	4
Total Preferred Stocks (Cost: $23)		**4**

Warrants —%

Issuer	Shares	Value ($)
Consumer Discretionary —%		
Media —%		
ION Media Networks, Inc. 12/18/16[(b)(c)(j)(i)]	61	—
12/18/16[(b)(c)(j)]	62	1
Total		1
Total Warrants (Cost: $316,604)		**1**

Money Market Funds 2.8%

Columbia Short-Term Cash Fund, 0.142%[(k)(l)]	5,180,012	5,180,012
Total Money Market Funds (Cost: $5,180,012)		**5,180,012**
Total Investments (Cost: $173,915,928)		**182,897,513**
Other Assets & Liabilities, Net		638,032
Net Assets		**183,535,545**

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, 2012, the value of these securities amounted to $59,474,993 or 32.41% of net assets.

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

Portfolio of Investments *(continued)*

December 31, 2012

Notes to Portfolio of Investments *(continued)*

(b) Identifies issues considered to be illiquid as to their marketability. The aggregate value of such securities at December 31, 2012 was $289,111, representing 0.16% of net assets. Information concerning such security holdings at December 31, 2012 is as follows:

Security Description	Acquisition Dates	Cost ($)
At Home Corp. Subordinated Notes 4.750% 06/12/15	07/26/05	—
BHM Technologies LLC Term Loan 6.313% 11/26/13	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	12/19/05 - 04/14/09	159,589
12/18/16	12/19/05 - 04/14/09	157,015
Lear Corp. Escrow Bond 0.000% 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	16,478
United Artists Theatre Circuit, Inc. 1995-A Pass-Through Certificates 9.300% 07/01/15	01/27/03	20,915
Ziff Davis Holdings, Inc.	07/01/08	6
Ziff Davis Media, Inc. 13.500% 12/15/11	07/01/08 - 04/15/11	53,372

(c) Represents fair value as determined in good faith under procedures approved by the Board of Trustees. At December 31, 2012, the value of these securities amounted to $289,111, which represents 0.16% of net assets.

(d) Represents securities that have defaulted on payment of interest. The Fund has stopped accruing interest on these securities. At December 31, 2012, the value of these securities amounted to $3,266, which represents less than 0.01% of net assets.

(e) Variable rate security.

(f) Zero coupon bond.

(g) 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 coupon as of December 31, 2012. The interest rate shown for senior loans purchased on a when-issued or delayed delivery basis, if any, reflects an estimated average coupon. 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.

(h) Represents a security purchased on a when-issued or delayed delivery basis.

(i) Negligible market value.

(j) Non-income producing.

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

Portfolio of Investments *(continued)*

December 31, 2012

Notes to Portfolio of Investments *(continued)*

(k) As defined in the Investment Company Act of 1940, an affiliated company is one in which the Fund owns 5% or more of its outstanding voting securities, or a company which is under common ownership or control with the Fund. Holdings and transactions in these affiliated companies during the year ended December 31, 2012, are as follows:

Issuer	Beginning Cost ($)	Purchase Cost ($)	Proceeds From Sales ($)	Realized Gain/Loss ($)	Ending Cost ($)	Dividends or Interest Income ($)	Value ($)
Columbia Short-Term Cash Fund	4,728,321	67,175,101	(66,723,410)	—	5,180,012	7,971	5,180,012

(l) The rate shown is the seven-day current annualized yield at December 31, 2012.

Abbreviation Legend

ADS American Depositary Share

PIK Payment-in-Kind

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.

Under the direction of the Fund's Board of Trustees (the Board), the Investment Manager's Valuation Committee (the Committee) is responsible for carrying out the valuation procedures approved by the Board. The Committee consists of voting and non-voting members from various groups within the Investment Manager's organization, including operations and accounting, trading and investments, compliance, risk management and legal.

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

The Committee meets at least monthly to review and approve valuation matters, which may include a description of specific valuation determinations, data regarding pricing information received from approved pricing vendors and brokers and the results of Board-approved valuation control policies and procedures (the Policies). The Policies address, among other things, instances when market quotations are readily available, including recommendations of third party pricing vendors and a determination of appropriate pricing methodologies; events that require specific valuation determinations and assessment of fair value techniques; securities with a potential for stale pricing, including those that are illiquid, restricted, or in default; and the effectiveness of third-party pricing vendors, including periodic reviews of vendors. The Committee meets more frequently, as needed, to discuss additional valuation matters, which may include the need to review back-testing results, review time-sensitive information or approve related valuation actions. The Committee reports to the Board, with members of the Committee meeting with the Board at each of its regularly scheduled meetings to discuss valuation matters and actions during the period, similar to those described earlier.

For investments categorized as Level 3, the Committee monitors information similar to that described above, which may include: (i) data specific to the issuer or comparable issuers, (ii) general market or specific sector news and (iii) quoted prices and specific or similar security transactions. The Committee considers this data and any changes from prior periods in order to assess the reasonableness of observable and unobservable inputs, any assumptions or internal models used to value those securities and changes in fair value. This data is also used to corroborate, when available, information received from approved pricing vendors and brokers. Various factors impact the frequency of monitoring this information (which may occur as often as daily). However, the Committee may determine that changes to inputs, assumptions and models are not required as a result of the monitoring procedures performed.

The following table is a summary of the inputs used to value the Fund's investments as of December 31, 2012:

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Bonds				
Corporate Bonds & Notes				
Aerospace & Defense	—	5,291,995	—	5,291,995
Automotive	—	3,003,765	955	3,004,720
Banking	—	661,895	—	661,895
Brokerage	—	1,106,133	—	1,106,133
Building Materials	—	2,514,722	—	2,514,722
Chemicals	—	8,464,221	—	8,464,221
Construction Machinery	—	5,091,060	—	5,091,060
Consumer Cyclical Services	—	2,161,935	—	2,161,935
Consumer Products	—	2,442,389	—	2,442,389
Diversified Manufacturing	—	1,479,865	—	1,479,865
Electric	—	2,390,617	—	2,390,617
Entertainment	—	1,605,628	21,599	1,627,227
Environmental	—	831,238	—	831,238
Food and Beverage	—	602,225	—	602,225
Gaming	—	5,307,281	—	5,307,281
Gas Pipelines	—	9,491,282	—	9,491,282
Health Care	—	11,422,616	—	11,422,616
Health Care Insurance	—	350,400	—	350,400
Home Construction	—	1,593,555	—	1,593,555
Independent Energy	—	23,340,852	—	23,340,852
Logding	—	228,145	—	228,145
Media Cable	—	7,563,656	74,571	7,638,227

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Media Non-Cable	—	11,847,245	1,794	11,849,039
Metals	—	8,867,120	—	8,867,120
Non-Captive Consumer	—	1,461,158	—	1,461,158
Non-Captive Diversified	—	10,252,397	—	10,252,397
Oil Field Services	—	2,700,581	—	2,700,581
Other Financial Institutions	—	278,415	—	278,415
Other Industry	—	1,090,053	—	1,090,053
Packaging	—	2,205,312	—	2,205,312
Pharmaceuticals	—	1,541,110	—	1,541,110
Property & Casualty	—	338	—	338
Restaurants	—	336,000	—	336,000
Retailers	—	2,279,275	—	2,279,275
Technology	—	8,610,272	—	8,610,272
Textile	—	334,310		334,310
Transportation Services	—	1,601,780	—	1,601,780
Wireless	—	8,647,296	—	8,647,296
Wirelines	—	10,323,796	—	10,323,796
Convertible Bonds	—	—	30	30
Total Bonds	—	169,321,933	98,949	169,420,882
Senior Loans	—	—	—	—
Aerospace & Defense	—	102,892	—	102,892
Chemicals	—	666,222	—	666,222
Construction Machinery	—	931,535	—	931,535
Consumer Cyclical Services	—	1,190,049	—	1,190,049
Consumer Products	—	439,982	—	439,982
Electric	—	—	1,042	1,042
Health Care	—	188,485	—	188,485
Life Insurance	—	238,238	—	238,238
Media Cable	—	407,097	—	407,097
Metals	—	1,283,657	—	1,283,657
Property & Casualty	—	1,407,661	—	1,407,661
Technology	—	1,167,178	—	1,167,178
Total Senior Loans		8,022,996	1,042	8,024,038
Equity Securities				
Common Stocks				
Consumer Discretionary	—	—	6	6
Consumer Staples	13,651	—	—	13,651

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

Portfolio of Investments *(continued)*

December 31, 2012

Fair Value Measurements *(continued)*

Description	Level 1 Quoted Prices in Active Markets for Identical Assets ($)	Level 2 Other Significant Observable Inputs ($)	Level 3 Significant Unobservable Inputs ($)	Total ($)
Industrials	69,482	—	359	69,841
Information Technology	328	—	—	328
Materials	—	—	188,750	188,750
Preferred Stocks				—
Industrials	—	—	4	4
Warrants				—
Consumer Discretionary	—	—	1	1
Total Equity Securities	83,461	—	189,120	272,581
Other				
Money Market Funds	5,180,012	—	—	5,180,012
Total Other	5,180,012	—	—	5,180,012
Total	5,263,473	177,344,929	289,111	182,897,513

See the Portfolio of Investments for all investment classifications not indicated in the table.

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.

There were no transfers of financial assets between Levels 1 and 2 during the period.

The following table is a reconciliation of Level 3 assets for which significant observable and/or unobservable inputs were used to determine fair value.

	Corporate Bonds & Notes($)	Convertible Bonds ($)	Senior Loans ($)	Common Stocks ($)	Preferred Stocks ($)	Warrants ($)	Total ($)
Balance as of December 31, 2011	127,721	30	1,042	204,579	4	1	333,377
Accrued discounts/premiums	2,458	—	—	—	—	—	2,458
Realized gain (loss)	114	—	—	—	—	—	114
Change in unrealized appreciation (depreciation)**	(23,310)	—	—	(15,464)	—	—	(38,774)
Sales	(8,064)	—	—	—	—	—	(8,064)
Purchases	—	—	—	—	—	—	—
Transfers into Level 3	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—
Balance as of December 31, 2012	98,919	30	1,042	189,115	4	1	289,111

**Change in unrealized appreciation (depreciation) relating to securities held at December 31, 2012 was $(38,774).

The Fund does not hold any significant investments with unobservable inputs which are categorized as Level 3.

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, senior loans, warrants, common and preferred stock classified as 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. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in the bankruptcy filings would result in a directionally similar change to estimates of future distributions.

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

Portfolio of Investments *(continued)*
December 31, 2012

Fair Value Measurements *(continued)*

Certain common stocks 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 security within the respective company's capital structure. Significant increases (decreases) to any of these inputs would result in a significantly lower (higher) fair value measurement. Generally, a change in estimated earnings of the respective company may result in a change to the comparable companies and market multiples utilized.

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

Statement of Assets and Liabilities

December 31, 2012

Assets	
Investments, at value	
Unaffiliated issuers (identified cost $168,735,916)	$177,717,501
Affiliated issuers (identified cost $5,180,012)	5,180,012
Total investments (identified cost $173,915,928)	182,897,513
Cash	44,558
Receivable for:	
Investments sold	681,414
Capital shares sold	1
Dividends	662
Interest	2,599,827
Reclaims	389
Prepaid expenses	2,361
Trustees' deferred compensation plan	407
Total assets	186,227,132
Liabilities	
Payable for:	
Investments purchased on a delayed delivery basis	2,083,815
Capital shares purchased	388,282
Investment management fees	85,686
Distribution and/or service fees	6,996
Transfer agent fees	9,347
Administration fees	12,464
Compensation of board members	55,640
Expense reimbursement due to Investment Manager	2,058
Other expenses	46,892
Trustees' deferred compensation plan	407
Total liabilities	2,691,587
Net assets applicable to outstanding capital stock	**$183,535,545**
Represented by	
Paid-in capital	$188,711,793
Undistributed net investment income	10,531,927
Accumulated net realized loss	(24,689,760)
Unrealized appreciation (depreciation) on:	
Investments	8,981,585
Total — representing net assets applicable to outstanding capital stock	**$183,535,545**

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

Statement of Assets and Liabilities *(continued)*

December 31, 2012

Class 1	
Net assets	$45,950,226
Shares outstanding	4,304,253
Net asset value per share	$10.68
Class 2	
Net assets	$137,585,319
Shares outstanding	12,897,985
Net asset value per share	$10.67

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

Statement of Operations

Year Ended December 31, 2012

Net investment income	
Income:	
Dividends — unaffiliated issuers	$9,713
Dividends — affiliated issuers	7,971
Interest	12,167,151
Foreign taxes withheld	(15)
Total income	12,184,820
Expenses:	
Investment management fees	1,006,439
Distribution and/or service fees	
Class 2	336,436
Transfer agent fees	
Class 1	29,051
Class 2	80,740
Administration fees	146,392
Compensation of board members	22,557
Custodian fees	6,307
Printing and postage fees	59,439
Professional fees	30,420
Other	13,018
Total expenses	1,730,799
Fees waived or expenses reimbursed by Investment Manager and its affiliates	(149,768)
Fees waived by Distributor — Class 2	(255,696)
Total net expenses	1,325,335
Net investment income	10,859,485
Realized and unrealized gain (loss) — net	
Net realized gain (loss) on:	
Investments	4,999,668
Net realized gain	4,999,668
Net change in unrealized appreciation (depreciation) on:	
Investments	9,570,327
Net change in unrealized appreciation (depreciation)	9,570,327
Net realized and unrealized gain	14,569,995
Net increase in net assets resulting from operations	**$25,429,480**

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

Statement of Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Operations		
Net investment income	$10,859,485	$12,036,265
Net realized gain	4,999,668	3,317,200
Net change in unrealized appreciation (depreciation)	9,570,327	(3,798,592)
Net increase in net assets resulting from operations	25,429,480	11,554,873
Distributions to shareholders		
Net investment income		
Class 1	(3,163,298)	(4,042,824)
Class 2	(8,983,740)	(9,717,660)
Total distributions to shareholders	(12,147,038)	(13,760,484)
Increase (decrease) in net assets from capital stock activity	(8,028,788)	(11,688,749)
Total increase (decrease) in net assets	5,253,654	(13,894,360)
Net assets at beginning of year	178,281,891	192,176,251
Net assets at end of year	**$183,535,545**	**$178,281,891**
Undistributed net investment income	$10,531,927	$11,732,109

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

Statement of Changes in Net Assets *(continued)*

	Year Ended December 31, 2012		Year Ended December 31, 2011	
	Shares	Dollars ($)	Shares	Dollars ($)
Capital stock activity				
Class 1 shares				
Subscriptions	253,774	2,613,843	570,556	5,742,252
Distributions reinvested	313,198	3,163,298	407,543	4,042,824
Redemptions	(1,283,592)	(13,370,786)	(1,711,322)	(17,009,164)
Net decrease	(716,620)	(7,593,645)	(733,223)	(7,224,088)
Class 2 shares				
Subscriptions	774,409	8,037,669	782,579	7,975,001
Distributions reinvested	889,479	8,983,740	980,591	9,717,660
Redemptions	(1,675,546)	(17,456,552)	(2,216,666)	(22,157,322)
Net decrease	(11,658)	(435,143)	(453,496)	(4,464,661)
Total net decrease	**(728,278)**	**(8,028,788)**	**(1,186,719)**	**(11,688,749)**

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 return assumes reinvestment of all dividends and distributions. Total return does 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 December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$9.95	$10.06	$9.76	$7.53	$11.14
Income from investment operations:					
Net investment income	0.62	0.65	0.72	0.73	0.81
Net realized and unrealized gain (loss)	0.84	(0.00)[a]	0.41	2.46	(3.33)
Total from investment operations	1.46	0.65	1.13	3.19	(2.52)
Less distributions to shareholders:					
Net investment income	(0.73)	(0.76)	(0.83)	(0.96)	(1.09)
Total distributions to shareholders	(0.73)	(0.76)	(0.83)	(0.96)	(1.09)
Net asset value, end of period	$10.68	$9.95	$10.06	$9.76	$7.53
Total return	15.06%	6.46%	12.07%	44.34%	(24.88%)
Ratios to average net assets[b]					
Total gross expenses	0.76%	0.80%	0.89%	0.93%	0.89%
Total net expenses[c]	0.68%	0.60%[d]	0.60%[d]	0.60%[d]	0.60%[d]
Net investment income	5.98%	6.42%	7.21%	8.33%	8.15%
Supplemental data					
Net assets, end of period (in thousands)	$45,950	$49,949	$57,870	$58,247	$47,162
Portfolio turnover	67%	98%	91%	36%	23%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(d) The benefits derived from expense reductions had an impact of less than 0.01%.

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

Financial Highlights *(continued)*

	Year Ended December 31,				
Class 2	**2012**	**2011**	**2010**	**2009**	**2008**
Per share data					
Net asset value, beginning of period	$9.94	$10.05	$9.75	$7.52	$11.13
Income from investment operations:					
Net investment income	0.62	0.64	0.71	0.72	0.80
Net realized and unrealized gain (loss)	0.83	(0.00)[a]	0.41	2.46	(3.33)
Total from investment operations	1.45	0.64	1.12	3.18	(2.53)
Less distributions to shareholders:					
Net investment income	(0.72)	(0.75)	(0.82)	(0.95)	(1.08)
Total distributions to shareholders	(0.72)	(0.75)	(0.82)	(0.95)	(1.08)
Net asset value, end of period	$10.67	$9.94	$10.05	$9.75	$7.52
Total return	15.00%	6.41%	12.01%	44.30%	(24.96%)
Ratios to average net assets[b]					
Total gross expenses	1.01%	1.05%	1.14%	1.18%	1.14%
Total net expenses[c]	0.74%	0.66%[d]	0.66%[d]	0.66%[d]	0.66%[d]
Net investment income	5.92%	6.36%	7.15%	8.25%	8.11%
Supplemental data					
Net assets, end of period (in thousands)	$137,585	$128,333	$134,306	$132,449	$97,038
Portfolio turnover	67%	98%	91%	36%	23%

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) Total net expenses include the impact of certain waivers/reimbursements made by the Investment Manager and certain of its affiliates, if applicable.

(d) The benefits derived from expense reductions had an impact of less than 0.01%.

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

Notes to Financial Statements
December 31, 2012

Note 1. Organization

Columbia Variable Portfolio — High Income Fund (the Fund), 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.

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 variable life insurance policies (collectively, Contracts) issued by affiliated and unaffiliated life insurance companies as well as qualified pension and retirement plans (Qualified 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

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 ask 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 ask 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 or market, 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 fair value.

Notes to Financial Statements *(continued)*

December 31, 2012

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.

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 an accrual basis. Market premiums and discounts, including original issue discounts, are amortized and accreted, respectively, over the expected life of the security on all debt securities, unless otherwise noted.

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 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.

Distributions to Subaccounts

Distributions from net investment income, if any, are declared and paid annually. Net realized capital gains, if any, are distributed along with the income distribution. 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

Disclosures about Offsetting Assets and Liabilities
In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities.* The objective of the FASB is to enhance current disclosure requirements on offsetting of certain assets and liabilities and to enable financial statement users to compare financial statements prepared under GAAP and International Financial Reporting Standards.

Notes to Financial Statements *(continued)*

December 31, 2012

Specifically, ASU No. 2011-11 requires an entity to disclose both gross and net information for derivatives and other financial instruments that are subject to a master netting arrangement or similar agreement. The standard requires disclosure of collateral received in connection with the master netting agreements or similar agreements. The effective date of ASU No. 2011-11 is for interim and annual periods beginning on or after January 1, 2013. 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 investment 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. The Fund pays the Fund Administrator an annual fee for administration and accounting services equal to 0.08% of the Fund's average daily net assets.

Other Expenses

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, 2012, other expenses paid to this company were $1,899.

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 Agent 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 fees.

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

Effective May 1, 2012, 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, 2013, 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	0.72%
Class 2	0.97

Under the agreement governing these fee waivers and/or expense reimbursement arrangements, 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,

Notes to Financial Statements *(continued)*

December 31, 2012

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, 2012, the Investment Manager voluntarily agreed to reimburse a portion of the Fund's expenses (excluding certain expenses, such as 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, did not exceed the following annual rates as a percentage of the class' average daily net assets:

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.

At December 31, 2012, these differences are primarily due to differing treatment for capital loss carryforwards, principal and/or interest of fixed income securities, deferral/reversal of wash sale losses and Trustees' deferred compensation. 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	$87,371
Accumulated net realized loss	(92,059)
Paid-in capital	4,688

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,	2012	2011
Ordinary income	$12,147,038	$13,760,484
Total	$12,147,038	$13,760,484

Short-term capital gain distributions, if any, are considered ordinary income distributions for tax purposes.

At December 31, 2012, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	$10,844,266
Accumulated realized loss	(25,103,855)
Unrealized appreciation	9,261,024

At December 31, 2012, the cost of investments for federal income tax purposes was $173,636,489 and the aggregate gross unrealized appreciation and depreciation based on that cost was:

Unrealized appreciation	$11,945,097
Unrealized depreciation	(2,684,073)
Net unrealized appreciation	$9,261,024

The following capital loss carryforward, determined at December 31, 2012, 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	$4,605,113
2017	20,498,742
Total	$25,103,855

For the year ended December 31, 2012, $4,897,447 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, aggregated to $117,641,831 and $124,628,868, respectively, for the year ended December 31, 2012.

Note 6. Affiliated Money Market Fund

The Fund invests its daily cash balances in Columbia Short-Term Cash Fund, an affiliated 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 — affiliated issuers" 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.

Notes to Financial Statements *(continued)*

December 31, 2012

Note 7. Shareholder Concentration

At December 31, 2012, two unaffiliated shareholder accounts owned an aggregate of 21.4% of the outstanding shares of the Fund. The Fund has no knowledge about whether any portion of those shares was owned beneficially by such accounts. Affiliated shareholder accounts owned 66.6% of the outstanding shares of the Fund. Subscription and redemption activity by concentrated 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. 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. 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 (ii) 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.

The Fund had no borrowings during the year ended December 31, 2012.

Note 9. Proposed Fund Merger

In September 2012, the Board of Trustees approved a proposal to merge the Fund into Columbia Variable Portfolio — Income Opportunities Fund. Shareholders of the Fund will vote on the proposed merger at a special meeting of shareholders to be held during the first half of 2013.

Note 10. 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 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 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

Notes to Financial Statements *(continued)*

December 31, 2012

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 portfolio 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 Columbia Variable Portfolio — High Income Fund (the "Fund") (a series of Columbia Funds Variable Insurance Trust I) at December 31, 2012, the results of its operations, the changes in its net assets, 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 audit. We conducted our audit 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, 2012 by correspondence with the custodian, transfer agent, agent banks and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota

February 19, 2013

Trustees 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.

Mr. Edward J. Boudreau, Jr., Mr. William P. Carmichael, Mr. William A. Hawkins, Mr. R. Glenn Hilliard, Ms. Minor M. Shaw and Dr. Anthony M. Santomero, were members 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 and began service on the Board for the Legacy RiverSource funds ("RiverSource Funds") effective June 1, 2011.

Independent Trustees

Name, Address, Year of Birth	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 1954	Board member since 1/06 for RiverSource Funds and since 6/11 for Nations Funds	Attorney; Chief Justice, Minnesota Supreme Court, 1998-2006	152	None
Edward J. Boudreau, Jr. 225 Franklin Street Boston, MA 02110 1944	Board member since 6/11 for RiverSource Funds and since 1/05 for Nations Funds	Managing Director, E.J. Boudreau & Associates (consulting) since 2000	145	Former Trustee, BofA Funds Series Trust (11 funds)
Pamela G. Carlton 901 S. Marquette Ave. Minneapolis, MN 55402 1954	Board member since 7/07 for RiverSource Funds and since 6/11 for Nations Funds	President, Springboard — Partners in Cross Cultural Leadership (consulting company)	152	None
William P. Carmichael 225 Franklin Street Boston, MA 02110 1943	Board member since 6/11 for RiverSource Funds and since 1999 for Nations Funds	Retired	145	Director, Cobra Electronics Corporation (electronic equipment manufacturer); The Finish Line (athletic shoes and apparel) since July 2003; McMoRan Exploration Company (oil and gas exploration and development) since 2010; 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 1950	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	152	None
William A. Hawkins 225 Franklin Street Boston, MA 02110 1942	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	145	Trustee, BofA Funds Series Trust (11 funds)

Trustees and Officers *(continued)*

Independent Trustees *(continued)*

Name, Address, Year of Birth	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)
R. Glenn Hilliard 225 Franklin Street Boston, MA 02110 1943	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. (insurance), September 2003-May 2011	145	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 1939	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	152	Director, Valmont Industries, Inc. (manufactures irrigation systems) since 2002
Catherine James Paglia 901 S. Marquette Ave. Minneapolis, MN 55402 1952	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)	152	None
Leroy C. Richie 901 S. Marquette Ave. Minneapolis, MN 55402 1941	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	152	Lead Outside Director, Digital Ally, Inc. (digital imaging) since September 2005; Infinity, Inc. (oil and gas exploration and production); OGE Energy Corp. (energy and energy services) since November 2007
Minor M. Shaw 225 Franklin Street Boston, MA 02110 1947	Board member since 6/11 for RiverSource Funds and since 2003 for Nations Funds	President, Micco LLC (private investments)	145	Director, Piedmont Natural Gas; Director, BlueCross BlueShield of South Carolina since April 2008; Former Trustee, BofA Funds Series Trust (11 funds)
Alison Taunton-Rigby 901 S. Marquette Ave. Minneapolis, MN 55402 1944	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	152	Director, Healthways, Inc. (health management programs) since 2005; Director, ICI Mutual Insurance Company, RRG; Director, Abt Associates (government contractor)

Trustees and Officers *(continued)*

Interested Trustee Not Affiliated With Investment Manager*

Name, Address, Year of Birth	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 Boston, MA 02110 1946	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	145	Director, Renaissance Reinsurance Ltd. since May 2008; Trustee, Penn Mutual Life Insurance Company; Director, Citigroup since 2009; Director, Citibank, N.A. since 2009; 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 Trustee Affiliated With Investment Manager*

Name, Address, Year of Birth	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 1960	Board member since 11/01 for RiverSource Funds and since 6/11 for Nations Funds; Senior Vice President since 2002	President, Columbia Management Investment Advisers, LLC since February 2012, (previously President, Chairman of the Board and Chief Investment Officer, 2001-April 2010); Chief Executive Officer, Global Asset Management, Ameriprise Financial, Inc. since September 2012 (previously Chief Executive Officer, U.S. Asset Management & President, Annuities, May 2010-September 2012 and President — U.S. Asset Management and Chief Investment Officer, 2005-April 2010); President and Chief Executive Officer, Ameriprise Certificate Company 2006-August 2012; Chief Executive Officer, Columbia Management Investment Distributors, Inc. since February 2012, (previously Chairman of the Board and Chief Executive Officer, 2006-April 2010); Chairman of the Board and Chief Executive Officer, RiverSource Distributors, Inc. since 2006.	204	Chairman of the Board, Columbia Management Investment Advisers, LLC since May 2012; Director, Columbia Management Investment Distributors, Inc. since May 2010; Director, Ameriprise Certificate Company, 2006-January 2013

*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.

Trustees 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:

Officers

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
J. Kevin Connaughton 225 Franklin Street Boston, MA 02110 1964	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 1965	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 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 1969	Treasurer since 1/11 and Chief Financial Officer since 4/11 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 1959	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	Senior Vice President, 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, 2005-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
Colin Moore 225 Franklin Street Boston, MA 02110 1958	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
Thomas P. McGuire 225 Franklin Street Boston, MA 02110 1972	Chief Compliance Officer since 3/12	Vice President — Asset Management Compliance, Columbia Management Investment Advisers, LLC since 2010; Chief Compliance Officer, Ameriprise Certificate Company since September 2010; Compliance Executive, Bank of America, 2005-2010
Stephen T. Welsh 225 Franklin Street Boston, MA 02110 1957	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 1970	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

Trustees and Officers *(continued)*

Officers *(continued)*

Name, Address, Year of Birth	Position Held With Funds and Length of Service	Principal Occupation During Past Five Years
Paul D. Pearson 10468 Ameriprise Financial Center Minneapolis, MN 55474 1956	Vice President since 4/11 and Assistant Treasurer since 1999 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 1968	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 1968	Vice President since 4/11 and Assistant Secretary since 11/08 for RiverSource Funds and 5/10 for Nations Funds	Vice President and Lead Chief Counsel, Ameriprise Financial, Inc. since November 2008 and January 2013, respectively (formerly, Chief Counsel from January 2010-January 2013 and Group Counsel from November 2008-January 2010); Director, Managing Director and General Counsel, J. & W. Seligman & Co. Incorporated, July 2008-November 2008 (previously, Managing Director and Associate General Counsel, January 2005-July 2008)
Michael E. DeFao 225 Franklin Street Boston, MA 02110 1968	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

Important Information About This Report

The policy of the Board is to vote the proxies of the companies in which each 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 sec.gov. Information regarding how each 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 sec.gov.

Each 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. Each fund's Form N-Q is available on the SEC's website at sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800.SEC.0330. Each fund's complete schedule of portfolio holdings, as filed on Form N-Q, can also be obtained without charge, upon request, by calling 800.345.6611.

ColumbiaManagement®

Columbia Variable Portfolio — High Income Fund
P.O. Box 8081
Boston, MA 02266-8081

This information is for use with concurrent or prior delivery of a fund prospectus. 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 prospectus carefully before you invest. The Fund is distributed by Columbia Management Investment Distributors, Inc., member FINRA, and managed by Columbia Management Investment Advisers, LLC.

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C-1531 C (3/13)

Dreyfus
Stock Index Fund, Inc.

ANNUAL REPORT December 31, 2012

BNY MELLON

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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A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Stock Index Fund, Inc., covering the 12-month period from January 1, 2012, through December 31, 2012. 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.

In retrospect, 2012 was notable for the global equity markets' resilience in the face of some tough macroeconomic challenges. Worries regarding sluggish employment growth, weak housing markets and Congressional gridlock weighed on investor sentiment in the United States at times during the year, yet U.S. stocks posted respectable gains, on average. An ongoing debt crisis led to recessionary conditions in Europe, particularly for some of the continent's more peripheral nations, but aggressive actions from monetary policymakers helped some European stock markets produce double-digit returns. While China's economy slowed in response to inflation-fighting measures, officials there appeared to have engineered a "soft landing," and Chinese stocks generally ended the year with positive absolute returns.

We currently expect the U.S. and global economies to be modestly stronger in 2013, especially during the second half of the year. The global economy seems likely to benefit from Europe's ongoing efforts to support its banking system and common currency, and by China's moves toward more stimulative fiscal policies under new government leadership. In the United States, greater certainty regarding U.S. tax and fiscal policies, the resumption of postponed spending by businesses, and a continued housing recovery could support modestly higher rates of economic growth. We encourage you to discuss the implications of our economic analysis with your financial advisor, who can help you align your investments with the year's challenges and opportunities.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2013

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through December 31, 2012, as provided by Thomas J. Durante, CFA, Karen Q. Wong, CFA, and Richard A. Brown, CFA, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2012, Dreyfus Stock Index Fund's Initial shares produced a total return of 15.74%, and its Service shares produced a total return of 15.47%.[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 15.99% for the same period.[2,3]

Despite ongoing concerns regarding a variety of domestic and international macroeconomic developments, U.S. stocks generally gained ground when improving domestic economic fundamentals—including stronger employment trends and a recovering housing market—helped bolster investor sentiment. Stock prices generally advanced as investors turned away from traditional safe havens and toward riskier assets. The difference in return 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.

Improving Macroeconomic Conditions Fueled Market Gains

A variety of positive domestic and international developments drove stocks higher during the first quarter of 2012. These included strong corporate earnings reports, domestic employment gains, a quantitative easing program in Europe that forestalled a

more severe banking crisis in the region, and less restrictive monetary and fiscal policies in China and, later, in Japan. However, investor sentiment turned more cautious during the spring, when the U.S. labor market's rebound slowed and measures designed to relieve fiscal pressures in Europe encountered political resistance in some countries.

Stocks rebounded over the summer, reaching new highs for the year by September amid more encouraging economic news, including sharp declines in the unemployment rate and the start of a long-awaited recovery in U.S. housing markets. Stocks lost ground again in November as concerns mounted over automatic tax hikes and spending cuts scheduled for the start of 2013. Nevertheless, continued corporate earnings strength and improving economic fundamentals in many parts of the world enabled stocks to resume their rally as 2012 came to a close. As a result, the S&P 500 Index ended the year with double-digit gains.

Financial Stocks Rebounded Strongly

The S&P 500 Index's advance in 2012 was led by the financials sector, which staged a rebound after several years of weakness in the wake of the 2008 U.S. financial crisis. Major U.S. banking institutions reported better financial results as lending volumes improved, legal issues were resolved, and regulatory pressures waned. Commercial banks benefited from increased mortgage lending as housing markets recovered. Insurance companies also fared relatively well, largely due to better results from their fixed-income investments and a relative scarcity of U.S. natural disasters in 2012. Even Superstorm Sandy had relatively little impact on insurers' earnings.

Information technology stocks produced above-average results on the strength of secular trends toward cloud and mobile computing, which benefited makers of tablet computers and smartphones as well as software developers. Meanwhile, Internet retailers encountered higher sales volumes as more consumers shopped online. In the consumer discretionary sector, media companies saw higher advertising revenues in an election year, and home improvement retailers benefited from greater consumer confidence and the recovering housing market. Apparel retailers advanced when personal incomes and consumer spending improved.

Laggards in 2012 included the utilities sector, which eked out only modestly positive absolute returns, on average, due to rich valuations and the impact of tax policy uncertainty on higher yielding stocks. In the materials sector, metals-and-mining

companies suffered when an economic slowdown in China dampened industrial demand and sent commodity prices lower. An oversupply of domestic natural gas weighed on results from the energy sector, hurting earnings of drillers and exploration-and-production companies.

Macroeconomic Headwinds Remain

Although we have been encouraged recently by positive U.S. and global economic developments, we believe that heightened stock market volatility is likely to persist in the face of ongoing global challenges, including the European debt crisis, slower growth in the emerging markets, and a subpar economic recovery in the United States. We have continued to monitor the fund's investments in light of current market conditions. In our experience, the fund's broadly diversified portfolio may help limit the impact on the overall portfolio of unexpected losses in individual sectors or holdings.

January 15, 2013

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.

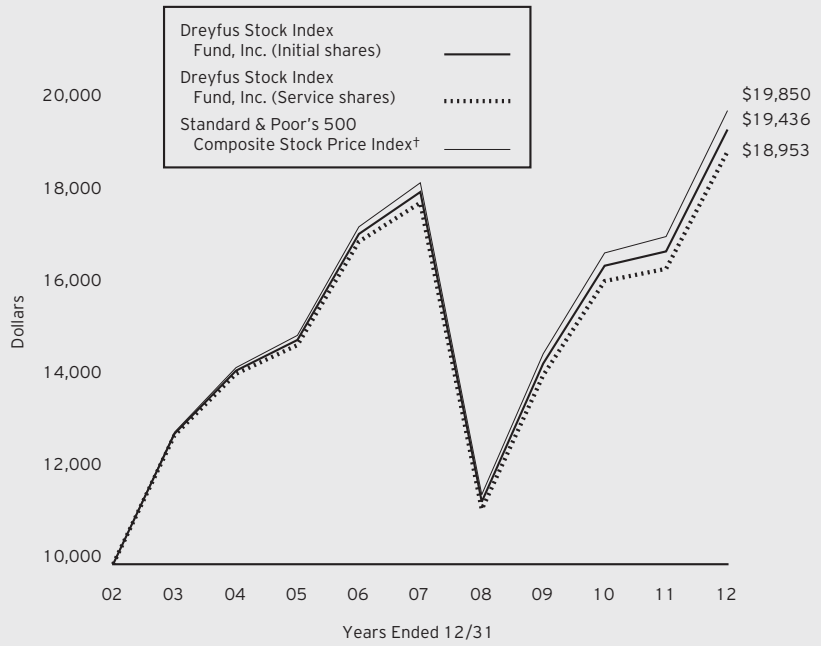
The fund is only available as a funding vehicle under variable life insurance policies or variable annuity contracts issued by insurance companies. Individuals may not purchase shares of the fund directly. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. The investment objective and policies of Dreyfus Stock Index Fund made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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 ("Standard & Poor's") 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 does not make any 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 12/31/12*

	1 Year	5 Years	10 Years
Initial shares	**15.74%**	**1.47%**	**6.87%**
Service shares	**15.47%**	**1.21%**	**6.60%**
Standard & Poor's 500 Composite Stock Price Index	**15.99%**	**1.66%**	**7.10%**

† *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 12/31/02 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 for Initial and Service shares (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, 2012 to December 31, 2012. 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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.50	$ 2.74
Ending value (after expenses)	$1,058.30	$1,056.90

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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 1.48	$ 2.69
Ending value (after expenses)	$1,023.68	$1,022.47

† *Expenses are equal to the fund's annualized expense ratio of .29% for Initial Shares and .53% for Service Shares, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2012

Common Stocks—98.6%	Shares	Value ($)
Automobiles & Components—.8%		
BorgWarner	15,012 [a]	1,075,159
Delphi Automotive	39,101 [a]	1,495,613
Ford Motor	507,096	6,566,893
Goodyear Tire & Rubber	30,040 [a]	414,852
Harley-Davidson	30,163	1,473,161
Johnson Controls	90,571	2,780,530
		13,806,208
Banks—2.8%		
BB&T	94,045	2,737,650
Comerica	25,392	770,393
Fifth Third Bancorp	121,307	1,842,653
First Horizon National	34,481	341,707
Hudson City Bancorp	64,738	526,320
Huntington Bancshares	111,419	711,967
KeyCorp	123,613	1,040,821
M&T Bank	16,053 [b]	1,580,739
People's United Financial	44,393	536,711
PNC Financial Services Group	70,295	4,098,901
Regions Financial	190,572	1,356,873
SunTrust Banks	71,489	2,026,713
U.S. Bancorp	252,219	8,055,875
Wells Fargo & Co.	654,697	22,377,543
Zions Bancorporation	25,036	535,770
		48,540,636
Capital Goods—7.7%		
3M	84,631	7,857,988
Boeing	89,998	6,782,249
Caterpillar	86,927	7,786,921
Cummins	23,445	2,540,266
Danaher	78,174	4,369,927
Deere & Co.	52,433	4,531,260
Dover	24,214	1,591,102
Eaton	61,495	3,333,054
Emerson Electric	96,655	5,118,849
Fastenal	36,682	1,712,683
Flowserve	6,742	989,726

Common Stocks (continued)	Shares	Value ($)
Capital Goods (continued)		
Fluor	22,639	1,329,815
General Dynamics	43,956	3,044,832
General Electric	1,402,494	29,438,349
Honeywell International	104,621	6,640,295
Illinois Tool Works	58,082	3,531,966
Ingersoll-Rand	37,800	1,812,888
Jacobs Engineering Group	17,975 [a]	765,196
Joy Global	14,661	935,079
L-3 Communications Holdings	13,187	1,010,388
Lockheed Martin	35,978	3,320,410
Masco	47,940	798,680
Northrop Grumman	32,964	2,227,707
PACCAR	46,729	2,112,618
Pall	15,361	925,654
Parker Hannifin	20,267	1,723,911
Pentair	27,422	1,347,791
Precision Castparts	19,286	3,653,154
Quanta Services	28,332 [a]	773,180
Raytheon	44,480	2,560,269
Rockwell Automation	19,101	1,604,293
Rockwell Collins	18,503 [b]	1,076,320
Roper Industries	12,840	1,431,403
Snap-on	7,385	583,341
Stanley Black & Decker	22,391	1,656,262
Textron	36,395	902,232
United Technologies	112,762	9,247,612
W.W. Grainger	7,993	1,617,543
Xylem	25,459	689,939
		133,375,152
Commercial & Professional Services–.7%		
ADT	31,150	1,448,163
Avery Dennison	13,279	463,703
Cintas	14,764	603,848
Dun & Bradstreet	5,788 [b]	455,226
Equifax	15,447	835,992
Iron Mountain	22,420	696,141

Common Stocks (continued)	Shares	Value ($)
Commercial & Professional Services (continued)		
Pitney Bowes	27,570 [b]	293,345
Republic Services	39,695	1,164,254
Robert Half International	18,973	603,721
Stericycle	11,032 [a]	1,028,955
Tyco International	62,300	1,822,275
Waste Management	57,560	1,942,074
		11,357,697
Consumer Durables & Apparel—1.1%		
Coach	38,340	2,128,253
D.R. Horton	35,504	702,269
Fossil	7,038 [a]	655,238
Garmin	14,662 [b]	598,503
Harman International Industries	8,150	363,816
Hasbro	16,061 [b]	576,590
Leggett & Platt	19,083	519,439
Lennar, Cl. A	22,486 [b]	869,534
Mattel	46,381	1,698,472
Newell Rubbermaid	37,233	829,179
NIKE, Cl. B	97,690	5,040,804
PulteGroup	44,106 [a]	800,965
Ralph Lauren	8,310	1,245,835
VF	11,948	1,803,790
Whirlpool	10,526	1,071,021
		18,903,708
Consumer Services—1.8%		
Apollo Group, Cl. A	14,827 [a]	310,181
Carnival	59,162	2,175,387
Chipotle Mexican Grill	4,198 [a]	1,248,737
Darden Restaurants	16,603	748,297
H&R Block	37,117	689,263
International Game Technology	34,374	487,080
Marriott International, Cl. A	34,251	1,276,535
McDonald's	134,299	11,846,515
Starbucks	99,473	5,333,742
Starwood Hotels & Resorts Worldwide	26,487 [c]	1,519,294
Wyndham Worldwide	18,805	1,000,614

Common Stocks (continued)	Shares	Value ($)
Consumer Services (continued)		
Wynn Resorts	10,674	1,200,718
Yum! Brands	61,031	4,052,458
		31,888,821
Diversified Financials—6.4%		
American Express	131,224	7,542,756
Ameriprise Financial	28,668	1,795,477
Bank of America	1,435,799	16,655,268
Bank of New York Mellon	158,049	4,061,859
BlackRock	16,783	3,469,214
Capital One Financial	77,178	4,470,922
Charles Schwab	144,815	2,079,543
Citigroup	390,665	15,454,707
CME Group	40,441	2,050,763
Discover Financial Services	69,037	2,661,376
E*TRADE Financial	31,226 [a]	279,473
Franklin Resources	18,508	2,326,456
Goldman Sachs Group	59,088	7,537,265
IntercontinentalExchange	9,937 [a]	1,230,300
Invesco	60,804	1,586,376
JPMorgan Chase & Co.	508,381	22,353,513
Legg Mason	15,358	395,008
Leucadia National	25,029	595,440
Moody's	26,189	1,317,830
Morgan Stanley	183,456	3,507,679
NASDAQ OMX Group	16,720	418,167
Northern Trust	29,797	1,494,618
NYSE Euronext	31,582	996,096
SLM	63,886	1,094,367
State Street	62,184	2,923,270
T. Rowe Price Group	34,117	2,222,040
		110,519,783
Energy—10.8%		
Anadarko Petroleum	66,399	4,934,110
Apache	51,945	4,077,682
Baker Hughes	58,176	2,375,908
Cabot Oil & Gas	28,588	1,421,967

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
Cameron International	32,535 [a]	1,836,926
Chesapeake Energy	70,773 [b]	1,176,247
Chevron	261,546 [a]	28,283,584
ConocoPhillips	161,681	9,375,881
CONSOL Energy	31,076	997,540
Denbury Resources	51,990 [a]	842,238
Devon Energy	49,826	2,592,945
Diamond Offshore Drilling	8,837 [b]	600,563
Ensco, Cl. A	31,217	1,850,544
EOG Resources	35,864	4,332,013
EQT	20,214	1,192,222
Exxon Mobil	609,826	52,780,440
FMC Technologies	32,088 [a]	1,374,329
Halliburton	124,704	4,325,982
Helmerich & Payne	13,535	758,095
Hess	40,160	2,126,874
Kinder Morgan	83,852	2,962,491
Marathon Oil	94,959	2,911,443
Marathon Petroleum	45,321	2,855,223
Murphy Oil	24,585	1,464,037
Nabors Industries	36,637 [a]	529,405
National Oilwell Varco	57,335	3,918,847
Newfield Exploration	18,177 [a]	486,780
Noble	34,686	1,207,767
Noble Energy	23,999	2,441,658
Occidental Petroleum	107,792	8,257,945
Peabody Energy	36,868	981,057
Phillips 66	83,263	4,421,265
Pioneer Natural Resources	16,277	1,734,965
QEP Resources	24,072	728,659
Range Resources	21,759	1,367,118
Rowan, Cl. A	16,543 [a]	517,300
Schlumberger	176,737	12,246,107
Southwestern Energy	45,832 [a]	1,531,247
Spectra Energy	86,395	2,365,495
Tesoro	18,308	806,467

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
Valero Energy	74,665	2,547,570
Williams	90,434	2,960,809
WPX Energy	26,988 [a]	401,581
		186,901,326
Food & Staples Retailing—2.3%		
Costco Wholesale	57,936	5,722,339
CVS Caremark	166,759	8,062,798
Kroger	67,821	1,764,702
Safeway	32,833 [b]	593,949
Sysco	78,727	2,492,497
Wal-Mart Stores	223,908	15,277,243
Walgreen	115,234	4,264,810
Whole Foods Market	22,700	2,073,191
		40,251,529
Food, Beverage & Tobacco—5.9%		
Altria Group	270,564	8,501,121
Archer-Daniels-Midland	87,172	2,387,641
Beam	21,063	1,286,739
Brown-Forman, Cl. B	19,900	1,258,675
Campbell Soup	23,038 [b]	803,796
Coca-Cola	515,908	18,701,665
Coca-Cola Enterprises	37,686	1,195,777
ConAgra Foods	54,096	1,595,832
Constellation Brands, Cl. A	20,043 [a]	709,322
Dean Foods	25,870 [a]	427,114
Dr. Pepper Snapple Group	27,536	1,216,540
General Mills	87,016	3,516,317
H.J. Heinz	43,076	2,484,624
Hershey	19,912	1,438,045
Hormel Foods	18,619	581,099
J.M. Smucker	14,530	1,253,067
Kellogg	33,110	1,849,193
Kraft Foods Group	78,495	3,569,168
Lorillard	17,258	2,013,491
McCormick & Co.	17,744	1,127,276
Mead Johnson Nutrition	26,892	1,771,914

Common Stocks (continued)	Shares	Value ($)
Food, Beverage & Tobacco (continued)		
Molson Coors Brewing, Cl. B	20,524	878,222
Mondelez International, Cl. A	237,828	6,057,479
Monster Beverage	20,708 [a]	1,095,039
PepsiCo	207,312	14,186,360
Philip Morris International	223,433	18,687,936
Reynolds American	44,223	1,832,159
Tyson Foods, Cl. A	37,136	720,438
		101,146,049
Health Care Equipment & Services—3.7%		
Aetna	44,168	2,044,978
AmerisourceBergen	30,976	1,337,544
Baxter International	73,283	4,885,045
Becton Dickinson & Co.	26,599	2,079,776
Boston Scientific	194,066 [a]	1,111,998
C.R. Bard	10,612	1,037,217
Cardinal Health	45,049	1,855,118
CareFusion	28,603 [a]	817,474
Cerner	19,568 [a]	1,519,260
Cigna	38,114	2,037,574
Coventry Health Care	18,222	816,892
Covidien	63,710	3,678,615
DaVita HealthCare Partners	10,866 [a]	1,201,019
DENTSPLY International	19,644	778,099
Edwards Lifesciences	15,486 [a]	1,396,373
Express Scripts Holding	108,630 [a]	5,866,020
Humana	21,715	1,490,300
Intuitive Surgical	5,363 [a]	2,629,854
Laboratory Corp. of America Holdings	12,716 [a]	1,101,460
McKesson	31,289	3,033,781
Medtronic	136,694	5,607,188
Patterson	11,346	388,374
Quest Diagnostics	21,325	1,242,608
St. Jude Medical	41,163	1,487,631
Stryker	38,229	2,095,714
Tenet Healthcare	13,053 [a]	423,831
UnitedHealth Group	137,400	7,452,576

Common Stocks (continued)	Shares	Value ($)
Health Care Equipment & Services (continued)		
Varian Medical Systems	14,388 [a]	1,010,613
WellPoint	40,498	2,467,138
Zimmer Holdings	23,489	1,565,777
		64,459,847
Household & Personal Products—2.3%		
Avon Products	59,016	847,470
Clorox	17,355	1,270,733
Colgate-Palmolive	59,741	6,245,324
Estee Lauder, Cl. A	32,607	1,951,855
Kimberly-Clark	52,451	4,428,438
Procter & Gamble	365,691	24,826,762
		39,570,582
Insurance—4.0%		
ACE	45,500	3,630,900
Aflac	62,112	3,299,389
Allstate	65,017	2,611,733
American International Group	196,375 [a]	6,932,037
Aon	42,669	2,372,396
Assurant	11,443	397,072
Berkshire Hathaway, Cl. B	244,394 [a]	21,922,142
Chubb	35,657	2,685,685
Cincinnati Financial	19,911	779,715
Genworth Financial, Cl. A	68,350 [a]	513,308
Hartford Financial Services Group	58,898	1,321,671
Lincoln National	37,990	983,941
Loews	42,469	1,730,612
Marsh & McLennan	73,194	2,522,997
MetLife	145,868	4,804,892
Principal Financial Group	37,760	1,076,915
Progressive	76,271	1,609,318
Prudential Financial	61,799	3,295,741
Torchmark	12,455	643,550
Travelers	51,787	3,719,342
Unum Group	38,728	806,317
XL Group	42,023	1,053,096
		68,712,769

Common Stocks (continued)	Shares	Value ($)
Materials–3.6%		
Air Products & Chemicals	28,383	2,384,740
Airgas	9,628	878,940
Alcoa	139,340	1,209,471
Allegheny Technologies	13,887	421,609
Ball	20,771	929,502
Bemis	14,387	481,389
CF Industries Holdings	8,263	1,678,711
Cliffs Natural Resources	19,020 [b]	733,411
Dow Chemical	160,442	5,185,485
E.I. du Pont de Nemours & Co.	124,637	5,604,926
Eastman Chemical	20,736	1,411,085
Ecolab	34,850	2,505,715
FMC	18,626	1,089,994
Freeport-McMoRan Copper & Gold	126,055	4,311,081
International Flavors & Fragrances	10,335	687,691
International Paper	57,845	2,304,545
LyondellBasell Industries, Cl. A	50,987	2,910,848
MeadWestvaco	22,877	729,090
Monsanto	71,435	6,761,323
Mosaic	36,968	2,093,498
Newmont Mining	66,833	3,103,725
Nucor	41,908	1,809,587
Owens-Illinois	22,187 [a]	471,917
PPG Industries	20,442	2,766,825
Praxair	39,597	4,333,892
Sealed Air	22,210	388,897
Sherwin-Williams	11,374	1,749,549
Sigma-Aldrich	16,463	1,211,348
United States Steel	19,606 [b]	467,995
Vulcan Materials	17,780	925,449
		61,542,238
Media–3.5%		
Cablevision Systems (NY Group), Cl. A	26,917	402,140
CBS, Cl. B	78,872	3,001,080
Comcast, Cl. A	356,413	13,322,718
DIRECTV	80,829 [a]	4,054,383

Common Stocks (continued)	Shares	Value ($)
Media (continued)		
Discovery Communications, Cl. A	32,667 [a]	2,073,701
Gannett	29,194	525,784
Interpublic Group of Cos.	57,023	628,393
McGraw-Hill	37,348	2,041,815
News, Cl. A	269,692	6,887,934
Omnicom Group	34,997	1,748,450
Scripps Networks Interactive, Cl. A	11,766	681,487
Time Warner	127,161	6,082,111
Time Warner Cable	40,666	3,952,329
Viacom, Cl. B	62,794	3,311,756
Walt Disney	237,023	11,801,375
Washington Post, Cl. B	514 [b]	187,718
		60,703,174
Pharmaceuticals, Biotech & Life Sciences–8.1%		
Abbott Laboratories	211,375	13,845,062
Agilent Technologies	46,018	1,883,977
Alexion Pharmaceuticals	25,935 [a]	2,432,962
Allergan	40,816	3,744,052
Amgen	102,595	8,856,000
Biogen Idec	31,401 [a]	4,605,585
Bristol-Myers Squibb	220,790	7,195,546
Celgene	57,307 [a]	4,511,207
Eli Lilly & Co.	135,824	6,698,840
Forest Laboratories	31,825 [a]	1,124,059
Gilead Sciences	100,664 [a]	7,393,771
Hospira	21,233 [a]	663,319
Johnson & Johnson	370,184	25,949,898
Life Technologies	23,827 [a]	1,169,429
Merck & Co.	405,809	16,613,820
Mylan	53,916 [a]	1,481,612
PerkinElmer	14,978	475,402
Perrigo	11,960	1,244,199
Pfizer	984,784	24,698,383

Common Stocks (continued)	Shares		Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)			
Thermo Fisher Scientific	49,325		3,145,949
Waters	11,894	[a]	1,036,205
Watson Pharmaceuticals	16,765	[a]	1,441,790
			140,211,067
Real Estate–2.2%			
American Tower	52,460		4,053,584
Apartment Investment & Management, Cl. A	19,722	[c]	533,677
AvalonBay Communities	15,058	[c]	2,041,714
Boston Properties	20,089	[c]	2,125,617
CBRE Group, Cl. A	41,107	[a]	818,029
Equity Residential	43,007	[c]	2,437,207
HCP	60,438	[c]	2,730,589
Health Care	33,634	[c]	2,061,428
Host Hotels & Resorts	98,163	[c]	1,538,214
Kimco Realty	54,312	[c]	1,049,308
Plum Creek Timber	20,903	[c]	927,466
ProLogis	60,916	[c]	2,222,825
Public Storage	19,371	[c]	2,808,020
Simon Property Group	41,362	[c]	6,538,919
Ventas	39,527	[c]	2,558,187
Vornado Realty Trust	23,010	[c]	1,842,641
Weyerhaeuser	71,057	[c]	1,976,806
			38,264,231
Retailing–4.1%			
Abercrombie & Fitch, Cl. A	10,357		496,825
Amazon.com	48,166	[a]	12,096,409
AutoNation	4,721	[a,b]	187,424
AutoZone	5,061	[a]	1,793,770
Bed Bath & Beyond	30,651	[a]	1,713,697
Best Buy	37,813		448,084
Big Lots	8,410	[a]	239,349
CarMax	29,742	[a]	1,116,515
Dollar General	35,691	[a]	1,573,616

Common Stocks (continued)	Shares		Value ($)
Retailing (continued)			
Dollar Tree	31,428	a	1,274,720
Expedia	11,971		735,618
Family Dollar Stores	13,215		837,963
GameStop, Cl. A	15,711	b	394,189
Gap	40,587		1,259,820
Genuine Parts	20,478		1,301,991
Home Depot	200,767		12,417,439
J.C. Penney	20,198	b	398,103
Kohl's	29,381		1,262,795
Limited Brands	31,784		1,495,755
Lowe's	150,439		5,343,593
Macy's	53,851		2,101,266
Netflix	7,217	a	669,593
Nordstrom	20,786		1,112,051
O'Reilly Automotive	16,176	a	1,446,458
PetSmart	14,702		1,004,735
priceline.com	6,616	a	4,109,859
Ross Stores	29,504		1,597,642
Staples	93,132		1,061,705
Target	87,046		5,150,512
Tiffany & Co.	16,201		928,965
TJX	98,536		4,182,853
TripAdvisor	13,824	a	580,055
Urban Outfitters	13,780	a	542,381
			70,875,750
Semiconductors & Semiconductor Equipment—2.0%			
Advanced Micro Devices	82,112	a,b	197,069
Altera	41,943		1,444,517
Analog Devices	39,273		1,651,822
Applied Materials	160,257		1,833,340
Broadcom, Cl. A	68,029	a	2,259,243
First Solar	7,628	a,b	235,553

Common Stocks (continued)	Shares	Value ($)
Semiconductors & Semiconductor Equipment (continued)		
Intel	666,414	13,748,121
KLA-Tencor	22,841	1,090,886
Lam Research	22,069 [a]	797,353
Linear Technology	30,561	1,048,242
LSI	75,504 [a]	534,568
Microchip Technology	26,011 [b]	847,698
Micron Technology	138,381 [a]	878,719
NVIDIA	82,627	1,015,486
Teradyne	24,552 [a]	414,683
Texas Instruments	152,330	4,713,090
Xilinx	35,039	1,257,900
		33,968,290
Software & Services—9.4%		
Accenture, Cl. A	85,059	5,656,424
Adobe Systems	65,086 [a]	2,452,440
Akamai Technologies	22,882 [a]	936,103
Autodesk	29,599 [a]	1,046,325
Automatic Data Processing	65,110	3,711,921
BMC Software	19,979 [a]	792,367
CA	44,490	977,890
Citrix Systems	24,955 [a]	1,640,791
Cognizant Technology Solutions, Cl. A	39,865 [a]	2,952,003
Computer Sciences	21,610	865,480
eBay	154,333 [a]	7,874,070
Electronic Arts	41,318 [a]	600,351
Fidelity National Information Services	33,997	1,183,436
Fiserv	17,862 [a]	1,411,634
Google, Cl. A	35,573 [a]	25,234,419
International Business Machines	142,062	27,211,976
Intuit	36,513	2,172,523
MasterCard, Cl. A	14,388	7,068,537
Microsoft	1,012,666	27,068,562

Common Stocks (continued)	Shares	Value ($)
Software & Services (continued)		
Oracle	502,759	16,751,930
Paychex	43,587	1,357,299
Red Hat	25,249 [a]	1,337,187
SAIC	37,552	425,089
Salesforce.com	17,467 [a]	2,936,203
Symantec	93,733 [a]	1,763,118
Teradata	22,910 [a]	1,417,900
Total System Services	20,172	432,084
VeriSign	20,666 [a]	802,254
Visa, Cl. A	69,590	10,548,452
Western Union	78,931	1,074,251
Yahoo!	138,079 [a]	2,747,772
		162,450,791
Technology Hardware & Equipment—7.4%		
Amphenol, Cl. A	21,429	1,386,456
Apple	125,805	67,057,839
Cisco Systems	710,007	13,951,638
Corning	199,622	2,519,230
Dell	194,063	1,965,858
EMC	279,201 [a]	7,063,785
F5 Networks	10,419 [a]	1,012,206
FLIR Systems	18,628	415,591
Harris	15,059	737,289
Hewlett-Packard	260,945	3,718,466
Jabil Circuit	24,327	469,268
JDS Uniphase	31,303 [a]	423,843
Juniper Networks	70,645 [a]	1,389,587
Molex	19,018 [b]	519,762
Motorola Solutions	38,255	2,130,038
NetApp	48,862 [a]	1,639,320
QUALCOMM	226,900	14,072,338
SanDisk	33,020 [a]	1,438,351
Seagate Technology	44,964 [b]	1,370,503
TE Connectivity	57,400	2,130,688
Western Digital	30,278	1,286,512

Common Stocks (continued)	Shares	Value ($)
Technology Hardware & Equipment (continued)		
Xerox	175,188	1,194,782
		127,893,350
Telecommunication Services–3.0%		
AT&T	759,739	25,610,802
CenturyLink	83,616	3,271,058
Crown Castle International	38,819 [a]	2,801,179
Frontier Communications	135,514 [b]	580,000
MetroPCS Communications	42,878 [a]	426,207
Sprint Nextel	401,610 [a]	2,277,129
Verizon Communications	381,664	16,514,601
Windstream	80,533 [b]	666,813
		52,147,789
Transportation–1.6%		
C.H. Robinson Worldwide	21,239	1,342,730
CSX	137,778	2,718,360
Expeditors International of Washington	28,782	1,138,328
FedEx	38,745	3,553,691
Norfolk Southern	42,313	2,616,636
Ryder System	6,897	344,367
Southwest Airlines	101,115	1,035,418
Union Pacific	63,022	7,923,126
United Parcel Service, Cl. B	95,628	7,050,652
		27,723,308
Utilities–3.4%		
AES	83,991	898,704
AGL Resources	16,031	640,759
Ameren	33,246	1,021,317
American Electric Power	64,245	2,741,977
CenterPoint Energy	57,365	1,104,276
CMS Energy	35,654	869,245
Consolidated Edison	38,918	2,161,506
Dominion Resources	77,010	3,989,118
DTE Energy	22,870	1,373,343
Duke Energy	93,629	5,973,530

Common Stocks (continued)	Shares	Value ($)
Utilities (continued)		
Edison International	43,042	1,945,068
Entergy	23,992	1,529,490
Exelon	115,035	3,421,141
FirstEnergy	55,325	2,310,372
Integrys Energy Group	9,923	518,179
NextEra Energy	56,121	3,883,012
NiSource	41,385	1,030,073
Northeast Utilities	42,468	1,659,649
NRG Energy	43,245	994,203
ONEOK	27,862	1,191,101
Pepco Holdings	31,659 [b]	620,833
PG&E	57,027	2,291,345
Pinnacle West Capital	14,687	748,743
PPL	77,967	2,232,195
Public Service Enterprise Group	67,146	2,054,668
SCANA	17,807	812,711
Sempra Energy	29,720	2,108,337
Southern	117,164	5,015,791
TECO Energy	27,160	455,202
Wisconsin Energy	30,050	1,107,343
Xcel Energy	66,376	1,772,903
		58,476,134
Total Common Stocks (cost $1,099,126,810)		**1,703,690,229**

Short-Term Investments—.1%	Principal Amount ($)	Value ($)
U.S. Treasury Bills;		
0.03%, 3/14/13 (cost $1,229,921)	1,230,000 [d]	**1,229,921**

Other Investment—1.2%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $20,880,219)	20,880,219 [e]	**20,880,219**

Investment of Cash Collateral for Securities Loaned–.8%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Plus Fund (cost $13,336,773)	13,336,773 [e]	**13,336,773**
Total Investments (cost $1,134,573,723)	**100.7%**	**1,739,137,142**
Liabilities, Less Cash and Receivables	**(.7%)**	**(12,433,127)**
Net Assets	**100.0%**	**1,726,704,015**

REIT—Real Estate Investment Trust

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2012, the value of the fund's securities on loan was $13,125,557 and the value of the collateral held by the fund was $13,459,336, consisting of cash collateral of $13,336,773 and U.S. Government & Agency securities valued at $122,563.*

[c] *Investment in real estate investment trust.*

[d] *Held by or on behalf of a counterparty for open financial futures positions.*

[e] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	10.8	Telecommunication Services	3.0
Software & Services	9.4	Banks	2.8
Pharmaceuticals, Biotech & Life Sciences	8.1	Food & Staples Retailing	2.3
Capital Goods	7.7	Household & Personal Products	2.3
Technology Hardware & Equipment	7.4	Real Estate	2.2
Diversified Financials	6.4	Short-Term/Money Market Investments	2.1
Food, Beverage & Tobacco	5.9	Semiconductors & Semiconductor Equipment	2.0
Retailing	4.1	Consumer Services	1.8
Insurance	4.0	Transportation	1.6
Health Care Equipment & Services	3.7	Consumer Durables & Apparel	1.1
Materials	3.6	Automobiles & Components	.8
Media	3.5	Commercial & Professional Services	.7
Utilities	3.4		**100.7**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF FINANCIAL FUTURES

December 31, 2012

	Contracts	Market Value Covered by Contracts ($)	Expiration	Unrealized (Depreciation) at 12/31/2012 ($)
Financial Futures Long				
Standard & Poor's 500 E-mini	345	24,496,725	March 2013	**(20,498)**

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $13,125,557)—Note 1(b):		
Unaffiliated issuers	1,100,356,731	1,704,920,150
Affiliated issuers	34,216,992	34,216,992
Cash		743,577
Dividends and securities lending income receivable		1,894,579
Receivable for futures variation margin—Note 4		617,614
Receivable for investment securities sold		260,242
Prepaid expenses		130,424
		1,742,783,578
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		403,732
Liability for securities on loan—Note 1(b)		13,336,773
Payable for shares of Common Stock redeemed		2,256,401
Accrued expenses		82,657
		16,079,563
Net Assets ($)		**1,726,704,015**
Composition of Net Assets ($):		
Paid-in capital		1,158,277,820
Accumulated undistributed investment income—net		188,369
Accumulated net realized gain (loss) on investments		(36,305,095)
Accumulated net unrealized appreciation (depreciation) on investments [including ($20,498) net unrealized depreciation on financial futures]		604,542,921
Net Assets ($)		**1,726,704,015**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	1,541,577,103	185,126,912
Shares Outstanding	48,384,979	5,804,020
Net Asset Value Per Share ($)	**31.86**	**31.90**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2012

Investment Income ($):	
Income:	
Cash dividends (net of $21,763 foreign taxes withheld at source):	
Unaffiliated issuers	39,650,010
Affiliated issuers	18,373
Income from securities lending—Note 1(b)	130,441
Interest	748
Total Income	**39,799,572**
Expenses:	
Management fee—Note 3(a)	4,232,939
Distribution fees—Note 3(b)	448,664
Prospectus and shareholders' reports	230,372
Directors' fees and expenses—Note 3(d)	133,110
Professional fees	92,688
Shareholder servicing costs—Note 3(c)	37,508
Loan commitment fees—Note 2	16,801
Registration fees	1,394
Miscellaneous	136,999
Total Expenses	**5,330,475**
Less—reduction in expenses due to earnings credits—Note 3(c)	(8)
Net Expenses	**5,330,467**
Investment Income—Net	**34,469,105**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	10,542,407
Net realized gain (loss) on financial futures	6,405,716
Net Realized Gain (Loss)	**16,948,123**
Net unrealized appreciation (depreciation) on investments	202,013,575
Net unrealized appreciation (depreciation) on financial futures	(970,994)
Net Unrealized Appreciation (Depreciation)	**201,042,581**
Net Realized and Unrealized Gain (Loss) on Investments	**217,990,704**
Net Increase in Net Assets Resulting from Operations	**252,459,809**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2012	2011
Operations ($):		
Investment income–net	34,469,105	30,655,167
Net realized gain (loss) on investments	16,948,123	87,274,296
Net unrealized appreciation (depreciation) on investments	201,042,581	(84,167,175)
Net Increase (Decrease) in Net Assets Resulting from Operations	**252,459,809**	**33,762,288**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(31,531,984)	(28,344,208)
Service Shares	(3,238,424)	(2,688,460)
Net realized gain on investments:		
Initial Shares	(77,220,676)	(10,509,094)
Service Shares	(8,527,384)	(1,112,437)
Total Dividends	**(120,518,468)**	**(42,654,199)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	170,865,184	171,025,336
Service Shares	26,033,937	28,394,145
Dividends reinvested:		
Initial Shares	108,752,660	38,853,302
Service Shares	11,765,808	3,800,897
Cost of shares redeemed:		
Initial Shares	(343,644,715)	(349,530,185)
Service Shares	(34,603,925)	(31,935,289)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(60,831,051)**	**(139,391,794)**
Total Increase (Decrease) in Net Assets	**71,110,290**	**(148,283,705)**
Net Assets ($):		
Beginning of Period	1,655,593,725	1,803,877,430
End of Period	**1,726,704,015**	**1,655,593,725**
Undistributed investment income–net	188,369	489,672

	Year Ended December 31,	
	2012	2011
Capital Share Transactions:		
Initial Shares		
Shares sold	5,457,760	5,767,892
Shares issued for dividends reinvested	3,454,350	1,300,359
Shares redeemed	(10,985,766)	(11,714,021)
Net Increase (Decrease) in Shares Outstanding	**(2,073,656)**	**(4,645,770)**
Service Shares		
Shares sold	835,289	963,854
Shares issued for dividends reinvested	373,230	127,057
Shares redeemed	(1,103,497)	(1,074,192)
Net Increase (Decrease) in Shares Outstanding	**105,022**	**16,719**

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	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	29.48	29.67	26.31	22.98	37.40
Investment Operations:					
Investment income–net[a]	.63	.54	.48	.48	.64
Net realized and unrealized gain (loss) on investments	3.95	.02	3.37	4.85	(14.40)
Total from Investment Operations	4.58	.56	3.85	5.33	(13.76)
Distributions:					
Dividends from investment income–net	(.64)	(.55)	(.49)	(.48)	(.66)
Dividends from net realized gain on investments	(1.56)	(.20)	–	(1.52)	–
Total Distributions	(2.20)	(.75)	(.49)	(2.00)	(.66)
Net asset value, end of period	31.86	29.48	29.67	26.31	22.98
Total Return (%)	15.74	1.88	14.84	26.33	(37.14)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.28	.27	.27	.29	.28
Ratio of net expenses to average net assets	.28	.27	.27	.29	.28
Ratio of net investment income to average net assets	2.02	1.81	1.78	2.12	2.04
Portfolio Turnover Rate	3.13	3.27	4.46	5.42	4.69
Net Assets, end of period ($ x 1,000)	1,541,577	1,487,417	1,635,095	1,593,165	1,464,344

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	29.51	29.70	26.34	23.00	37.41
Investment Operations:					
Investment income—net[a]	.56	.47	.41	.43	.57
Net realized and unrealized gain (loss) on investments	3.96	.02	3.38	4.85	(14.42)
Total from Investment Operations	4.52	.49	3.79	5.28	(13.85)
Distributions:					
Dividends from investment income—net	(.57)	(.48)	(.43)	(.42)	(.56)
Dividends from net realized gain on investments	(1.56)	(.20)	–	(1.52)	–
Total Distributions	(2.13)	(.68)	(.43)	(1.94)	(.56)
Net asset value, end of period	31.90	29.51	29.70	26.34	23.00
Total Return (%)	15.47	1.62	14.54	26.05	(37.32)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.53	.52	.52	.54	.53
Ratio of net expenses to average net assets	.53	.52	.52	.54	.53
Ratio of net investment income to average net assets	1.78	1.56	1.53	1.86	1.72
Portfolio Turnover Rate	3.13	3.27	4.46	5.42	4.69
Net Assets, end of period ($ x 1,000)	185,127	168,177	168,782	150,369	124,614

[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, 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 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 of the 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 fund's Board of Directors (the "Board"). 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.

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 financial futures. 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. 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 within 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, 2012 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 Common Stocks†	1,701,839,685	–	–	**1,701,839,685**
Equity Securities– Foreign Common Stocks†	1,850,544	–	–	**1,850,544**

	Level 1–Unadjusted Quoted Prices	Level 2–Other Significant Observable Inputs	Level 3–Significant Unobservable Inputs	Total
Assets ($) (continued)				
Mutual Funds	34,216,992	–	–	**34,216,992**
U.S. Treasury	–	1,229,921	–	**1,229,921**
Liabilities ($)				
Other Financial Instruments:				
Financial Futures††	(20,498)	–	–	**(20,498)**

† *See Statement of Investments for additional detailed categorizations.*
†† *Amount shown represents unrealized (depreciation) at period end.*

At December 31, 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

(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, 2012. The Bank of New York Mellon earned $55,903 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. Investments in affiliated investment companies for the period ended December 31, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 12/31/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	43,932,285	170,664,927	193,716,993	20,880,219	1.2
Dreyfus Institutional Cash Advantage Fund	17,596,811	113,442,590	117,702,628	13,336,773	.8
Total	**61,529,096**	**284,107,517**	**311,419,621**	**34,216,992**	**2.0**

(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, 2012, 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, 2012 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2012, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $3,937,990, undistributed capital gains $17,173,692 and unrealized appreciation $547,307,218.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2012 and December 31, 2011 were as follows: ordinary income $36,613,092 and $31,032,668 and long-term capital gains $83,905,376 and $11,621,531, respectively.

(f) New Accounting Pronouncement: In December 2011, FASB issued Accounting Standards Update No. 2011-11 "Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"). These disclosure requirements are intended to help investors and other financial statement users to better assess the effect or potential effect of offsetting arrangements on a company's financial position. They also improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. In addition, ASU 2011-11 facilitates comparison between those entities that prepare their financial statements on the basis of GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). ASU 2011-11 requires entities to: disclose both gross and net information about both instruments and transactions eligible for offset in the financial statements; and disclose instruments and transactions subject to an agreement similar to a master netting agreement. ASU 2011-11 is effective for fiscal years beginning on or after January 1, 2013,

and interim periods within those annual periods. At this time, management is evaluating the implications of ASU 2011-11 and its impact on the fund's financial statement disclosures.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $210 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. Prior to October 10, 2012, the unsecured credit facility with Citibank, N.A., was $225 million. 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, 2012, the fund did not borrow under the Facilities.

NOTE 3—Management Fee, Index Management Fee and Other Transactions With Affiliates:

(a) Pursuant to a management agreement ("the 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. Pursuant to the Agreement, the fund's custody fee is included in the management fee.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2012, Service shares were charged $448,664 pursuant to the Distribution 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, 2012, Initial shares were charged $32,320 pursuant to the Shareholders Services Plan.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency services for the fund and, since May 29, 2012, cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $1,252 for transfer agency services and $40 for cash management services. Cash management fees were partially offset by earnings credits of $4. These fees are included in Shareholder servicing costs in the Statement of Operations.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $93 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

During the period ended December 31, 2012, the fund was charged $8,783 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $357,800, Distribution Plan fees $39,192, Shareholder Services Plan fees $2,375, Chief Compliance Officer fees $3,981 and transfer agency fees $384.

(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, 2012, amounted to $53,297,731 and $168,839,158, respectively.

Derivatives: A derivative is a financial instrument whose performance is derived from the performance of another asset. Each type of derivative instrument that was held by the fund during the period ended December 31, 2012 is discussed below.

Financial Futures: 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 in order to manage its exposure to or protect against changes in the market. A financial 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 counterparty, 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. When the contracts are closed, the fund

recognizes a realized gain or loss which is reflected in the Statement of Operations. There is minimal counterparty credit risk to the fund with financial futures since they are exchange traded, and the exchange's clearinghouse guarantees the financial futures against default. Financial futures open at December 31, 2012 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, 2012:

	Average Market Value ($)
Equity financial futures contracts	28,840,766

At December 31, 2012, the cost of investments for federal income tax purposes was $1,191,829,924; accordingly, accumulated net unrealized appreciation on investments was $547,307,218, consisting of $750,190,676 gross unrealized appreciation and $202,883,458 gross unrealized depreciation.

NOTE 5—Pending Legal Matters:

The fund and many other entities have been named as defendants in numerous pending litigations as a result of their participation in the leveraged buyout transaction ("LBO") of the Tribune Company ("Tribune"). The cases allege that Tribune took on billions of dollars of debt in the LBO to purchase its own stock from shareholders at $34 per share. The LBO was closed in a two step transaction with shares being repurchased by Tribune in a tender offer in June 2007 and in a go-private merger in December 2007. In 2008, approximately one year after the LBO was concluded, Tribune filed for bankruptcy protection under Chapter 11. Thereafter, in approximately June 2011, certain Tribune creditors filed dozens of complaints in various courts throughout the country alleging that the payments made to shareholders in the LBO were "fraudulent conveyances" under state and/or federal law, 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 coordinated pre-trial proceedings in a multi-district litigation in the United States District Court for the Southern District of New York titled In re

Tribune Company Fraudulent Conveyance Litigation (S.D.N.Y. Nos. 11-md-2296 and 12-mc-2296 (WHP) ("Tribune MDL")).

In addition, there was a case pending in United States Bankruptcy Court for the District of Delaware brought by the Unsecured Creditors Committee of the Tribune Company that has since been transferred to the Tribune MDL (The Official Committee of Unsecured Creditors of Tribune Co. v. FitzSimons, et al., formerly Bankr. D. Del. Adv. Pro. No. 10-54010 (KJC) and now S.D.N.Y. No. 12-cv-2652 (WHP)). The case was originally filed on November 1, 2010. In a Fourth Amended Complaint filed in November 2012, among other claims, the Creditors Committee seeks recovery under the Bankruptcy Code for alleged "fraudulent conveyances" from more than 6,000 Tribune shareholders, including the fund, and a defendants class of all shareholders who tendered their Tribune stock in the LBO and received cash in exchange. There are 35 other counts in the Fourth Amended Complaint that do not relate to claims against shareholder defendants, but instead are brought against parties directly involved in approval or execution of the leveraged buyout. On January 10, 2013, pursuant to the Tribune bankruptcy plan, Mark S. Kirchner, as Litigation Trustee for the Tribune Litigation Trust, became the successor plaintiff to the Creditors Committee in this case.

On November 6, 2012, a motion to dismiss was filed in the Tribune MDL. The hearing on the motion is set for March 2013. If successful, the motion would dismiss all cases in the Tribune MDL, except the FitzSimons case, in full.

Per order of the Court, the FitzSimons case remains stayed until a decision is rendered on the motion to dismiss in the Tribune MDL. No response to that Fourth Amended Complaint is currently required.

At this 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 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, 2012, 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 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, 2012 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, 2012, 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

New York, New York
February 13, 2013

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, 2012 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2013 of the percentage applicable to the preparation of their 2012 income tax returns. Also, the fund hereby reports $.0335 per share as a short-term capital gain distribution paid and $1.5254 per share as a long-term capital gain distribution paid on March 30, 2012.

PROXY RESULTS (Unaudited)

The fund held a special meeting of shareholders on August 3, 2012. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect additional Board Members:		
Lynn Martin†	49,214,830	1,991,395
Robin A. Melvin†	49,286,633	1,919,592
Philip L. Toia†	49,104,921	2,101,304

† *Each new Board Member's term commenced on September 1, 2012.*

In addition Peggy C. Davis, Joseph S. DiMartino, David P. Feldman, Ehud Houminer and Dr. Martin Peretz continue as Board Members of the fund.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (69)
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: 151

Peggy C. Davis (69)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law (1983-present)

No. of Portfolios for which Board Member Serves: 63

David P. Feldman (73)
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: 46

Ehud Houminer (72)
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 (1993-2012)

No. of Portfolios for which Board Member Serves: 70

Lynn Martin (73)
Board Member (2012)

Principal Occupation During Past 5 Years:
- President of The Martin Hall Group LLC, a human resources consulting firm, from January 2005-present

Other Public Company Board Memberships During Past 5 Years:
- AT&T Inc., a telecommunications company, Director (1999-2012)
- Ryder System, Inc., a supply chain and transportation management company, Director (1993-2012)
- The Proctor & Gamble Co., a consumer products company, Director (1994-2009)
- Constellation Energy Group Inc., Director (2003-2009)

No. of Portfolios for which Board Member Serves: 46

Robin A. Melvin (49)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 97

Dr. Martin Peretz (73)
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: 46

Philip L. Toia (79)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Private Investor

No. of Portfolios for which Board Member Serves: 56

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 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 69 investment companies (comprised of 150 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 50 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 39 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 57 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 60 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 44 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 48 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 (70 investment companies, comprised of 177 portfolios). He is 55 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.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 66 investment companies (comprised of 173 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Distributor since October 2011.

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, 2012

BNY MELLON

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 PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Variable Investment Fund, Appreciation Portfolio, covering the 12-month period from January 1, 2012, through December 31, 2012. 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.

In retrospect, 2012 was notable for the global equity markets' resilience in the face of some tough macroeconomic challenges. Worries regarding sluggish employment growth, weak housing markets and Congressional gridlock weighed on investor sentiment in the United States at times during the year, yet U.S. stocks posted respectable gains, on average. An ongoing debt crisis led to recessionary conditions in Europe, particularly for some of the continent's more peripheral nations, but aggressive actions from monetary policymakers helped some European stock markets produce double-digit returns. While China's economy slowed in response to inflation-fighting measures, officials there appeared to have engineered a "soft landing," and Chinese stocks generally ended the year with positive absolute returns.

We currently expect the U.S. and global economies to be modestly stronger in 2013, especially during the second half of the year. The global economy seems likely to benefit from Europe's ongoing efforts to support its banking system and common currency, and by China's moves toward more stimulative fiscal policies under new government leadership. In the United States, greater certainty regarding U.S. tax and fiscal policies, the resumption of postponed spending by businesses, and a continued housing recovery could support modestly higher rates of economic growth. We encourage you to discuss the implications of our economic analysis with your financial advisor, who can help you align your investments with the year's challenges and opportunities.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2013

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through December 31, 2012, 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, 2012, Dreyfus Variable Investment Fund, Appreciation Portfolio's Initial shares produced a total return of 10.44%, and its Service shares produced a total return of 10.14%.[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 15.99% for the same period.[2]

Despite bouts of volatility, stocks generally advanced over the reporting period as global and domestic economic conditions improved. The fund produced lower returns than its benchmark, mainly due to shortfalls in the financials and energy sectors.

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]

Improving Macroeconomic Conditions Fueled Market Gains

Several positive macroeconomic developments drove stocks higher during the first quarter of 2012. These included strong corporate earnings reports, domestic employment gains, and a quantitative easing program in Europe that forestalled a more severe regional banking crisis. However, investor sentiment turned more cautious during the spring, when the U.S. labor market's rebound slowed and measures designed to relieve fiscal pressures in Europe encountered resistance.

Stocks rebounded over the summer, reaching new highs for the year by September amid more encouraging economic news, including sharp declines in the unemployment rate. The market lost ground again in November as concerns mounted over automatic tax hikes and spending cuts scheduled for the start of 2013. Nevertheless, continued corporate earnings strength and signs of an improving U.S. housing market enabled stocks to resume their rally, and the S&P 500 Index ended the year with double-digit gains.

Sector Allocations Weighed on Results

Although the fund participated significantly in the market's gains, its relative performance was undermined by an overweighted position in the energy sector, where a sluggish global economy and a glut of domestic, shale-sourced oil and gas pressured large, integrated energy producers. Underweighted exposure to the financials sector helped support returns in previous years, but it prevented the fund from benefiting when major banks rallied from depressed levels.

The fund also was hindered by some disappointments among individual stocks. Brazilian casual dining franchisee Arcos Dorados Holdings, Cl. A struggled in a slower local economy. Occidental Petroleum encountered weaker oil prices and problems at one of its oil fields. Fast food giant McDonald's was hurt by lower same-store sales comparisons and weakness in Europe.

The fund achieved better results in other areas. The fund held no stocks in the lagging utilities sector. Among the fund's information technology holdings, electronics innovator Apple continued to score impressive success with its tablet computer and smartphone products. Consumer discretionary holding Christian Dior benefited from rising demand for luxury goods in the recovering global economy. Media conglomerate News Corp., Class A, gained value amid increased advertising spending and plans to unlock value by splitting the company in two.

We made a number of changes to the fund's composition in 2012, adding new positions in global spirits maker Diageo, brewer SAPMiller, Norwegian oil producer Statoil, and technology firm Xilinx. We eliminated only one holding, Green Mountain Coffee, during the year.

Stocks May Be Poised for Additional Gains

Aggressively accommodative monetary policies among the world's central banks and continued signs of improvement in the U.S. and global economies underlie our generally optimistic outlook for equities in 2013. We expect corporate earnings and dividends to continue to grow over the coming year, but at a lower rate than in 2012. Meanwhile, valuations across most sectors remain attractive even in the wake of recent market rallies, and persistently low interest rates may continue to attract investors to dividend-paying stocks. Therefore, we have maintained our focus on high quality, multinational companies with strong balance sheets, dominant brands, and above-average earnings and dividend growth characteristics.

January 15, 2013

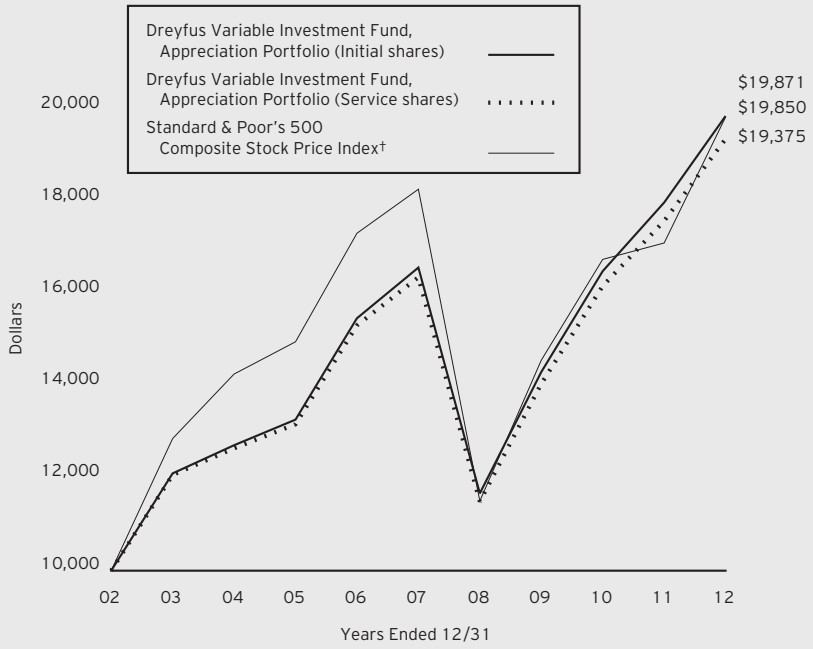
Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees, all of which are more fully described in the fund's prospectus.
Fund shares are only available as a funding vehicle under variable life insurance 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. The investment objective and policies of Dreyfus Variable Investment Fund, Appreciation Portfolio made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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 any 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 12/31/12*

	1 Year	5 Years	10 Years
Initial shares	**10.44%**	**3.69%**	**7.11%**
Service shares	**10.14%**	**3.43%**	**6.84%**
Standard & Poor's 500 Composite Stock Price Index	**15.99%**	**1.66%**	**7.10%**

† *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 12/31/02 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 for Initial and Service shares. 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, 2012 to December 31, 2012. 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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.13	$ 5.40
Ending value (after expenses)	$1,030.00	$1,028.40

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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.12	$ 5.38
Ending value (after expenses)	$1,021.06	$1,019.81

† *Expenses are equal to the fund's annualized expense ratio of .81% for Initial Shares and 1.06% for Service Shares, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2012

Common Stocks—98.8%	Shares	Value ($)
Capital Goods—3.5%		
Caterpillar	94,400	8,456,352
General Electric	194,800	4,088,852
United Technologies	89,000	7,298,890
		19,844,094
Consumer Services—3.3%		
Arcos Dorados Holdings, Cl. A	125,000 [a]	1,495,000
McDonald's	195,900	17,280,339
		18,775,339
Diversified Financials—4.1%		
BlackRock	31,000	6,408,010
Franklin Resources	41,000	5,153,700
JPMorgan Chase & Co.	267,300	11,753,181
		23,314,891
Energy—19.5%		
Chevron	210,900	22,806,726
ConocoPhillips	165,100	9,574,149
Exxon Mobil	328,364	28,419,904
Imperial Oil	100,000	4,300,000
Occidental Petroleum	163,100	12,495,091
Phillips 66	92,550	4,914,405
Royal Dutch Shell, Cl. A, ADR	197,500	13,617,625
Statoil, ADR	145,000	3,630,800
Total, ADR	204,400 [a]	10,630,844
		110,389,544
Food & Staples Retailing—1.6%		
Walgreen	134,300	4,970,443
Whole Foods Market	45,100	4,118,983
		9,089,426
Food, Beverage & Tobacco—23.4%		
Altria Group	476,100	14,959,062
Coca-Cola	921,200	33,393,500
Diageo, ADR	25,000	2,914,500
Kraft Foods Group	56,666	2,576,603

Common Stocks (continued)	Shares	Value ($)
Food, Beverage & Tobacco (continued)		
Mondelez International, Cl. A	170,000	4,329,900
Nestle, ADR	317,400	20,684,958
PepsiCo	142,900	9,778,647
Philip Morris International	456,100	38,148,204
SABMiller	120,000	5,648,197
		132,433,571
Health Care Equipment & Services–1.5%		
Intuitive Surgical	12,000 [b]	5,884,440
Medtronic	60,200	2,469,404
		8,353,844
Household & Personal Products–6.5%		
Christian Dior	66,100	11,427,794
Estee Lauder, Cl. A	133,400	7,985,324
Procter & Gamble	255,000	17,311,950
		36,725,068
Materials–4.4%		
Air Products & Chemicals	20,000	1,680,400
Freeport-McMoRan Copper & Gold	200,000	6,840,000
Praxair	95,200	10,419,640
Rio Tinto, ADR	100,000 [a]	5,809,000
		24,749,040
Media–4.2%		
McGraw-Hill	107,100	5,855,157
News, Cl. A	283,136	7,231,294
Time Warner Cable	50,000	4,859,500
Walt Disney	120,000	5,974,800
		23,920,751
Pharmaceuticals, Biotech & Life Sciences–8.6%		
Abbott Laboratories	191,800	12,562,900
Johnson & Johnson	212,900	14,924,290

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences (continued)		
Merck & Co.	63,200	2,587,408
Novo Nordisk, ADR	56,300	9,188,723
Roche Holding, ADR	185,700	9,377,850
		48,641,171
Retailing–4.0%		
Target	189,700	11,224,549
Wal-Mart Stores	171,600	11,708,268
		22,932,817
Semiconductors & Semiconductor Equipment–3.4%		
Intel	592,900	12,231,527
Texas Instruments	213,300	6,599,502
Xilinx	20,000	718,000
		19,549,029
Software & Services–3.7%		
Automatic Data Processing	100,400	5,723,804
International Business Machines	80,000	15,324,000
		21,047,804
Technology Hardware & Equipment–7.1%		
Apple	68,000	36,246,040
QUALCOMM	62,800	3,894,856
		40,140,896
Total Common Stocks (cost $334,022,172)		**559,907,285**
Other Investment–.7%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $3,916,352)	3,916,352 [c]	**3,916,352**

Investment of Cash Collateral for Securities Loaned—2.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $13,512,311)	13,512,311 [c]	**13,512,311**
Total Investments (cost $351,450,835)	**101.9%**	**577,335,948**
Liabilities, Less Cash and Receivables	**(1.9%)**	**(10,782,495)**
Net Assets	**100.0%**	**566,553,453**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At December 31, 2012, the value of the fund's securities on loan was $13,338,021 and the value of the collateral held by the fund was $13,512,311.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Food, Beverage & Tobacco	23.4	Software & Services	3.7
Energy	19.5	Capital Goods	3.5
Pharmaceuticals, Biotech & Life Sciences	8.6	Semiconductors & Semiconductor Equipment	3.4
Technology Hardware & Equipment	7.1	Consumer Services	3.3
Household & Personal Products	6.5	Money Market Investments	3.1
Materials	4.4	Food & Staples Retailing	1.6
Media	4.2	Health Care Equipment & Services	1.5
Diversified Financials	4.1		
Retailing	4.0		**101.9**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $13,338,021)—Note 1(c):		
Unaffiliated issuers	334,022,172	559,907,285
Affiliated issuers	17,428,663	17,428,663
Cash		2,340,097
Dividends and securities lending income receivable		1,130,449
Prepaid expenses		31,014
		580,837,508
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		323,086
Due to Fayez Sarofim & Co.		104,248
Liability for securities on loan—Note 1(c)		13,512,311
Payable for shares of Beneficial Interest redeemed		304,098
Accrued expenses		40,312
		14,284,055
Net Assets ($)		**566,553,453**
Composition of Net Assets ($):		
Paid-in capital		339,985,268
Accumulated undistributed investment income—net		161,768
Accumulated net realized gain (loss) on investments		521,304
Accumulated net unrealized appreciation (depreciation) on investments		225,885,113
Net Assets ($)		**566,553,453**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	345,985,202	220,568,251
Shares Outstanding	8,549,560	5,479,334
Net Asset Value Per Share ($)	**40.47**	**40.25**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2012

Investment Income ($):	
Income:	
Cash dividends (net of $443,439 foreign taxes withheld at source):	
Unaffiliated issuers	15,548,322
Affiliated issuers	6,081
Income from securities lending—Note 1(c)	120,724
Total Income	**15,675,127**
Expenses:	
Investment advisory fee—Note 3(a)	2,943,952
Sub-investment advisory fee—Note 3(a)	1,202,460
Distribution fees—Note 3(b)	494,859
Professional fees	97,548
Prospectus and shareholders' reports	76,874
Trustees' fees and expenses—Note 3(c)	42,840
Custodian fees—Note 3(b)	41,412
Shareholder servicing costs—Note 3(b)	8,911
Loan commitment fees—Note 2	4,655
Interest expense—Note 2	2,093
Miscellaneous	45,005
Total Expenses	**4,960,609**
Less—reduction in fees due to earnings credits—Note 3(b)	(10)
Net Expenses	**4,960,599**
Investment Income—Net	**10,714,528**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments and foreign currency transactions	3,173,613
Net unrealized appreciation (depreciation) on investments	39,110,502
Net Realized and Unrealized Gain (Loss) on Investments	**42,284,115**
Net Increase in Net Assets Resulting from Operations	**52,998,643**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2012	2011
Operations ($):		
Investment income–net	10,714,528	8,849,225
Net realized gain (loss) on investments	3,173,613	(368,068)
Net unrealized appreciation (depreciation) on investments	39,110,502	31,468,680
Net Increase (Decrease) in Net Assets Resulting from Operations	**52,998,643**	**39,949,837**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(12,974,543)	(5,339,622)
Service Shares	(6,423,266)	(2,014,556)
Total Dividends	**(19,397,809)**	**(7,354,178)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	55,289,006	46,939,033
Service Shares	75,211,364	64,879,366
Dividends reinvested:		
Initial Shares	12,974,543	5,339,622
Service Shares	6,423,266	2,014,556
Cost of shares redeemed:		
Initial Shares	(70,383,596)	(58,474,591)
Service Shares	(47,166,478)	(28,370,572)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**32,348,105**	**32,327,414**
Total Increase (Decrease) in Net Assets	**65,948,939**	**64,923,073**
Net Assets ($):		
Beginning of Period	500,604,514	435,681,441
End of Period	**566,553,453**	**500,604,514**
Undistributed investment income–net	161,768	8,843,223

	Year Ended December 31,	
	2012	2011
Capital Share Transactions:		
Initial Shares		
Shares sold	1,377,683	1,285,530
Shares issued for dividends reinvested	319,206	147,422
Shares redeemed	(1,739,175)	(1,599,685)
Net Increase (Decrease) in Shares Outstanding	**(42,286)**	**(166,733)**
Service Shares		
Shares sold	1,876,463	1,791,766
Shares issued for dividends reinvested	158,878	55,897
Shares redeemed	(1,171,311)	(789,159)
Net Increase (Decrease) in Shares Outstanding	**864,030**	**1,058,504**

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	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	37.99	35.44	31.40	28.88	44.86
Investment Operations:					
Investment income–net[a]	.82	.73	.64	.63	.67
Net realized and unrealized gain (loss) on investments	3.14	2.42	4.09	4.95	(13.01)
Total from Investment Operations	3.96	3.15	4.73	5.58	(12.34)
Distributions:					
Dividends from investment income–net	(1.48)	(.60)	(.69)	(.78)	(.77)
Dividends from net realized gain on investments	–	–	–	(2.28)	(2.87)
Total Distributions	(1.48)	(.60)	(.69)	(3.06)	(3.64)
Net asset value, end of period	40.47	37.99	35.44	31.40	28.88
Total Return (%)	10.44	9.01	15.32	22.56	(29.55)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.81	.80	.81	.80	.81
Ratio of net expenses to average net assets	.81	.80	.81	.80	.81
Ratio of net investment income to average net assets	2.02	1.99	2.01	2.31	1.82
Portfolio Turnover Rate	3.05	4.24	11.90	1.49	3.41
Net Assets, end of period ($ x 1,000)	345,985	326,445	310,385	290,073	274,782

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	37.74	35.23	31.21	28.70	44.59
Investment Operations:					
Investment income–net[a]	.72	.63	.58	.59	.58
Net realized and unrealized gain (loss) on investments	3.10	2.42	4.05	4.89	(12.94)
Total from Investment Operations	3.82	3.05	4.63	5.48	(12.36)
Distributions:					
Dividends from investment income–net	(1.31)	(.54)	(.61)	(.69)	(.66)
Dividends from net realized gain on investments	–	–	–	(2.28)	(2.87)
Total Distributions	(1.31)	(.54)	(.61)	(2.97)	(3.53)
Net asset value, end of period	40.25	37.74	35.23	31.21	28.70
Total Return (%)	10.14	8.74	15.04	22.23	(29.72)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.06	1.05	1.06	1.05	1.06
Ratio of net expenses to average net assets	1.06	1.05	1.06	1.05	1.06
Ratio of net investment income to average net assets	1.79	1.75	1.74	2.15	1.61
Portfolio Turnover Rate	3.05	4.24	11.90	1.49	3.41
Net Assets, end of period ($ x 1,000)	220,568	174,160	125,296	71,893	88,606

[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 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 of the 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 financial futures. 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 Company's Board of Trustees (the "Board"). 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 within 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.

Investments denominated in foreign currencies are translated to U.S. dollars at the prevailing rates of exchange.

The following is a summary of the inputs used as of December 31, 2012 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 Common Stocks†	461,181,994	–	–	**461,181,994**
Equity Securities– Foreign Common Stocks†	81,649,300	17,075,991††	–	**98,725,291**
Mutual Funds	17,428,663	–	–	**17,428,663**

† *See Statement of Investments for additional detailed categorizations.*

†† *Securities classified as Level 2 at period end as the values were determined pursuant to the fund's fair valuation procedures.*

At December 31, 2011, no exchange traded foreign equity securities were classified within Level 2 of the fair value hierarchy.

(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 the 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 currency gains and losses on investments are also 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, 2012, The Bank of New York Mellon earned $51,739 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. Investments in affiliated investment companies for the period ended December 31, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 12/31/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	7,593,542	65,607,460	69,284,650	3,916,352	.7
Dreyfus Institutional Cash Advantage Fund	2,642,191	253,085,249	242,215,129	13,512,311	2.4
Total	**10,235,733**	**318,692,709**	**311,499,779**	**17,428,663**	**3.1**

(e) Dividends to shareholders: Dividends are recorded on the ex-dividend date. Effective March 31, 2012, dividends from investment income-net are declared and paid quarterly. Prior to March 31, 2012, dividends from investment income-net were declared and paid annually. 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, 2012, 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, 2012 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2012, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $161,768, undistributed capital gains $1,413,409 and unrealized appreciation $224,993,008.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31,2012 and December 31, 2011 were as follows: ordinary income $19,397,809 and $7,354,178, respectively.

During the period ended December 31, 2012, as a result of permanent book to tax differences, primarily due to the tax treatment for foreign currency exchange gains and losses, the fund increased accumulated undistributed investment income-net by $1,826 and decreased 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 $210 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. Prior to October 10, 2012, the unsecured credit facility with Citibank, N.A.,

was $225 million. 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, 2012 was approximately $177,300, with a related weighted average annualized interest rate of 1.18%.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2012, Service shares were charged $494,859 pursuant to the Distribution Plan.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash

balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of Dreyfus, under a transfer agency agreement for providing transfer agency services for the fund and, since May 29, 2012, cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $1,577 for transfer agency services and $47 for cash management services. Cash management fees were partially offset by earnings credits of $6. These fees are included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2012, the fund was charged $41,412 pursuant to the custody agreement.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $109 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

During the period ended December 31, 2012, the fund was charged $8,783 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: investment advisory fees $255,229, Distribution Plan fees $45,947, custodian fees $17,500, Chief Compliance Officer fees $3,981 and transfer agency fees $429.

(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, 2012, amounted to $43,269,216 and $16,623,891, respectively.

At December 31, 2012, the cost of investments for federal income tax purposes was $352,342,940; accordingly, accumulated net unrealized appreciation on investments was $224,993,008, consisting of $233,534,632 gross unrealized appreciation and $8,541,624 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, 2012, 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 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, 2012 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, 2012, 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

New York, New York
February 13, 2013

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the portfolio hereby reports 100% of the ordinary dividends paid during the fiscal year ended December 31, 2012 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2013 of the percentage applicable to the preparation of their 2012 income tax returns.

PROXY RESULTS (Unaudited)

The Company held a special meeting of shareholders on August 3, 2012. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect additional Board Members:		
Lynn Martin†	151,161,716	5,464,193
Robin A. Melvin†	151,549,664	5,076,245
Philip L. Toia†	150,421,381	6,204,528

† *Each new Board Member's term commenced on September 1, 2012.*
In addition, Peggy C. Davis, Joseph S. DiMartino, David P. Feldman, Ehud Houminer and Dr. Martin Peretz continue as Board Members of the Company.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (69)
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: 151

Peggy C. Davis (69)
Board Member (2006)

Principal Occupation During Past 5 Years:
• Shad Professor of Law, New York University School of Law (1983-present)

No. of Portfolios for which Board Member Serves: 63

David P. Feldman (73)
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: 46

Ehud Houminer (72)
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 (1993-2012)

No. of Portfolios for which Board Member Serves: 70

Lynn Martin (73)
Board Member (2012)

Principal Occupation During Past 5 Years:
- President of The Martin Hall Group LLC, a human resources consulting firm, from January 2005-present

Other Public Company Board Memberships During Past 5 Years:
- AT&T Inc., a telecommunications company, Director (1999-2012)
- Ryder System, Inc., a supply chain and transportation management company, Director (1993-2012)
- The Proctor & Gamble Co., a consumer products company, Director (1994-2009)
- Constellation Energy Group Inc., Director (2003-2009)

No. of Portfolios for which Board Member Serves: 46

Robin A. Melvin (49)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Director, Boisi Family Foundation, a private family foundation that supports youth-serving organizations that promote the self sufficiency of youth from disadvantaged circumstances (1995-2012)

No. of Portfolios for which Board Member Serves: 97

Dr. Martin Peretz (73)
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: 46

Philip L. Toia (79)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Private Investor

No. of Portfolios for which Board Member Serves: 56

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 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 69 investment companies (comprised of 150 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 50 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 39 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 57 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 60 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 44 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 48 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 (70 investment companies, comprised of 177 portfolios). He is 55 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.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 66 investment companies (comprised of 173 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Distributor since October 2011.

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

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Two Houston Center
Suite 2907
Houston, TX 77010

Custodian

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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, 2012

BNY MELLON

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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A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for The Dreyfus Socially Responsible Growth Fund, Inc., covering the 12-month period from January 1, 2012, through December 31, 2012. 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.

In retrospect, 2012 was notable for the global equity markets' resilience in the face of some tough macroeconomic challenges. Worries regarding sluggish employment growth, weak housing markets and Congressional gridlock weighed on investor sentiment in the United States at times during the year, yet U.S. stocks posted respectable gains, on average. An ongoing debt crisis led to recessionary conditions in Europe, particularly for some of the continent's more peripheral nations, but aggressive actions from monetary policymakers helped some European stock markets produce double-digit returns. While China's economy slowed in response to inflation-fighting measures, officials there appeared to have engineered a "soft landing," and Chinese stocks generally ended the year with positive absolute returns.

We currently expect the U.S. and global economies to be modestly stronger in 2013, especially during the second half of the year. The global economy seems likely to benefit from Europe's ongoing efforts to support its banking system and common currency, and by China's moves toward more stimulative fiscal policies under new government leadership. In the United States, greater certainty regarding U.S. tax and fiscal policies, the resumption of postponed spending by businesses, and a continued housing recovery could support modestly higher rates of economic growth. We encourage you to discuss the implications of our economic analysis with your financial advisor, who can help you align your investments with the year's challenges and opportunities.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2013

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through December 31, 2012, as provided by Jocelin Reed, Warren Chiang, C. Wesley Boggs and Ronald Gala, Portfolio Managers

Fund and Market Performance Overview

For the 12-month period ended December 31, 2012, The Dreyfus Socially Responsible Growth Fund's Initial shares produced a total return of 11.98%, and the fund's Service shares returned 11.70%.[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 15.99% for the same period.[2]

Improving economic data generally drove stocks higher in 2012. The fund's returns lagged its benchmark, primarily due to shortfalls in the information technology, consumer discretionary and financials sectors.

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 net 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.

Improving Macroeconomic Conditions Fueled Market Gains

Several positive macroeconomic developments drove stocks higher during the first quarter of 2012. These included strong corporate earnings reports, domestic employ-

ment gains, and a quantitative easing program in Europe that forestalled a more severe regional banking crisis. However, investor sentiment turned more cautious during the spring, when the U.S. labor market's rebound slowed and measures designed to relieve fiscal pressures in Europe encountered resistance.

Stocks rebounded over the summer, reaching new highs for the year by September amid more encouraging economic news, including sharp declines in the unemployment rate. Stocks lost ground again in November as concerns mounted over automatic tax hikes and spending cuts scheduled for the start of 2013. Nevertheless, continued corporate earnings strength and signs of an improving U.S. housing market enabled stocks to resume their rally, and the S&P 500 Index ended the year with double-digit gains.

Quality Bias Hampered Relative Performance

In this environment, the valuation factors considered by our security selection process worked well, but quality-related factors generally did not. This development hindered the fund's sector allocation strategy, as overweighted exposure to the information technology sector and underweighted positions in the financials and consumer discretionary sectors weighed on results.

Our stock selection strategy in the information technology sector also undercut the fund's relative performance. Hardware makers Dell, Hewlett-Packard, and *Advanced Micro Devices* struggled with an industry-wide transition from personal computers to mobile devices. Moreover, labor issues led the fund to hold underweighted exposure to electronics innovator Apple, which is leading the mobile computing trend. Among consumer discretionary stocks, electronics retailer *Best Buy* encountered obstacles in its international expansion, and office supplies seller Staples struggled with falling paper sales. The fund did not hold retailer The Home Depot, missing out on its gains. Results from the financials sector were dampened by lack of participation in gains among large, diversified financial institutions that did not meet our investment criteria. Instead, we favored smaller, higher quality commercial and regional banks, which lagged sector averages.

The fund achieved better results in the consumer staples sector, where buying club Costco Wholesale reported rising membership subscriptions, strong geographic expansion and high profit margins. Organic grocer Whole Foods Market posted steady store growth and raised its dividend. The fund's energy investments benefited

from Canadian natural gas producer *Nexen*, which was acquired by China's state-run oil company, and offshore transportation provider Bristow Group, which encountered rising demand.

Economic Recovery Remains Intact

Despite lingering macroeconomic uncertainties over the near term, we are optimistic about the longer-term prospects for U.S. stocks. Low interest rates and accommodative monetary policies are expected to keep the economy growing, but at a moderate pace. Therefore, we have retained the fund's tilt toward higher quality stocks.

Providing Third World Access to Medicine

Pressure has intensified on major pharmaceutical developers to make medicines available at affordable prices in developing regions, such as Africa. Healthcare advocates also are seeking greater flexibility to evaluate and treat patients in areas with few medical professionals. Fund holding AstraZeneca, ADR has been in the forefront of efforts to respond to these requests, working effectively to ensure distribution and use of its products where they are needed most.

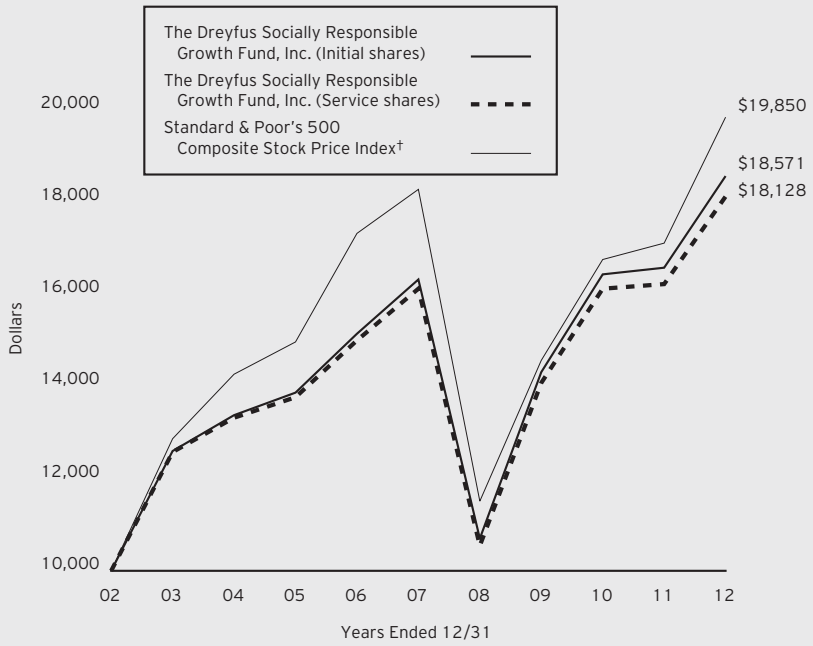
January 15, 2013

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. The investment objective and policies of The Dreyfus Socially Responsible Growth Fund made available through insurance products may be similar to other funds managed by Dreyfus. However, the investment results of the fund may be higher or lower than, and may not be comparable to, those of any other Dreyfus fund.

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 12/31/12*

	1 Year	5 Years	10 Years
Initial shares	**11.98%**	**2.62%**	**6.39%**
Service shares	**11.70%**	**2.37%**	**6.13%**
Standard & Poor's 500 Composite Stock Price Index	**15.99%**	**1.66%**	**7.10%**

† *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 12/31/02 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 for Initial and Service shares. 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, 2012 to December 31, 2012. 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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.30	$ 5.57
Ending value (after expenses)	$1,034.20	$1,032.90

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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.27	$ 5.53
Ending value (after expenses)	$1,020.91	$1,019.66

† *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 184/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2012

Common Stocks–98.8%	Shares	Value ($)
Automobiles & Components–1.3%		
Thor Industries	76,700	**2,870,881**
Banks–6.9%		
BB&T	84,600	2,462,706
Comerica	129,500	3,929,030
KeyCorp	510,900	4,301,778
People's United Financial	83,300	1,007,097
Regions Financial	420,000	2,990,400
		14,691,011
Capital Goods–5.5%		
3M	17,700	1,643,445
Donaldson	50,850	1,669,914
Eaton	11,467	621,506
Fluor	20,300	1,192,422
General Electric	78,900	1,656,111
Parker Hannifin	42,400	3,606,544
Rockwell Collins	25,200 [a]	1,465,884
		11,855,826
Consumer Services–1.9%		
Marriott International, Cl. A	109,100	**4,066,157**
Diversified Financials–5.6%		
American Express	56,400	3,241,872
Discover Financial Services	88,100	3,396,255
NASDAQ OMX Group	71,800	1,795,718
Northern Trust	37,000	1,855,920
Waddell & Reed Financial, Cl. A	48,750	1,697,475
		11,987,240
Energy–10.8%		
Apache	44,500	3,493,250
Bristow Group	45,700	2,452,262
ConocoPhillips	71,100	4,123,089
Denbury Resources	192,700 [b]	3,121,740
Devon Energy	46,350	2,412,054
EnCana	137,700 [a]	2,720,952
Noble Energy	12,500	1,271,750

Common Stocks (continued)	Shares	Value ($)
Energy (continued)		
Pioneer Natural Resources	17,900	1,907,961
Spectra Energy	58,300	1,596,254
		23,099,312
Food & Staples Retailing—3.6%		
Costco Wholesale	33,700	3,328,549
Kroger	47,900	1,246,358
Whole Foods Market	33,750	3,082,387
		7,657,294
Food, Beverage & Tobacco—3.8%		
Campbell Soup	98,800 [a]	3,447,132
Coca-Cola Enterprises	46,800	1,484,964
ConAgra Foods	61,100	1,802,450
Mead Johnson Nutrition	22,500	1,482,525
		8,217,071
Health Care Equipment & Services—3.1%		
AmerisourceBergen	25,900	1,118,362
Becton Dickinson & Co.	27,875	2,179,546
Humana	34,400	2,360,872
Patterson	30,600	1,047,438
		6,706,218
Household & Personal Products—1.7%		
Clorox	15,300	1,120,266
Estee Lauder, Cl. A	26,300	1,574,318
Procter & Gamble	12,525	850,322
		3,544,906
Insurance—1.5%		
Aflac	60,500	**3,213,760**
Materials—1.7%		
Ball	83,100	**3,718,725**
Media—2.0%		
Discovery Communications, Cl. A	49,500 [b]	3,142,260
Scripps Networks Interactive, Cl. A	17,600	1,019,392
		4,161,652

Common Stocks (continued)	Shares	Value ($)
Pharmaceuticals, Biotech & Life Sciences–10.3%		
Agilent Technologies	59,500	2,435,930
Allergan	11,700	1,073,241
AstraZeneca, ADR	50,450	2,384,772
Biogen Idec	20,200 [b]	2,962,734
Bristol-Myers Squibb	148,600	4,842,874
Life Technologies	76,600 [b]	3,759,528
Novartis, ADR	40,800	2,582,640
Waters	22,900 [b]	1,995,048
		22,036,767
Retailing–4.2%		
Gap	31,000	962,240
Nordstrom	47,700	2,551,950
O'Reilly Automotive	18,500 [b]	1,654,270
Staples	242,700 [a]	2,766,780
TJX	23,900	1,014,555
		8,949,795
Semiconductors & Semiconductor Equipment–4.1%		
Applied Materials	304,400	3,482,336
Intel	132,100	2,725,223
LSI	346,800 [b]	2,455,344
		8,662,903
Software & Services–10.5%		
Accenture, Cl. A	19,100	1,270,150
Akamai Technologies	52,000 [b]	2,127,320
BMC Software	25,000 [b]	991,500
CA	70,850	1,557,283
International Business Machines	28,875	5,531,006
Intuit	28,800	1,713,600
Microsoft	152,400	4,073,652
Oracle	117,375	3,910,935
Western Union	85,525	1,163,995
		22,339,441

Common Stocks (continued)	Shares	Value ($)
Technology Hardware & Equipment–10.6%		
Apple	12,450	6,636,223
Avnet	42,575 [b]	1,303,221
Cisco Systems	199,575	3,921,649
Dell	240,800	2,439,304
EMC	154,025 [b]	3,896,833
Hewlett-Packard	99,400	1,416,450
Motorola Solutions	56,200	3,129,216
		22,742,896
Telecommunication Services–4.9%		
AT&T	124,400	4,193,524
Verizon Communications	146,900	6,356,363
		10,549,887
Transportation–1.5%		
Norfolk Southern	18,100	1,119,304
United Parcel Service, Cl. B	28,800	2,123,424
		3,242,728
Utilities–3.3%		
Consolidated Edison	46,500	2,582,610
Pinnacle West Capital	46,000	2,345,080
Xcel Energy	80,700	2,155,497
		7,083,187
Total Common Stocks (cost $182,747,692)		**211,397,657**
Other Investment–.9%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $1,964,219)	1,964,219 [c]	**1,964,219**

Investment of Cash Collateral for Securities Loaned—4.0%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $8,465,115)	8,465,115 [c]	**8,465,115**
Total Investments (cost $193,177,026)	**103.7%**	**221,826,991**
Liabilities, Less Cash and Receivables	**(3.7%)**	**(7,891,974)**
Net Assets	**100.0%**	**213,935,017**

ADR—American Depository Receipts

[a] *Security, or portion thereof, on loan. At December 31, 2012, the value of the fund's securities on loan was $8,363,025 and the value of the collateral held by the fund was $8,465,115.*

[b] *Non-income producing security.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Energy	10.8	Food, Beverage & Tobacco	3.8
Technology Hardware & Equipment	10.6	Food & Staples Retailing	3.6
Software & Services	10.5	Utilities	3.3
Pharmaceuticals, Biotech & Life Sciences	10.3	Health Care Equipment & Services	3.1
Banks	6.9	Media	2.0
Diversified Financials	5.6	Consumer Services	1.9
Capital Goods	5.5	Household & Personal Products	1.7
Money Market Investments	4.9	Materials	1.7
Telecommunication Services	4.9	Insurance	1.5
Retailing	4.2	Transportation	1.5
Semiconductors & Semiconductor Equipment	4.1	Automobiles & Components	1.3
			103.7

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $8,363,025)—Note 1(b):		
Unaffiliated issuers	182,747,692	211,397,657
Affiliated issuers	10,429,334	10,429,334
Cash		54,268
Receivable for investment securities sold		670,521
Dividends and securities lending income receivable		152,651
Prepaid expenses		6,340
		222,710,771
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(c)		154,323
Liability for securities on loan—Note 1(b)		8,465,115
Payable for shares of Common Stock redeemed		102,984
Accrued expenses		53,332
		8,775,754
Net Assets ($)		**213,935,017**
Composition of Net Assets ($):		
Paid-in capital		188,065,741
Accumulated undistributed investment income—net		2,979,615
Accumulated net realized gain (loss) on investments		(5,760,304)
Accumulated net unrealized appreciation (depreciation) on investments		28,649,965
Net Assets ($)		**213,935,017**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	207,383,336	6,551,681
Shares Outstanding	6,238,060	198,488
Net Asset Value Per Share ($)	**33.24**	**33.01**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2012

Investment Income ($):	
Income:	
Cash dividends (net of $22,584 foreign taxes withheld at source):	
Unaffiliated issuers	4,726,970
Affiliated issuers	806
Income from securities lending—Note 1(b)	154,617
Total Income	**4,882,393**
Expenses:	
Management fee—Note 3(a)	1,680,564
Professional fees	89,481
Prospectus and shareholders' reports	64,979
Custodian fees—Note 3(c)	18,459
Distribution fees—Note 3(b)	16,451
Shareholder servicing costs—Note 3(c)	11,043
Directors' fees and expenses—Note 3(d)	7,412
Loan commitment fees—Note 2	1,886
Interest expense—Note 2	142
Miscellaneous	8,186
Total Expenses	**1,898,603**
Less—reduction in fees due to earnings credits—Note 3(c)	(9)
Net Expenses	**1,898,594**
Investment Income—Net	**2,983,799**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	5,162,418
Net unrealized appreciation (depreciation) on investments	16,937,445
Net Realized and Unrealized Gain (Loss) on Investments	**22,099,863**
Net Increase in Net Assets Resulting from Operations	**25,083,662**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2012	2011
Operations ($):		
Investment income–net	2,983,799	1,809,131
Net realized gain (loss) on investments	5,162,418	25,953,466
Net unrealized appreciation (depreciation) on investments	16,937,445	(25,448,830)
Net Increase (Decrease) in Net Assets Resulting from Operations	**25,083,662**	**2,313,767**
Dividends to Shareholders from ($):		
Investment income–net:		
Initial Shares	(1,775,288)	(1,991,777)
Service Shares	(37,298)	(43,526)
Total Dividends	**(1,812,586)**	**(2,035,303)**
Capital Stock Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	10,025,466	11,511,549
Service Shares	932,920	769,413
Dividends reinvested:		
Initial Shares	1,775,288	1,991,777
Service Shares	37,298	43,526
Cost of shares redeemed:		
Initial Shares	(35,033,427)	(33,671,498)
Service Shares	(1,254,125)	(1,130,073)
Increase (Decrease) in Net Assets from Capital Stock Transactions	**(23,516,580)**	**(20,485,306)**
Total Increase (Decrease) in Net Assets	**(245,504)**	**(20,206,842)**
Net Assets ($):		
Beginning of Period	214,180,521	234,387,363
End of Period	**213,935,017**	**214,180,521**
Undistributed investment income–net	2,979,615	1,808,402

	Year Ended December 31,	
	2012	2011
Capital Share Transactions:		
Initial Shares		
Shares sold	304,016	379,277
Shares issued for dividends reinvested	51,894	64,396
Shares redeemed	(1,073,072)	(1,109,212)
Net Increase (Decrease) in Shares Outstanding	**(717,162)**	**(665,539)**
Service Shares		
Shares sold	28,853	25,572
Shares issued for dividends reinvested	1,096	1,415
Shares redeemed	(39,083)	(37,964)
Net Increase (Decrease) in Shares Outstanding	**(9,134)**	**(10,977)**

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	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	29.91	29.90	26.26	19.86	30.50
Investment Operations:					
Investment income–net[a]	.44	.24	.25	.21	.19
Net realized and unrealized gain (loss) on investments	3.15	.04	3.62	6.40	(10.64)
Total from Investment Operations	3.59	.28	3.87	6.61	(10.45)
Distributions:					
Dividends from investment income–net	(.26)	(.27)	(.23)	(.21)	(.19)
Net asset value, end of period	33.24	29.91	29.90	26.26	19.86
Total Return (%)	11.98	.90	14.82	33.75	(34.42)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.85	.85	.89	.89	.85
Ratio of net expenses to average net assets	.85	.85	.89	.89	.85
Ratio of net investment income to average net assets	1.34	.80	.93	.97	.72
Portfolio Turnover Rate	48.84	67.88	32.75	34.00	31.74
Net Assets, end of period ($ x 1,000)	207,383	208,013	227,893	222,600	184,813

[a] *Based on average shares outstanding at each month end.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	29.70	29.71	26.10	19.71	30.25
Investment Operations:					
Investment income—net[a]	.36	.17	.18	.16	.12
Net realized and unrealized gain (loss) on investments	3.13	.02	3.60	6.37	(10.55)
Total from Investment Operations	3.49	.19	3.78	6.53	(10.43)
Distributions:					
Dividends from investment income—net	(.18)	(.20)	(.17)	(.14)	(.11)
Net asset value, end of period	33.01	29.70	29.71	26.10	19.71
Total Return (%)	11.70	.65	14.54	33.44	(34.58)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.10	1.10	1.14	1.14	1.10
Ratio of net expenses to average net assets	1.10	1.10	1.14	1.14	1.10
Ratio of net investment income to average net assets	1.09	.55	.68	.72	.47
Portfolio Turnover Rate	48.84	67.88	32.75	34.00	31.74
Net Assets, end of period ($ x 1,000)	6,552	6,167	6,494	6,070	5,008

[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 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 of the 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 financial futures. 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 fund's Board of Directors (the "Board"). Certain factors may be considered when fair valuing investments such as: fundamental analytical data, the nature and duration of restrictions on disposition, an evalua-

tion 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 within 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, 2012 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 Common Stocks†	203,709,293	–	–	**203,709,293**
Equity Securities– Foreign Common Stocks†	7,688,364	–	–	**7,688,364**
Mutual Funds	10,429,334	–	–	**10,429,334**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

(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, 2012, The Bank of New York Mellon earned $66,264 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. Investments in affiliated investment companies for the period ended December 31, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 12/31/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	1,532,244	23,645,793	23,213,818	1,964,219	.9
Dreyfus Institutional Cash Advantage Fund	8,730,754	112,353,127	112,618,766	8,465,115	4.0
Total	**10,262,998**	**135,998,920**	**135,832,584**	**10,429,334**	**4.9**

(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, 2012, 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, 2012 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2012, the components of accumulated earnings on a tax basis were as follows: undistributed ordinary income $2,979,615, accumulated capital losses $3,414,859 and unrealized appreciation $28,645,019. In addition, the fund had $2,340,499 of capital losses realized after October 31, 2012, 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 is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. 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 realized capital gains, if any, realized subsequent to December 31, 2012. If not applied, the carryover expires in fiscal year 2017.

The tax character of distributions paid to shareholders during the fiscal periods ended December 31, 2012 and December 31, 2011 were as follows: ordinary income $1,812,586 and $2,035,303, respectively.

NOTE 2—Bank Lines of Credit:

The fund participates with other Dreyfus-managed funds in a $210 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. Prior to October 10, 2012, the unsecured credit facility with Citibank, N.A., was $225 million. 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, 2012 was approximately $12,000 with a related weighted average annualized interest rate of 1.18%.

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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2012, Service shares were charged $16,451 pursuant to the Distribution 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.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing transfer agency services for the fund and, since May 29, 2012, cash management

services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $1,311 for transfer agency services and $43 for cash management services. Cash management fees were partially offset by earnings credits of $5. These fees are included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During the period ended December 31, 2012, the fund was charged $18,459 pursuant to the custody agreement.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $99 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $4.

During the period ended December 31, 2012, the fund was charged $8,783 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $136,183, Distribution Plan fees $1,391, Shareholder Services Plan fees $5,810, custodian fees $6,540, Chief Compliance Officer fees $3,981 and transfer agency fees $418.

(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, 2012, amounted to $108,510,900 and $131,812,487, respectively.

At December 31, 2012, the cost of investments for federal income tax purposes was $193,181,972; accordingly, accumulated net unrealized appreciation on investments was $28,645,019, consisting of $34,443,258 gross unrealized appreciation and $5,798,239 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, 2012, 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 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, 2012 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, 2012, 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

New York, New York
February 13, 2013

IMPORTANT TAX INFORMATION (Unaudited)

For federal tax purposes, the fund hereby reports 100% of the ordinary dividends paid during the fiscal year ended December 31, 2012 as qualifying for the corporate dividends received deduction. Shareholders will receive notification in early 2013 of the percentage applicable to the preparation of their 2012 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 18 and 19, 2012, 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 Dreyfus representatives. 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 considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives 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 (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to the fund.

The Board 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 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 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 ("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, all for various periods ended May 31, 2012, (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"), all for various periods ended May 31, 2012, 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 ("Expense Universe 1") and the Performance Group 2 funds ("Expense Universe 2"), the information for which was derived in part from fund financial statements available to Lipper as of the date of its analysis. Dreyfus previously had furnished the Board with a description of the methodology Lipper used to select the Performance Groups and Performance Universes and the Expense Groups and 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 discussed the results of the comparisons and noted that the fund's total return performance was at or above the medians of the Performance Groups and Performance Universes for all periods except the ten-year period. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board 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. The Board noted that the fund's contractual management fee was at the Expense Group 1 median and above the Expense Group 2 median, the fund's actual management fee was at the Expense Group 1 median and above the Expense Universe 1, Expense Group 2 and Expense Universe 2 medians and the fund's total expenses were above the Expense Group 1 median and below the Expense Universe 1, Expense Group 2 and Expense Universe 2 medians.

Dreyfus representatives reviewed with the Board 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(s) 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 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 aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, 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 also 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 should consider the profitability analysis (1) as part of the 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. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had been stable or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. Dreyfus representatives 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 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 relative 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.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. 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 and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (69)
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: 151

Clifford L. Alexander, Jr. (79)
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: 41

Gordon J. Davis (71)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Partner in the law firm of Venable, LLP (2012-present)
- Partner in the law firm of Dewey & LeBoeuf, LLP (1994-2012)

Other Public Company Board Memberships During Past 5 Years:
- Consolidated Edison, Inc., a utility company, Director (1997-present)
- The Phoenix Companies, Inc., a life insurance company, Director (2000-present)

No. of Portfolios for which Board Member Serves: 46

Whitney I. Gerard (78)
Board Member (2003)

Principal Occupation During Past 5 Years:
- Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 22

Nathan Leventhal (69)
Board Member (2009)

Principal Occupation During Past 5 Years:
• Chairman of the Avery-Fisher Artist Program (November 1997-present)
• Commissioner, NYC Planning Commission (March 2007-November 2011)

Other Public Company Board Memberships During Past 5 Years:
• Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 39

George L. Perry (78)
Board Member (2003)

Principal Occupation During Past 5 Years:
• Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 22

Benaree Pratt Wiley (66)
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: 60

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 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
David W. Burke, 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 69 investment companies (comprised of 150 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 50 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 39 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 57 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 60 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 44 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 48 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 (70 investment companies, comprised of 177 portfolios). He is 55 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.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 66 investment companies (comprised of 173 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Distributor since October 2011.

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, 2012

BNY MELLON

Dreyfus

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The Fund

A LETTER FROM THE PRESIDENT

Dear Shareholder:

We are pleased to present this annual report for Dreyfus Investment Portfolios, Technology Growth Portfolio, covering the 12-month period from January 1, 2012, through December 31, 2012. 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.

In retrospect, 2012 was notable for the global equity markets' resilience in the face of some tough macroeconomic challenges. Worries regarding sluggish employment growth, weak housing markets and Congressional gridlock weighed on investor sentiment in the United States at times during the year, yet U.S. stocks posted respectable gains, on average. An ongoing debt crisis led to recessionary conditions in Europe, particularly for some of the continent's more peripheral nations, but aggressive actions from monetary policymakers helped some European stock markets produce double-digit returns. While China's economy slowed in response to inflation-fighting measures, officials there appeared to have engineered a "soft landing," and Chinese stocks generally ended the year with positive absolute returns.

We currently expect the U.S. and global economies to be modestly stronger in 2013, especially during the second half of the year. The global economy seems likely to benefit from Europe's ongoing efforts to support its banking system and common currency, and by China's moves toward more stimulative fiscal policies under new government leadership. In the United States, greater certainty regarding U.S. tax and fiscal policies, the resumption of postponed spending by businesses, and a continued housing recovery could support modestly higher rates of economic growth. We encourage you to discuss the implications of our economic analysis with your financial advisor, who can help you align your investments with the year's challenges and opportunities.

Thank you for your continued confidence and support.

Sincerely,

J. Charles Cardona
President
The Dreyfus Corporation
January 15, 2013

DISCUSSION OF FUND PERFORMANCE

For the period of January 1, 2012, through December 31, 2012, as provided by Barry K. Mills, CFA, Portfolio Manager

Fund and Market Performance Overview

For the 12-month period ended December 31, 2012, Dreyfus Investment Portfolios, Technology Growth Portfolio's Initial shares produced a total return of 15.62%, and its Service shares produced a total return of 15.35%.[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 18.18% and 15.99%, respectively, over the same period.[2,3]

Although improving economic fundamentals generally boosted stock prices in 2012, the information technology sector exceeded broader market averages due to gains among companies at the forefront of major technological trends. The fund produced lower results than the MS High Tech 35 Index, mainly due to its lack of exposure to some of the sector's top performers.

The Fund's Investment Approach

The fund seeks capital appreciation. To pursue its 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.

Fundamentals Improved Amid Waning Economic Concerns

The year 2012 got off to a good start, as investors responded positively to strong corporate earnings reports, domestic employment gains, a quantitative easing program in Europe, and less restrictive monetary and fiscal policies in China. Although investor

sentiment turned more cautious during the spring when the U.S. labor market's rebound slowed and concerns in Europe resurfaced, stocks generally rebounded over the summer amid more encouraging economic news, including a short drop in the U.S. unemployment rate. They lost ground again in November as worries mounted over automatic tax hikes and spending cuts scheduled for the start of 2013. Nevertheless, continued corporate earnings strength and signs of an improving U.S. housing market enabled equity markets to resume their rally as the year came to a close.

Although information technology stocks participated more than fully in the broader market's gains, on average, a closer look reveals mixed results within the sector. Substantial gains among companies engaged in the secular trends of cloud computing, server virtualization, data management, and mobile computing were partly offset by weakness among companies with exposure to dwindling sales of personal computers. In addition, some wireless handset manufacturers stumbled when they proved unable to create competitive products for a rapidly changing smartphone market.

Focus on Positive Secular Trends

An emphasis on companies that we regarded as beneficiaries of positive trends in the technology industry helped bolster the fund's performance in 2012. However, lack of exposure to some of the year's top performers in other areas—most notably online retailer eBay and enterprise software developer SAP—dampened results compared to the MS High Tech 35 Index.

The fund achieved better results through underweighted positions in some of the sector's weaker areas, particularly makers of personal computers and companies that contribute to the industry's supply chain. Lack of exposure to PC-related companies such as Hewlett-Packard, Intel, and NVIDIA proved beneficial to performance. Instead, the fund focused on companies at the forefront of cloud and mobile computing. For example, despite a swoon late in the year, electronics innovator Apple gained substantial value in 2012 when it attracted more consumers to its tablets and smartphones. Software-as-a-service specialist salesforce.com advanced as it demonstrated the value of cloud computing for customers' sales management efforts. Software solutions provider Red Hat showed leadership in open source technologies. Internet content delivery specialist Akamai Technologies recovered from a shaky start to the year as more companies added streaming video to their online capabilities.

In addition to disappointments related to stocks the fund did not hold, relative performance was undermined by unfortunate timing in the purchase and sale of hard drive maker *Seagate Technology*. In addition, videogame producer *Electronic Arts* suffered after a disappointing product launch, and data integration company Informatica missed quarterly earnings targets due to problems in its European operations.

Capital Spending May Rise

While we remain concerned regarding sluggish U.S. economic growth and continued turmoil in Europe, we believe that the positive, secular technology trends that helped drive the fund's gains over the reporting period remain intact. In addition, we expect business spending on technology to accelerate in 2013, potentially benefiting companies with productivity-enhancing products and services. We have continued to find relatively few opportunities among companies selling legacy technologies.

January 15, 2013

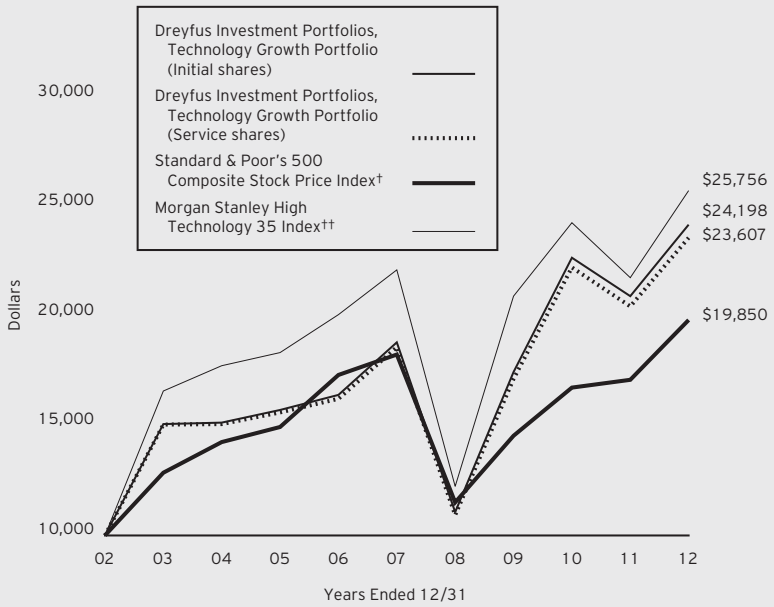
Please note, the position in any security highlighted with italicized typeface was sold during the reporting period.
The technology sector has been among the most volatile sectors of the stock market. Technology companies involve greater risk because their revenue and/or earnings tend to be less predictable and some companies may be experiencing significant losses.
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 12/31/12*

	1 Year	5 Years	10 Years
Initial shares	**15.62%**	**5.14%**	**9.24%**
Service shares	**15.35%**	**4.88%**	**8.97%**
Standard & Poor's 500 Composite Stock Price Index	**15.99%**	**1.66%**	**7.10%**
Morgan Stanley High Technology 35 Index	**18.18%**	**3.06%**	**9.91%**

† *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 12/31/02 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 for Initial and Service shares. 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, 2012 to December 31, 2012. 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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.26	$ 5.54
Ending value (after expenses)	$1,040.60	$1,039.40

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, 2012

	Initial Shares	Service Shares
Expenses paid per $1,000†	$ 4.22	$ 5.48
Ending value (after expenses)	$1,020.96	$1,019.71

† *Expenses are equal to the fund's annualized expense ratio of .83% for Initial Shares and 1.08% for Service Shares, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).*

STATEMENT OF INVESTMENTS

December 31, 2012

Common Stocks–98.8%	Shares	Value ($)
Application Software–8.5%		
Citrix Systems	68,360 [a]	4,494,670
Informatica	125,341 [a]	3,800,339
salesforce.com	72,140 [a]	12,126,734
		20,421,743
Communications Equipment–12.9%		
Ciena	584,080 [a,b]	9,170,056
F5 Networks	74,240 [a]	7,212,416
Palo Alto Networks	100,080 [b]	5,356,282
QUALCOMM	148,730	9,224,235
		30,962,989
Computer Hardware–3.4%		
Apple	15,381	**8,198,534**
Computer Storage & Peripherals–2.4%		
SanDisk	130,230 [a]	**5,672,819**
Consumer Electronics–1.8%		
Garmin	108,560 [b]	**4,431,419**
Data Processing & Outsourced Services–4.3%		
MasterCard, Cl. A	11,770	5,782,366
Paychex	144,870 [b]	4,511,252
		10,293,618
Electronic Components–5.9%		
Amphenol, Cl. A	86,370	5,588,139
Xilinx	239,040	8,581,536
		14,169,675
Internet Retail–7.2%		
Amazon.com	47,330 [a]	11,886,456
priceline.com	8,890 [a]	5,522,468
		17,408,924

Common Stocks (continued)	Shares	Value ($)
Internet Software & Services–15.0%		
Akamai Technologies	335,720 [a]	13,734,305
Google, Cl. A	13,850 [a]	9,824,774
LinkedIn, Cl. A	107,230 [a]	12,312,149
		35,871,228
IT Consulting & Other Services–6.1%		
Cognizant Technology Solutions, Cl. A	114,795 [a]	8,500,569
Teradata	99,100 [a]	6,133,299
		14,633,868
Semiconductors–21.6%		
Analog Devices	241,050	10,138,563
Avago Technologies	239,940	7,596,500
Broadcom, Cl. A	255,630 [a]	8,489,472
Skyworks Solutions	375,370 [a]	7,620,011
Taiwan Semiconductor Manufacturing, ADR	498,600	8,555,976
Texas Instruments	303,440	9,388,434
		51,788,956
Systems Software–9.7%		
Oracle	282,703	9,419,664
Red Hat	113,960 [a]	6,035,322
VMware, Cl. A	82,450 [a]	7,761,843
		23,216,829
Total Common Stocks (cost $202,542,503)		**237,070,602**
Other Investment–1.3%		
Registered Investment Company;		
Dreyfus Institutional Preferred Plus Money Market Fund (cost $3,054,491)	3,054,491 [c]	**3,054,491**

Investment of Cash Collateral for Securities Loaned—6.4%	Shares	Value ($)
Registered Investment Company;		
Dreyfus Institutional Cash Advantage Fund (cost $15,302,500)	15,302,500 [c]	**15,302,500**
Total Investments (cost $220,899,494)	**106.5%**	**255,427,593**
Liabilities, Less Cash and Receivables	**(6.5%)**	**(15,666,259)**
Net Assets	**100.0%**	**239,761,334**

ADR—American Depository Receipts

[a] *Non-income producing security.*

[b] *Security, or portion thereof, on loan. At December 31, 2012, the value of the fund's securities on loan was $15,212,220 and the value of the collateral held by the fund was $15,302,500.*

[c] *Investment in affiliated money market mutual fund.*

Portfolio Summary (Unaudited)†

	Value (%)		Value (%)
Semiconductors	21.6	IT Consulting & Other Services	6.1
Internet Software & Services	15.0	Electronic Components	5.9
Communications Equipment	12.9	Data Processing & Outsourced Services	4.3
Systems Software	9.7	Computer Hardware	3.4
Application Software	8.5	Computer Storage & Peripherals	2.4
Money Market Investments	7.7	Consumer Electronics	1.8
Internet Retail	7.2		**106.5**

† *Based on net assets.*

See notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2012

	Cost	Value
Assets ($):		
Investments in securities—See Statement of Investments (including securities on loan, valued at $15,212,220)—Note 1(b):		
Unaffiliated issuers	202,542,503	237,070,602
Affiliated issuers	18,356,991	18,356,991
Cash		230,772
Dividends and securities lending income receivable		21,786
Prepaid expenses		63,071
		255,743,222
Liabilities ($):		
Due to The Dreyfus Corporation and affiliates—Note 3(b)		196,940
Liability for securities on loan—Note 1(b)		15,302,500
Payable for shares of Beneficial Interest redeemed		448,643
Accrued expenses		33,805
		15,981,888
Net Assets ($)		**239,761,334**
Composition of Net Assets ($):		
Paid-in capital		221,472,529
Accumulated net realized gain (loss) on investments		(16,239,294)
Accumulated net unrealized appreciation (depreciation) on investments		34,528,099
Net Assets ($)		**239,761,334**

Net Asset Value Per Share

	Initial Shares	Service Shares
Net Assets ($)	79,352,805	160,408,529
Shares Outstanding	5,733,774	11,923,606
Net Asset Value Per Share ($)	**13.84**	**13.45**

See notes to financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2012

Investment Income ($):	
Income:	
Cash dividends (net of $48,324 foreign taxes withheld at source):	
Unaffiliated issuers	1,956,367
Affiliated issuers	9,892
Income from securities lending—Note 1(b)	48,691
Total Income	**2,014,950**
Expenses:	
Management fee—Note 3(a)	1,760,014
Distribution fees—Note 3(b)	379,184
Professional fees	75,361
Prospectus and shareholders' reports	55,283
Custodian fees—Note 3(b)	17,056
Trustees' fees and expenses—Note 3(c)	8,728
Shareholder servicing costs—Note 3(b)	3,499
Loan commitment fees—Note 2	3,187
Miscellaneous	19,656
Total Expenses	**2,321,968**
Less—reduction in fees due to earnings credits—Note 3(b)	(4)
Net Expenses	**2,321,964**
Investment (Loss)—Net	**(307,014)**
Realized and Unrealized Gain (Loss) on Investments—Note 4 ($):	
Net realized gain (loss) on investments	14,160,108
Net unrealized appreciation (depreciation) on investments	16,843,108
Net Realized and Unrealized Gain (Loss) on Investments	**31,003,216**
Net Increase in Net Assets Resulting from Operations	**30,696,202**

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2012	2011
Operations ($):		
Investment (loss)—net	(307,014)	(932,927)
Net realized gain (loss) on investments	14,160,108	10,066,680
Net unrealized appreciation (depreciation) on investments	16,843,108	(27,944,303)
Net Increase (Decrease) in Net Assets Resulting from Operations	**30,696,202**	**(18,810,550)**
Beneficial Interest Transactions ($):		
Net proceeds from shares sold:		
Initial Shares	9,748,204	10,719,132
Service Shares	37,102,127	34,172,366
Cost of shares redeemed:		
Initial Shares	(16,867,505)	(21,000,679)
Service Shares	(20,852,628)	(42,189,252)
Increase (Decrease) in Net Assets from Beneficial Interest Transactions	**9,130,198**	**(18,298,433)**
Total Increase (Decrease) in Net Assets	**39,826,400**	**(37,108,983)**
Net Assets ($):		
Beginning of Period	199,934,934	237,043,917
End of Period	**239,761,334**	**199,934,934**
Capital Share Transactions (Shares):		
Initial Shares		
Shares sold	726,742	831,404
Shares redeemed	(1,253,988)	(1,643,642)
Net Increase (Decrease) in Shares Outstanding	**(527,246)**	**(812,238)**
Service Shares		
Shares sold	2,804,136	2,677,951
Shares redeemed	(1,599,229)	(3,414,028)
Net Increase (Decrease) in Shares Outstanding	**1,204,907**	**(736,077)**

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	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	11.97	12.98	9.99	6.37	10.83
Investment Operations:					
Investment income (loss)—net[a]	.00[b]	(.03)	(.03)	(.01)	.03
Net realized and unrealized gain (loss) on investments	1.87	(.98)	3.02	3.67	(4.49)
Total from Investment Operations	1.87	(1.01)	2.99	3.66	(4.46)
Distributions:					
Dividends from investment income—net	–	–	–	(.04)	–
Net asset value, end of period	13.84	11.97	12.98	9.99	6.37
Total Return (%)	15.62	(7.78)	29.93	57.67	(41.18)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	.83	.83	.81	.86	.85
Ratio of net expenses to average net assets	.83	.83	.81	.75	.65
Ratio of net investment income (loss) to average net assets	.03	(.25)	(.33)	(.15)	.39
Portfolio Turnover Rate	52.00	79.60	103.90	141.37	118.50
Net Assets, end of period ($ x 1,000)	79,353	74,929	91,806	73,422	45,890

[a] *Based on average shares outstanding at each month end.*

[b] *Amount represents less than $.01 per share.*

See notes to financial statements.

	Year Ended December 31,				
Service Shares	2012	2011	2010	2009	2008
Per Share Data ($):					
Net asset value, beginning of period	11.66	12.68	9.78	6.24	10.62
Investment Operations:					
Investment income (loss)—net[a]	(.03)	(.06)	(.06)	(.03)	.01
Net realized and unrealized gain (loss) on investments	1.82	(.96)	2.96	3.58	(4.39)
Total from Investment Operations	1.79	(1.02)	2.90	3.55	(4.38)
Distributions:					
Dividends from investment income—net	–	–	–	(.01)	–
Net asset value, end of period	13.45	11.66	12.68	9.78	6.24
Total Return (%)	15.35	(8.05)	29.65	57.07	(41.24)
Ratios/Supplemental Data (%):					
Ratio of total expenses to average net assets	1.08	1.08	1.06	1.11	1.10
Ratio of net expenses to average net assets	1.08	1.08	1.06	1.00	.90
Ratio of net investment income (loss) to average net assets	(.22)	(.50)	(.58)	(.42)	.15
Portfolio Turnover Rate	52.00	79.60	103.90	141.37	118.50
Net Assets, end of period ($ x 1,000)	160,409	125,006	145,238	107,123	54,523

[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 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 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 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 of the 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 financial futures. 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 Company's Board of Trustees (the "Board"). 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 within 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, 2012 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 Common Stocks†	220,918,126	–	–	**220,918,126**
Equity Securities– Foreign Common Stocks†	16,152,476	–	–	**16,152,476**
Mutual Funds	18,356,991	–	–	**18,356,991**

† *See Statement of Investments for additional detailed categorizations.*

At December 31, 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

(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, 2012, The Bank of New York Mellon earned $16,230 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. Investments in affiliated investment companies for the period ended December 31, 2012 were as follows:

Affiliated Investment Company	Value 12/31/2011 ($)	Purchases ($)	Sales ($)	Value 12/31/2012 ($)	Net Assets (%)
Dreyfus Institutional Preferred Plus Money Market Fund	4,277,772	89,950,892	91,174,173	3,054,491	1.3
Dreyfus Institutional Cash Advantage Fund	66,944	123,159,628	107,924,072	15,302,500	6.4
Total	**4,344,716**	**213,110,520**	**199,098,245**	**18,356,991**	**7.7**

(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, 2012, 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, 2012 remains subject to examination by the Internal Revenue Service and state taxing authorities.

At December 31, 2012, the components of accumulated earnings on a tax basis were as follows: accumulated capital losses $14,517,369 and unrealized appreciation $33,048,910. In addition, the fund had $242,736 of capital losses realized after October 31, 2012, 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 is permitted to carry forward capital losses

incurred in taxable years beginning after December 22, 2010 ("post-enactment losses") for an unlimited period. Furthermore, post-enactment capital loss carryovers retain their character as either short-term or long-term capital losses rather than short-term as they were under previous statute. 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 realized capital gains, if any, realized subsequent to December 31, 2012. If not applied, the carryover expires in fiscal year 2017.

During the period ended December 31, 2012, 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 $307,014 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 $210 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. Prior to October 10, 2012, the unsecured credit facility with Citibank, N.A., was $225 million. 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, 2012, 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 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 Distribution 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 Distribution Plan are payable without regard to actual expenses incurred. During the period ended December 31, 2012, Service shares were charged $379,184 pursuant to the Distribution Plan.

The fund has arrangements with the transfer agent and the custodian whereby the fund may receive earnings credits when positive cash balances are maintained, which are used to offset transfer agency and custody fees. For financial reporting purposes, the fund includes net earnings credits as an expense offset in the Statement of Operations.

The fund compensates Dreyfus Transfer, Inc., a wholly-owned subsidiary of the Manager, under a transfer agency agreement for providing transfer agency services for the fund and, since May 29, 2012, cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $616 for transfer agency services and $19 for cash management services. Cash management fees were partially offset by earnings credits of $2. These fees are included in Shareholder servicing costs in the Statement of Operations.

The fund compensates The Bank of New York Mellon under a custody agreement for providing custodial services for the fund. During

the period ended December 31, 2012, the fund was charged $17,056 pursuant to the custody agreement.

Prior to May 29, 2012, the fund compensated The Bank of New York Mellon under a cash management agreement for performing cash management services related to fund subscriptions and redemptions. During the period ended December 31, 2012, the fund was charged $44 pursuant to the cash management agreement, which is included in Shareholder servicing costs in the Statement of Operations. These fees were partially offset by earnings credits of $2.

During the period ended December 31, 2012, the fund was charged $8,783 for services performed by the Chief Compliance Officer and his staff.

The components of "Due to The Dreyfus Corporation and affiliates" in the Statement of Assets and Liabilities consist of: management fees $151,894, Distribution Plan fees $33,899, custodian fees $7,000, Chief Compliance Officer fees $3,981 and transfer agency fees $166.

(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, 2012, amounted to $127,239,868 and $116,799,483, respectively.

At December 31, 2012, the cost of investments for federal income tax purposes was $222,378,683; accordingly, accumulated net unrealized appreciation on investments was $33,048,910, consisting of $39,598,549 gross unrealized appreciation and $6,549,639 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, 2012, 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 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, 2012 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, 2012, 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

New York, New York
February 13, 2013

PROXY RESULTS (Unaudited)

The Company held a special meeting of shareholders on August 3, 2012. The proposal considered at the meeting, and the results, are as follows:

	Shares	
	Votes For	Authority Withheld
To elect additional Board Members:		
Gordon J. Davis†	40,383,221	1,880,340
Nathan Leventhal†	40,484,976	1,778,585
Benaree Pratt Wiley†	40,471,151	1,792,410

† *Each of the above Board Members were duly elected by shareholders at the fund's August 3, 2012 shareholder meeting. Nathan Leventhal and Benaree Pratt Wiley were existing Board Members previously having been elected by the fund's Board. In addition, Clifford L. Alexander, Jr., Joseph S. DiMartino, Whitney I. Gerard and George L. Perry continue as Board Members of the Company.*

INFORMATION ABOUT THE RENEWAL OF THE FUND'S MANAGEMENT AGREEMENT (Unaudited)

At a meeting of the fund's Board of Trustees held on July 18 and 19, 2012, 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 Dreyfus representatives. 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 considered information previously provided to them in presentations from Dreyfus representatives regarding the nature, extent, and quality of the services provided to funds in the Dreyfus fund complex, and Dreyfus representatives 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 (such as retail direct or intermediary, in which intermediaries typically are paid by the fund and/or Dreyfus) and Dreyfus' corresponding need for broad, deep, and diverse resources to be able to provide ongoing shareholder services to each intermediary or distribution channel, as applicable to the fund.

The Board 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 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 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, 2012, 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 the date of its analysis. 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 discussed the results of the comparisons and noted that the fund's total return performance was generally at or above the Performance Group and Performance Universe medians for all periods. Dreyfus also provided a comparison of the fund's calendar year total returns to the returns of the fund's benchmark index.

The Board 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. The Board

noted that, with respect to Initial shares, 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. The Board noted that, with respect to Service shares, the fund's actual total expenses were above the Expense Group median and below the Expense Universe median.

Dreyfus representatives reviewed with the Board 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(s) 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 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 aggregate profitability percentage to Dreyfus of managing the funds in the Dreyfus fund complex, 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 also 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 should consider the profitability analysis (1) as part of the 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. Dreyfus representatives noted that a discussion of economies of scale is predicated on a fund having achieved a substantial size with increasing assets and that, if a fund's assets had been stable or decreasing, the possibility that Dreyfus may have realized any economies of scale would be less. Dreyfus representatives 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 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 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.

In evaluating the Agreement, the Board considered these conclusions and determinations and also relied on its previous knowledge, gained through meetings and other interactions with Dreyfus and its affiliates, of the fund and the services provided to the fund by Dreyfus. The Board also relied on information received on a routine and regular basis throughout the year relating to the operations of the fund and the investment management and other services provided under the Agreement, including information on the investment performance of the fund in comparison to similar mutual funds and benchmark performance indices; general market outlook as applicable to the fund; and compliance reports. 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 and Dreyfus representatives. Certain aspects of the arrangements may receive greater scrutiny in some years than in others, and the Board's conclusions may be based, in part, on their consideration of the same or similar arrangements in prior years. The Board determined that renewal of the Agreement was in the best interests of the fund and its shareholders.

BOARD MEMBERS INFORMATION (Unaudited)

Joseph S. DiMartino (69)
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: 151

Clifford L. Alexander, Jr. (79)
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: 41

Gordon J. Davis (71)
Board Member (2012)

Principal Occupation During Past 5 Years:
- Partner in the law firm of Venable, LLP (2012-present)
- Partner in the law firm of Dewey & LeBoeuf, LLP (1994-2012)

Other Public Company Board Memberships During Past 5 Years:
- Consolidated Edison, Inc., a utility company, Director (1997-present)
- The Phoenix Companies, Inc., a life insurance company, Director (2000-present)

No. of Portfolios for which Board Member Serves: 46

Whitney I. Gerard (78)
Board Member (2003)

Principal Occupation During Past 5 Years:
- Partner of Chadbourne & Parke LLP

No. of Portfolios for which Board Member Serves: 22

Nathan Leventhal (69)
Board Member (2009)

Principal Occupation During Past 5 Years:
- Chairman of the Avery-Fisher Artist Program (November 1997-present)
- Commissioner, NYC Planning Commission (March 2007-November 2011)

Other Public Company Board Memberships During Past 5 Years:
- Movado Group, Inc., Director (2003-present)

No. of Portfolios for which Board Member Serves: 39

George L. Perry (78)
Board Member (2003)

Principal Occupation During Past 5 Years:
- Economist and Senior Fellow at Brookings Institution

No. of Portfolios for which Board Member Serves: 22

Benaree Pratt Wiley (66)
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: 60

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 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
David W. Burke, 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 69 investment companies (comprised of 150 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 50 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 39 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 46 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. She is 57 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 51 years old and has been an employee of the Manager since June 2000.

JOHN B. HAMMALIAN, Vice President and Assistant Secretary since August 2005.

Senior Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 49 years old and has been an employee of the Manager since February 1991.

ROBERT R. MULLERY, Vice President and Assistant Secretary since August 2005.

Managing Counsel of BNY Mellon, and an officer of 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 60 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 47 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 54 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 53 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 44 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 48 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 70 investment companies (comprised of 177 portfolios) managed by the Manager. He is 45 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 (70 investment companies, comprised of 177 portfolios). He is 55 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.

MATTHEW D. CONNOLLY, Anti-Money Laundering Compliance Officer since April 2012.

Anti-Money Laundering Compliance Officer of the Distributor since October 2011; from March 2010 to September 2011, Global Head, KYC Reviews and Director, UBS Investment Bank; until March 2010, AML Compliance Officer and Senior Vice President, Citi Global Wealth Management. He is an officer of 66 investment companies (comprised of 173 portfolios) managed by the Manager. He is 40 years old and has been an employee of the Distributor since October 2011.

For More Information

Dreyfus Investment Portfolios, Technology Growth Portfolio
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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DECEMBER 31, 2012

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report Table of Contents

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*Not part of the annual report. Retain for your records.
† Please see Group of Funds Prospectus Supplement and Group of Funds Statement of Additional Information Supplement.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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 1, 2013
TO THE PROSPECTUSES
DATED MAY 1, 2012
OF
FRANKLIN GLOBAL REAL ESTATE SECURITIES FUND
FRANKLIN GROWTH AND INCOME SECURITIES FUND
FRANKLIN HIGH INCOME SECURITIES FUND
FRANKLIN INCOME SECURITIES FUND
FRANKLIN STRATEGIC INCOME SECURITIES FUND
MUTUAL GLOBAL DISCOVERY SECURITIES FUND
MUTUAL INTERNATIONAL SECURITIES FUND
MUTUAL SHARES SECURITIES FUND
TEMPLETON GLOBAL BOND SECURITIES FUND
(Series of Franklin Templeton Variable Insurance Products Trust)

The Prospectus is amended as follows:

I. For the Franklin Global Real Estate Securities Fund, Franklin Strategic Income Securities Fund, Mutual Global Discovery Securities Fund, Mutual International Securities Fund, Mutual Shares Securities Fund and Templeton Global Bond Securities Fund, the "Principal Investment Policies and Practices - Commodity Exchange Act Exclusion" section of the Fund Details is replaced with the following:

> The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.
>
> As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this prospectus.

II. For the Franklin Growth and Income Securities Fund, Franklin High Income Securities Fund and Franklin Income Securities Fund, the following is added above the "Principal Investment Policies and Practices - Temporary Investments" section of the Fund Details:

> The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.
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> As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this prospectus.

Please keep this supplement for future reference

Supplement Dated January 1, 2013
to the Statement of Additional Information
Dated May 1, 2012
of
Franklin Global Real Estate Securities Fund
Franklin Growth and Income Securities Fund
Franklin High Income Securities Fund
Franklin Income Securities Fund
Franklin Strategic Income Securities Fund
Franklin Templeton VIP Founding Funds Allocation Fund
Mutual Global Discovery Securities Fund
Mutual International Securities Fund
Mutual Shares Securities Fund
Templeton Global Bond Securities Fund
(Series of Franklin Templeton Variable Insurance Products Trust)

The statement of additional information is amended as follows:

The fourth paragraph on page 23 under "Glossary of Investments, Techniques, Strategies and Their Risks - Derivative instruments" is replaced with the following paragraphs:

The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.

As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this statement of additional information.

Please keep this supplement for future reference

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This annual report for Franklin Growth and Income Securities Fund covers the fiscal year ended December 31, 2012.

Franklin Growth and Income Securities Fund Class 2

Performance Summary as of 12/31/12

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 12/31/12

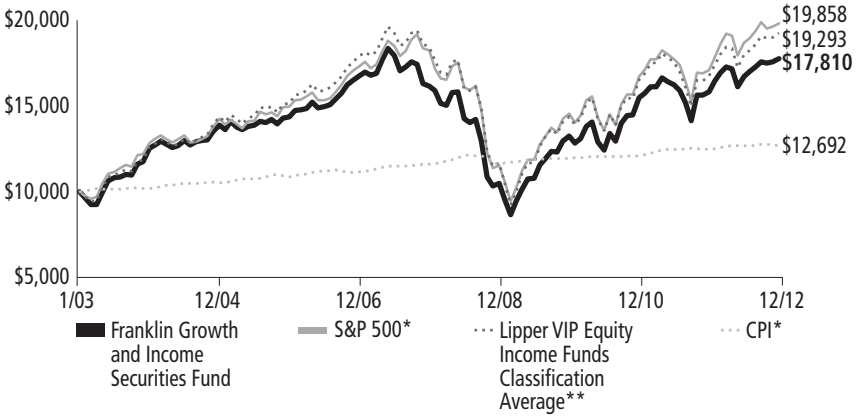
	1-Year	5-Year	10-Year
Average Annual Total Return	+12.23%	+1.94%	+5.94%

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 (1/1/03–12/31/12)

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: © 2013 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, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Convertible securities are subject to the risks of stocks when the underlying stock price is high relative to the conversion price and debt securities when the underlying stock price is low relative to the conversion price. The Fund's investment in foreign securities also involves special risks, including currency fluctuations and economic as well as political uncertainty. 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. Under normal market conditions, the Fund 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 underperformed its benchmark, the S&P 500, which produced a +16.00% total return.[1] The Fund also underperformed its peers as measured by the Lipper VIP Equity Income Funds Classification Average, which posted a +14.99% return for the same period.[2]

Economic and Market Overview

The U.S. economy, as measured by gross domestic product, grew moderately in 2012, supported by positive construction, housing and labor market trends. U.S. home prices increased in most regions due to higher demand based on near to record-low mortgage rates, affordable housing prices, low new-home inventories and a five-year low in U.S. foreclosures. Home construction became a leading source of economic growth after reaching a multi-year high in 2012, further enhancing confidence in the housing market. Consumer spending and personal income levels climbed, and inflation was generally mild with the exception of energy and food prices. Consumer sentiment reached its highest level in five years, although the potential U.S. tax hikes and spending cuts scheduled to take effect in 2013 dampened confidence near year-end. Nevertheless, the federal budget deficit for fiscal year 2012 fell to its lowest level since 2008. Just after year-end, Congress passed compromise legislation that preserved lower income tax rates for most U.S. households and delayed far-reaching federal spending cuts.

For the 12-month period, U.S. stocks, as measured by the S&P 500, fluctuated as investors reacted to news headlines and shifted between risk taking and risk aversion. Toward period-end uncertainty eased surrounding the European fiscal crisis as leaders made progress on economic reforms and management of Greek debt, but slowing economic growth in Asia, particularly China, curbed global economic recovery and markets. In its December meeting, the Federal Open

1. Source: © 2013 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.

Market Committee (FOMC) announced a 6.5% unemployment target as a guide to maintaining the historically low federal funds target rate. The FOMC also said it intended to continue purchasing longer term Treasuries and agency mortgage-backed securities. Despite modest third-quarter U.S. company revenues suggesting a drop in global demand, a hard-fought national election and budget deadline concerns, domestic stock markets made strong gains for the year. Value stocks generally outperformed growth stocks, and all sectors generated positive returns, as represented by the S&P 500. Not all investors favored stocks, however, and many sought perceived safe havens such as gold bullion, the Japanese yen and U.S. Treasuries. By year-end, the yield on the 10-year U.S. Treasury note declined to 1.78% from 1.89% at the beginning of 2012.

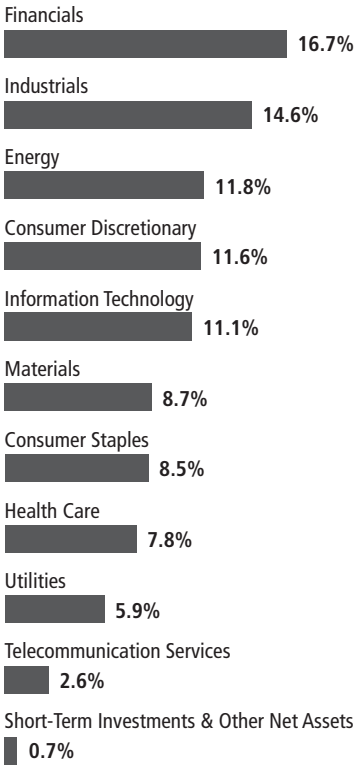
Investment Strategy

We seek to invest in a broadly diversified portfolio of equity securities that we consider to be financially strong, with a focus on "blue chip" companies. We apply a bottom-up approach to investing in individual securities. We will assess the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We also consider a company's price/earnings ratio, profit margins, balance sheet and liquidation value. We consider dividend yield in selecting stocks for the Fund because we believe that, over time, dividend income can contribute significantly to total return and can be a more consistent source of investment return than capital appreciation. We seek to take advantage of price dislocations that result from the market's short-term focus and choose to invest in those companies that, in our opinion, offer the best trade-off between growth opportunity, business and financial risk, and valuation.

Manager's Discussion

Nearly every sector the Fund invested in rose in value, as did most of the portfolio's individual securities, supporting overall performance during the Fund's fiscal year. Key contributing sectors included financials, consumer discretionary and industrials. Within the financials sector, convertible preferred and common stock holdings of diversified financial services company Bank of America were key contributors, as were common stock holdings of JPMorgan Chase & Co. Insurer Aflac was another key contributor among financials. The Fund's consumer discretionary holdings were led by cable company Comcast and retail chain operators Lowe's, which specializes in home improvement, and Limited Brands, which focuses on apparel and personal care products.

Portfolio Breakdown
Franklin Growth and Income Securities Fund
Based on Total Net Assets as of 12/31/12



Top 10 Holdings

Franklin Growth and Income Securities Fund
12/31/12

Company *Sector/Industry*	% of Total Net Assets
JPMorgan Chase & Co. *Financials*	2.5%
Exxon Mobil Corp. *Energy*	2.2%
General Electric Co. *Industrials*	2.2%
NIKE Inc., B *Consumer Discretionary*	2.1%
BlackRock Inc. *Financials*	2.1%
Cisco Systems Inc. *Information Technology*	2.1%
Honeywell International Inc. *Industrials*	2.1%
Royal Dutch Shell PLC, A *Energy*	2.0%
Bank of America Corp., ord. & cvt. pfd. *Financials*	2.0%
Aflac Inc. *Financials*	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.

Among industrials, leading performers included conglomerate General Electric and trucking company J.B. Hunt Transport Services, where growth in the intermodal transportation division helped the company post strong earnings and increase its dividend.

In contrast, some disappointing investments, mainly in the energy, materials and utilities sectors, hindered the Fund's results. Major energy sector detractors included equity-linked investments in oilfield services firm Halliburton and shares of natural gas producer Spectra Energy, which was hurt by low natural gas prices. In the materials sector, notable detractors included Dow Chemical and mining companies Freeport-McMoRan Copper & Gold equity-linked notes and AngloGold Ashanti Holdings Finance convertible preferred stock. Among utilities, investments in PG&E and Duke Energy detracted from performance.

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, 2012, 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

Franklin Growth and Income Securities Fund Class 2

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.

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 7/1/12	Ending Account Value 12/31/12	Fund-Level Expenses Incurred During Period* 7/1/12–12/31/12
Actual	$1,000	$1,062.20	$4.41
Hypothetical (5% return before expenses)	$1,000	$1,020.86	$4.32

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.85%), 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 184/366 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	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.60	$ 11.76	$ 10.47	$ 8.72	$ 15.07
Income from investment operations[a]:					
Net investment income[b]	0.35	0.33	0.38	0.31	0.39
Net realized and unrealized gains (losses)	1.08	(0.03)	1.32	1.92	(5.17)
Total from investment operations	1.43	0.30	1.70	2.23	(4.78)
Less distributions from:					
Net investment income	(0.39)	(0.46)	(0.41)	(0.48)	(0.45)
Net realized gains	—	—	—	—	(1.12)
Total distributions	(0.39)	(0.46)	(0.41)	(0.48)	(1.57)
Net asset value, end of year	$ 12.64	$ 11.60	$ 11.76	$ 10.47	$ 8.72
Total return[c]	12.53%	2.64%	16.93%	26.82%	(34.95)%
Ratios to average net assets					
Expenses	0.60%	0.59%	0.59%	0.60%[d]	0.55%[d]
Net investment income	2.86%	2.80%	3.62%	3.46%	3.17%
Supplemental data					
Net assets, end of year (000's)	$154,463	$156,830	$176,590	$174,403	$ 162,936
Portfolio turnover rate	30.00%	32.93%	26.83%	51.05%	30.66%

[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	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 11.44	$ 11.60	$ 10.33	$ 8.59	$ 14.86
Income from investment operations[a]:					
Net investment income[b]	0.32	0.29	0.35	0.28	0.35
Net realized and unrealized gains (losses)	1.05	(0.02)	1.31	1.90	(5.10)
Total from investment operations	1.37	0.27	1.66	2.18	(4.75)
Less distributions from:					
Net investment income	(0.35)	(0.43)	(0.39)	(0.44)	(0.40)
Net realized gains	—	—	—	—	(1.12)
Total distributions	(0.35)	(0.43)	(0.39)	(0.44)	(1.52)
Net asset value, end of year	$ 12.46	$ 11.44	$ 11.60	$ 10.33	$ 8.59
Total return[c]	12.23%	2.41%	16.68%	26.55%	(35.14)%
Ratios to average net assets					
Expenses	0.85%	0.84%	0.84%	0.85%[d]	0.80%[d]
Net investment income	2.61%	2.55%	3.37%	3.21%	2.92%
Supplemental data					
Net assets, end of year (000's)	$131,400	$129,309	$151,481	$152,077	$ 141,359
Portfolio turnover rate	30.00%	32.93%	26.83%	51.05%	30.66%

[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, 2012

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks 88.1%			
Consumer Discretionary 10.4%			
Comcast Corp., A	United States	115,680	$ 4,324,119
Limited Brands Inc.	United States	92,200	4,338,932
Lowe's Cos. Inc.	United States	116,000	4,120,320
McDonald's Corp.	United States	62,600	5,521,946
NIKE Inc., B	United States	118,400	6,109,440
Target Corp.	United States	88,500	5,236,545
			29,651,302
Consumer Staples 8.5%			
The Coca-Cola Co.	United States	83,200	3,016,000
Diageo PLC, ADR	United Kingdom	44,100	5,141,178
Kellogg Co.	United States	78,900	4,406,565
PepsiCo Inc.	United States	72,300	4,947,489
The Procter & Gamble Co.	United States	45,600	3,095,784
Unilever NV, N.Y. shs.	Netherlands	93,800	3,592,540
			24,199,556
Energy 8.1%			
BP PLC, ADR	United Kingdom	66,900	2,785,716
Chevron Corp.	United States	47,000	5,082,580
Exxon Mobil Corp.	United States	71,944	6,226,753
Royal Dutch Shell PLC, A, ADR	United Kingdom	83,100	5,729,745
Spectra Energy Corp.	United States	126,700	3,469,046
			23,293,840
Financials 14.2%			
Aflac Inc.	United States	105,000	5,577,600
Bank of America Corp.	United States	180,800	2,097,280
BlackRock Inc.	United States	28,900	5,973,919
JPMorgan Chase & Co.	United States	162,070	7,126,218
Marsh & McLennan Cos. Inc.	United States	96,000	3,309,120
MetLife Inc.	United States	41,382	1,363,123
People's United Financial Inc.	United States	234,500	2,835,105
QBE Insurance Group Ltd.	Australia	257,900	2,957,699
T. Rowe Price Group Inc.	United States	68,000	4,428,840
Wells Fargo & Co.	United States	141,500	4,836,470
			40,505,374
Health Care 7.8%			
Abbott Laboratories	United States	53,200	3,484,600
Johnson & Johnson	United States	64,600	4,528,460
Merck & Co. Inc.	United States	134,461	5,504,833
Pfizer Inc.	United States	190,800	4,785,264
Roche Holding AG	Switzerland	19,300	3,879,609
			22,182,766
Industrials 14.2%			
3M Co.	United States	46,000	4,271,100
The Boeing Co.	United States	55,200	4,159,872
Caterpillar Inc.	United States	36,600	3,278,628
Emerson Electric Co.	United States	96,700	5,121,232
General Electric Co.	United States	293,200	6,154,268
Honeywell International Inc.	United States	92,400	5,864,628
J.B. Hunt Transport Services Inc.	United States	54,300	3,242,253

Statement of Investments, December 31, 2012 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Industrials (continued)			
Republic Services Inc.	United States	144,900	$ 4,249,917
United Parcel Service Inc., B	United States	59,600	4,394,308
			40,736,206
Information Technology 10.0%			
Analog Devices Inc.	United States	113,400	4,769,604
Cisco Systems Inc.	United States	301,508	5,924,632
Intel Corp.	United States	233,700	4,821,231
International Business Machines Corp.	United States	27,400	5,248,470
Microsoft Corp.	United States	146,300	3,910,599
Paychex Inc.	United States	121,900	3,795,966
			28,470,502
Materials 6.4%			
BHP Billiton Ltd., ADR	Australia	62,900	4,933,876
The Dow Chemical Co.	United States	117,700	3,804,064
E. I. du Pont de Nemours and Co.	United States	102,900	4,627,413
Rio Tinto PLC, ADR	United Kingdom	83,800	4,867,942
			18,233,295
Telecommunication Services 2.6%			
AT&T Inc.	United States	123,297	4,156,342
Vodafone Group PLC, ADR	United Kingdom	135,500	3,413,245
			7,569,587
Utilities 5.9%			
American Electric Power Co. Inc.	United States	107,100	4,571,028
Duke Energy Corp.	United States	82,003	5,231,791
Great Plains Energy Inc.	United States	111,748	2,269,602
PG&E Corp.	United States	120,800	4,853,744
			16,926,165
Total Common Stocks (Cost $200,029,538)			251,768,593
[a]**Equity-Linked Securities 5.2%**			
Energy 2.6%			
[b]Bank of America Corp. into Halliburton Co., 5.00%, 144A	United States	105,000	3,691,286
[b]JPMorgan Chase & Co. into Schlumberger Ltd., 6.00%, 144A	United States	54,000	3,811,752
			7,503,038
Information Technology 1.1%			
[b]Barclays Bank PLC into Apple Inc., 7.50%, 144A	United States	6,000	3,263,016
Materials 1.5%			
Credit Suisse New York into Freeport-McMoRan Copper & Gold Inc., 8.40%, B	United States	120,000	4,239,432
Total Equity-Linked Securities (Cost $15,821,100)			15,005,486
Convertible Preferred Stocks 5.8%			
Consumer Discretionary 1.2%			
General Motors Co., 4.75%, cvt. pfd., B	United States	77,000	3,398,010
Energy 1.1%			
[b]Chesapeake Energy Corp., 5.75%, cvt. pfd., 144A	United States	3,500	3,137,697

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Growth and Income Securities Fund	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Financials 2.3%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	3,100	$ 3,518,500
MetLife Inc., 5.00%, cvt. pfd.	United States	71,100	3,161,817
			6,680,317
Industrials 0.4%			
Genesee & Wyoming Inc., 5.00%, cvt. pfd.	United States	9,200	1,024,972
Materials 0.8%			
AngloGold Ashanti Holdings Finance PLC, 6.00%, cvt. pfd.	South Africa	65,000	2,429,050
Total Convertible Preferred Stocks (Cost $17,087,496)			16,670,046
Preferred Stocks (Cost $8,133,100) 0.2%			
Financials 0.2%			
[c]Fannie Mae, 8.25%, pfd.	United States	325,000	542,750
Total Investments before Short Term Investments (Cost $241,071,234)			283,986,875
		Principal Amount	
Short Term Investments (Cost $2,162,058) 0.8%			
Repurchase Agreements 0.8%			
[d]Joint Repurchase Agreement, 0.154%, 1/02/13 (Maturity Value $2,162,077)	United States	$2,162,058	2,162,058
BNP Paribas Securities Corp. (Maturity Value $281,459)			
Credit Suisse Securities (USA) LLC (Maturity Value $351,835)			
Deutsche Bank Securities Inc. (Maturity Value $227,018)			
HSBC Securities (USA) Inc. (Maturity Value $633,294)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $281,459)			
Morgan Stanley & Co. LLC (Maturity Value $105,553)			
UBS Securities LLC (Maturity Value $281,459)			
Collateralized by U.S. Government Agency Securities, 0.00% - 6.21%, 1/15/13 - 1/22/37; U.S. Treasury Bonds, 11.25%, 2/15/15; and U.S. Treasury Notes, 0.25% - 2.00%, 11/30/13 - 9/15/15 (valued at $2,205,544)			
Total Investments (Cost $243,233,292) 100.1%			286,148,933
Other Assets, less Liabilities (0.1)%			(285,338)
Net Assets 100.0%			$285,863,595

See abbreviations on page FGI-23.

[a]See Note 1(e) 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, 2012, the aggregate value of these securities was $13,903,751, representing 4.86% of net assets.
[c]Non-income producing.
[d]See Note 1(c) regarding joint repurchase agreement.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2012

	Franklin Growth and Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$241,071,234
Cost - Repurchase agreements	2,162,058
Total cost of investments	$243,233,292
Value - Unaffiliated issuers	$283,986,875
Value - Repurchase agreements	2,162,058
Total value of investments	286,148,933
Receivables:	
Capital shares sold	14,526
Dividends	515,075
Total assets	286,678,534
Liabilities:	
Payables:	
Capital shares redeemed	519,968
Affiliates	184,825
Reports to shareholders	67,267
Accrued expenses and other liabilities	42,879
Total liabilities	814,939
Net assets, at value	$285,863,595
Net assets consist of:	
Paid-in capital	$279,078,456
Undistributed net investment income	8,455,201
Net unrealized appreciation (depreciation)	42,916,413
Accumulated net realized gain (loss)	(44,586,475)
Net assets, at value	$285,863,595
Class 1:	
Net assets, at value	$154,463,376
Shares outstanding	12,216,303
Net asset value and maximum offering price per share	$ 12.64
Class 2:	
Net assets, at value	$131,400,219
Shares outstanding	10,544,792
Net asset value and maximum offering price per share	$ 12.46

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, 2012

	Franklin Growth and Income Securities Fund
Investment income:	
Dividends	$10,047,164
Interest	32,831
Total investment income	10,079,995
Expenses:	
Management fees (Note 3a)	1,563,339
Distribution fees - Class 2 (Note 3c)	332,414
Unaffiliated transfer agent fees	158
Custodian fees (Note 4)	6,411
Reports to shareholders	120,585
Professional fees	35,738
Trustees' fees and expenses	1,154
Other	13,938
Total expenses	2,073,737
Net investment income	8,006,258
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	14,587,339
Foreign currency transactions	4,487
Net realized gain (loss)	14,591,826
Net change in unrealized appreciation (depreciation) on:	
Investments	11,482,370
Translation of other assets and liabilities denominated in foreign currencies	(2,149)
Net change in unrealized appreciation (depreciation)	11,480,221
Net realized and unrealized gain (loss)	26,072,047
Net increase (decrease) in net assets resulting from operations	$34,078,305

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, 2012	2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 8,006,258	$ 8,197,307
Net realized gain (loss) from investments and foreign currency transactions	14,591,826	24,190,927
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	11,480,221	(24,900,751)
Net increase (decrease) in net assets resulting from operations	34,078,305	7,487,483
Distributions to shareholders from:		
Net investment income:		
Class 1	(4,951,744)	(6,502,022)
Class 2	(3,811,748)	(5,102,769)
Total distributions to shareholders	(8,763,492)	(11,604,791)
Capital share transactions: (Note 2)		
Class 1	(16,240,212)	(17,555,780)
Class 2	(9,349,674)	(20,259,007)
Class 4	—	(4,301)
Total capital share transactions	(25,589,886)	(37,819,088)
Net increase (decrease) in net assets	(275,073)	(41,936,396)
Net assets:		
Beginning of year	286,138,668	328,075,064
End of year	$285,863,595	$286,138,668
Undistributed net investment income included in net assets:		
End of year	$ 8,455,201	$ 8,605,551

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, 2012, 77.41% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. 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 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 Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments (derivatives) 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 (OTC) 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 OTC 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, credit spreads, estimated default rates, anticipated market interest rate volatility, 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. Repurchase agreements are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC 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. An income-based valuation approach may also be used 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC 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 VLOC 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. At December 31, 2012, a market event occurred resulting in a portion of the securities held by the Fund being valued using fair value procedures.

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 Board.

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 31, 2012.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. Options purchased are recorded as an asset while options written are recorded as a liability. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium and the cost to close the position is recorded as a realized gain or loss. Pursuant to the terms of the written option contract, cash or securities may be required to be deposited as collateral.

See Notes 6 and 8 regarding investment transactions and other derivative information, respectively.

e. 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 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.

f. Income and Deferred 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 if applicable, 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, 2012, 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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. 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.

h. 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.

i. 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, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2012		2011[a]	
Class 1 Shares:	Shares	Amount	Shares	Amount
Shares sold	8,936	$ 109,900	187,427	$ 2,361,235
Shares issued in reinvestment of distributions	419,284	4,951,744	570,854	6,502,022
Shares redeemed	(1,731,505)	(21,301,856)	(2,250,738)	(26,419,037)
Net increase (decrease)	(1,303,285)	$(16,240,212)	(1,492,457)	$(17,555,780)

2. SHARES OF BENEFICIAL INTEREST (continued)

	Year Ended December 31,			
	2012		2011[a]	
Class 2 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	876,993	$ 10,575,390	624,568	$ 7,137,921
Shares issued in reinvestment of distributions	327,189	3,811,748	453,579	5,102,769
Shares redeemed	(1,967,485)	(23,736,812)	(2,828,839)	(32,499,697)
Net increase (decrease)	(763,303)	$ (9,349,674)	(1,750,692)	$(20,259,007)
Class 4 Shares:				
Shares redeemed			(353)	$ (4,301)
Net increase (decrease)			(353)	$ (4,301)

[a]Effective March 4, 2011, Class 4 was liquidated.

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

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

FT Services, under terms of an agreement, provides administrative services to the Fund and is not paid by the Fund for the services.

c. Distribution Fees

The Board has adopted a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, 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. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2.

3. TRANSACTIONS WITH AFFILIATES (continued)

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, 2012, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2012, the Fund had capital loss carryforwards of $44,326,124 expiring in 2017. During the year ended December 31, 2012, the Fund utilized $13,765,081 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2012 and 2011, was as follows:

	2012	2011
Distributions paid from ordinary income	$8,763,492	$11,604,791

At December 31, 2012, the cost of investments, net unrealized appreciation (depreciation), and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$243,206,832
Unrealized appreciation	$ 58,882,749
Unrealized depreciation	(15,940,648)
Net unrealized appreciation (depreciation)	$ 42,942,101
Distributable earnings – undistributed ordinary income	$ 8,314,239

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 corporate actions.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2012, aggregated $84,948,329 and $102,257,277, respectively.

6. INVESTMENT TRANSACTIONS (continued)

Transactions in options written during the year ended December 31, 2012, were as follows:

	Number of Contracts	Premiums Received
Options outstanding at December 31, 2011	—	$ —
Options written	350	105,428
Options expired	—	—
Options exercised	(350)	(105,428)
Options closed	—	—
Options outstanding at December 31, 2012	—	$ —

See Notes 1(d) and 8 regarding derivative financial instruments and other derivative information, respectively.

7. CREDIT RISK AND DEFAULTED SECURITIES

At December 31, 2012, the Fund had 10.15% 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. OTHER DERIVATIVE INFORMATION

For the period ended December 31, 2012, 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
Equity contracts	Net realized gain (loss) from investments and written options/Net change in unrealized appreciation (depreciation) on investments	$—	$—

For the year ended December 31, 2012, the average month end market value of derivatives represented less than 0.01% of average month end net assets. The average month end number of open derivative contracts for the year was less than 1.

See Note 1(d) and 6 regarding derivative financial instruments and investment transactions, respectively.

9. 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 $1.5 billion (Global Credit Facility) which matured on January 18, 2013. 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 18, 2013, the Borrowers renewed the Global Credit Facility which matures on January 17, 2014.

9. CREDIT FACILITY (continued)

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2012, the Fund did not use the Global Credit Facility.

10. 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 financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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. Additionally, at December 31, 2012, due to market events, the Fund employed fair value procedures to value a portion of its holdings. Such procedures resulted in a temporary transfer of financial instruments valued at $2,957,699 from Level 1 to Level 2 within the fair value hierarchy.

A summary of inputs used as of December 31, 2012, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$ 23,293,840	$ 3,137,697	$ —	$ 26,431,537
Financials	44,770,742	2,957,699	—	47,728,441
All Other Equity Investments[b]	194,821,411	—	—	194,821,411
Equity-Linked Securities	—	15,005,486	—	15,005,486
Short Term Investments	—	2,162,058	—	2,162,058
Total Investments in Securities	$262,885,993	$23,262,940	$ —	$286,148,933

[a]Includes common, preferred and convertible preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

11. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's

11. NEW ACCOUNTING PRONOUNCEMENTS (continued)

financial position. In January 2013, FASB issued ASU No. 2013-01, Balanced Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of these ASUs will not have a material impact on its financial statements.

12. 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, 2012, 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, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 15, 2013

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 (Code), the Fund hereby reports 96.32% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2012.

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The indexes are unmanaged and include reinvested distributions.

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Barclays 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 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 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.

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.

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 12/31/12, there were 229 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 12/31/12, there were 63 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 12/31/12, there were 51 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12/31/12, there were 118 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 World Index (ACWI) 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/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; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (August 2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); 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 (aerospace 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) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President—Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (June 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President—Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); 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, Staples Europe (office supplies) (October 2012); 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. (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) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	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.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since April 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and 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
Breda M. Beckerle (1958) 600 Fifth Avenue New York, NY 10020	Chief Compliance Officer and Vice President	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Investment Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; Vice President and Compliance Officer—Commingled Trusts, Fiduciary Trust International of the South; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
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; and officer of 46 of the investment companies in Franklin Templeton Investments.				
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).				
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.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President—AML Compliance	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; 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 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 46 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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VIP A 02/13

DECEMBER 31, 2012

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report
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Shareholder Information SI-1

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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.

We are pleased to bring you Templeton Growth Securities Fund's annual report for the fiscal year ended December 31, 2012.

Templeton Growth Securities Fund – Class 2

Performance Summary as of 12/31/12

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.

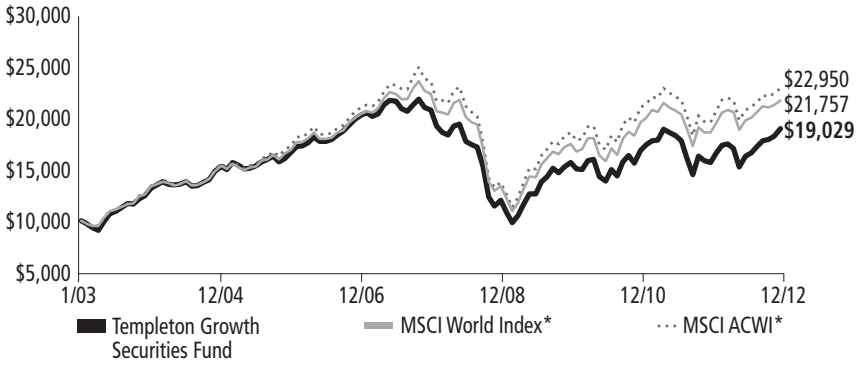
Periods ended 12/31/12

	1-Year	5-Year	10-Year
Average Annual Total Return	+21.07%	-1.77%	+6.65%

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.

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/03–12/31/12)

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 and the MSCI All Country World Index (ACWI). 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: © 2013 Morningstar. Please see Index Descriptions following the Fund Summaries.

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.

Fund Risks: Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Current political uncertainty surrounding the European Union (EU) and its membership may increase market volatility. The financial instability of some countries in the EU, including Greece, Italy and Spain, together with the risk of that impacting other more stable countries, may increase the economic risk of investing in companies in Europe. 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. Under normal market conditions, the Fund 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 outperformed the MSCI ACWI's +16.80% total return and the MSCI World Index's +16.54% total return for the same period.[1]

Economic and Market Overview

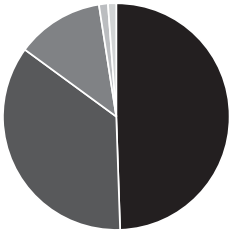
Global developed and emerging stocks, as measured by the MSCI ACWI, rallied through the spring of 2012 before a brief drop in early summer gave way to a recovery, leading to solid 12-month gains. Periodic downturns were primarily attributable to concerns about slowing global economic growth, European sovereign debt and U.S. fiscal negotiations. The market's focus early in 2012 was Europe's debt crisis. Seeking to address it, relatively new leaders in Italy and Greece and for the International Monetary Fund, World Bank and European Central Bank (ECB) offered plans for stability and growth. The leadership's initial policy responses — which included enhanced liquidity measures and an ineffective Spanish banking bailout — did little to address the structural imbalances of eurozone economies or the solvency fears plaguing the region's banking system. Thus, debt yields for certain countries spiked to record levels in the first quarter of 2012. However, measures intended to address the seemingly toxic link between Europe's banks and sovereign bonds emerged when European Union leaders agreed to a deployment of temporary and permanent bailout funds. ECB President Mario Draghi's declaration that "the ECB is ready to do whatever it takes to preserve the euro" further buoyed markets.

In the U.S., the Federal Reserve Board announced additional rounds of quantitative easing and opted to extend its strategy designed to lower systemically important interest rates. In Asia, the People's Bank of China cut borrowing costs for the first time since the global financial crisis began, and the Bank of Japan launched its eighth round of quantitative easing in little more than a decade. Headwinds to growth negatively affected most world regions during 2012, including recently resilient emerging markets, and the International Monetary Fund

1. Source: © 2013 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.

lowered its global growth outlook. However, the slowdown appeared less severe than expected in developed markets such as Germany and the U.S. In the latter half of 2012, policy measures seemed to take hold and supported global economic recovery, contributing to expansion in the U.S. and many emerging market countries as well as a slowing rate of contraction in Europe. Toward year-end, investor focus shifted to the U.S., where policymakers sought to avert automatic spending cuts and tax hikes, commonly known as the "fiscal cliff." Just after year-end, Congress passed compromise legislation that preserved lower income tax rates for most U.S. households and delayed far-reaching federal spending cuts. Despite adversity and uncertainty throughout the 12-month period, virtually all major asset classes finished 2012 with positive returns.

Geographic Breakdown
Templeton Growth Securities Fund
Based on Total Net Assets as of 12/31/12



Europe	49.5%
North America	35.5%
Asia	12.5%
Latin America & Caribbean	1.3%
Short-Term Investments & Other Net Assets	1.2%

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

All major stock sectors in the MSCI ACWI and the Fund delivered positive returns in 2012. Although weak sentiment in early 2012 left many investors ill-prepared for the stock market rally, our value discipline positioned the Fund in low valued stocks with what we viewed as the greatest potential for appreciation, and the Fund performed well.

Stock selection was the primary contributor to the Fund's performance relative to the benchmark, with some of the Fund's highest conviction, long-term holdings delivering healthy returns. The Fund's overweighted consumer discretionary sector holdings were major absolute and relative contributors to performance, with a particularly strong boost from the media industry.[2] U.S cable companies Comcast and Time Warner Cable and content producer News Corp. led returns for the sector. America's leading cable companies have come to dominate the valuable broadband pipeline permitting bundled delivery of voice, data and video, and content producers have seen a surge in demand for their

2. The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.

Top 10 Holdings
Templeton Growth Securities Fund
12/31/12

Company *Sector/Industry, Country*	% of Total Net Assets
Samsung Electronics Co. Ltd. *Semiconductors & Semiconductor Equipment, South Korea*	2.9%
Pfizer Inc. *Pharmaceuticals, U.S.*	2.1%
Sanofi *Pharmaceuticals, France*	2.0%
Deutsche Lufthansa AG *Airlines, Germany*	1.8%
Roche Holding AG *Pharmaceuticals, Switzerland*	1.8%
Amgen Inc. *Biotechnology, U.S.*	1.8%
ING Groep NV *Diversified Financial Services, Netherlands*	1.7%
Total SA, B *Oil, Gas & Consumable Fuels, France*	1.7%
Comcast Corp., Special A *Media, U.S.*	1.7%
GlaxoSmithKline PLC *Pharmaceuticals, U.K.*	1.6%

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).

products as new devices and opportunities for media consumption proliferate. These media stocks have provided attractive long-term returns for the Fund, and although we are encouraged by their ongoing cash generation and market share consolidation, we believe our largest industry holdings are not as undervalued as in the past. Also from the consumer discretionary sector, French tire maker Michelin rallied strongly in 2012 as earnings beat expectations after sales improved for high-margin specialty tires for agriculture and mining equipment.[3]

Stock selection in the financials sector also supported relative performance, led by European reinsurers and lenders, such as Swiss Re (Switzerland), Muenchener Ruecksversicherungs-Gesellschaft (Munich Reinsurance; Germany) and BNP Paribas (France).[4] Reinsurers benefited from lower-than-expected catastrophe levels and judicious underwriting discipline, and could return excess capital to shareholders. BNP Paribas rallied after doubling its third-quarter profit and boosting capital levels. We maintained our favorable view of the global financials sector, in particular European banks. Even after robust gains in 2012, European bank stock performance has still lagged that of U.S. banks since 2009 and remained near two-decade low valuations, suggesting to us further appreciation potential for a sector that has undergone intensive fundamental repair and recapitalization. The Fund's industrials positions also aided performance as European airlines Deutsche Lufthansa (Germany) and off-benchmark International Consolidated Airlines Group (U.K.) reported improved profits on increased air traffic volume and ongoing restructuring initiatives.[5] We purchased these airline stocks at valuations we saw as low amid uncertainty surrounding global economic growth, fuel costs and competitive pressures, and we were encouraged to see managements taking what we viewed as necessary steps to enhance shareholder value.

Long-standing overweighted positions in information technology, telecommunication services and health care also performed well.[6] Top

3. Listed as Cie Generale des Etablissements Michelin in the SOI.
4. The financials sector comprises capital markets, commercial banks, consumer finance, diversified financial services and insurance in the SOI.
5. The industrials sector comprises aerospace and defense, airlines, automobiles, chemicals, construction and engineering, construction materials, electrical equipment, industrial conglomerates, machinery, metals and mining, and trading companies and distributors in the SOI.
6. The information technology sector comprises communications equipment; computers and peripherals; electronic equipment, instruments and components; semiconductors and semiconductor equipment; and software in the SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI. The health care sector comprises biotechnology, life sciences tools and services, and pharmaceuticals in the SOI.

performing technology stocks included hardware manufacturer Seagate Technology[7] and semiconductor and consumer electronics manufacturer Samsung Electronics (South Korea). Our analysis identified what we viewed as tremendous cash-flow generating capabilities and the cleanest balance sheets of any global sector for certain technology companies, which prospered as customers targeting cost efficiencies prioritized productivity-enhancing investments over capacity-enhancing capital expenditures. Our analysis indicated the sector has become more fully valued and we selectively reduced exposure to information technology during the period.

Telecommunication services stocks, in contrast, remained undervalued in our view as regulatory and competitive issues and anemic revenue growth kept the sector out of favor, allowing us to buy companies we saw as highly profitable and having healthy dividend yields at depressed valuations. Although the Fund's overweighted position in the unpopular sector weighed on relative performance, stock selection added value. Sprint Nextel, a U.S. mobile operator, was a top performer, more than doubling in value during the year. Management responded to investors' liquidity concerns by cutting costs, tapping debt markets and securing vendor financing; however, the stock appeared unduly cheap to us, and Japanese telecom Softbank acquired a majority stake in the company in October. We believe Sprint could benefit from the firm's upcoming iPhone offering and transition to a new 4G network, which could continue to reduce the company's inflated cost base and stem subscriber defections. We believe the unpopularity of telecommunications stocks has created opportunities to acquire shares in highly profitable telecommunications companies with diverse revenue streams and healthy dividend yields at bargain valuations.

Health care sector positions, also a Fund overweighting, benefited performance as the sector exhibited greater market strength than telecommunication services. We favored higher growth companies, often with emerging market exposure, such as biotechnology firm Amgen and pharmaceutical maker Sanofi (France), which gets more than one-third of its revenue from emerging markets and has been diversifying its pipeline into longer duration products. Amgen, the Fund's top-performing health care stock in 2012, is an excellent example of our approach to the sector. When we first purchased the stock five years ago, the market seemed to us overly focused on research and

7. No longer held at period-end.

development risks and slowing top line growth, overlooking Amgen's ability to generate cash and develop new products over the long run. Since then, the company has demonstrated an ability to manage its maturing product portfolio while spurring pipeline innovation and prioritizing shareholder returns, and the stock price rose to a new high.

Overweighted energy stocks were laggards as positions generally declined because of weaker oil prices and a North American natural gas glut.[8] These conditions reduced demand for drilling rigs and equipment, pressuring U.S. oilfield services provider Baker Hughes, a sector laggard in 2012. However, in our view the stock remains attractively valued and management is pursuing a sensible strategy that could position Baker well for both a domestic recovery and international growth opportunities. We also believe some exploration and production and oil services firms with advanced technology, sound capital discipline and operational flexibility can gain market share as hydrocarbon extraction moves to increasingly challenging and remote locations. Stock-specific weakness in consumer staples also weighed on results as U.K. grocer Tesco declined considerably in January 2012 after warning that the increased capital expenditures required to win back customers would likely result in lower near-term profits.[9] We believe Tesco's investments could help the company retain market share in its domestic environment, and that international expansion and a proactive move toward online retailing remain underappreciated potential growth drivers. Elsewhere in the consumer staples sector, value opportunities remained elusive. Food and personal product manufacturer stocks appeared overvalued to us, with investors willing to pay a premium for the industry's perceived mix of defensive characteristics and emerging market exposure, while food retailers, which may appear cheap to some, struggled to redefine their model amid increasing industry fragmentation.

Geographically, all major regions helped the Fund, particularly overweighting in the eurozone and stock selection in the U.S. and Asia ex-Japan. However, stock selection in Spain, Sweden and the U.K. hurt relative performance. At the end of 2012, Europe remained the Fund's largest relative and absolute allocation. Despite producing some leading-market returns in 2012, developed Europe was still home to eight of the world's 10 cheapest markets (on cyclically adjusted price-to-earnings ratios) at period-end. The region's dramatic policy

8. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.
9. The consumer staples sector comprises food and staples retailing in the SOI.

progress has made European stocks more attractive to many investors, mainly through the European Central Bank's efforts to neutralize tail risks with unconventional monetary tools to repair sovereign balance sheets via fiscal austerity. Although challenges remain, we are still favorable toward Europe in light of what we see as the region's fundamental stabilization and many inexpensive, high-yielding stocks with global revenue streams.

Thank you for your participation in Templeton Growth 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, 2012, 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 7/1/12	Ending Account Value 12/31/12	Fund-Level Expenses Incurred During Period* 7/1/12–12/31/12
Actual	$1,000	$1,163.30	$5.60
Hypothetical (5% return before expenses)	$1,000	$1,019.96	$5.23

*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 184/366 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	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 10.27	$ 11.19	$ 10.56	$ 8.34	$ 15.68
Income from investment operations[a]:					
Net investment income[b]	0.27	0.25	0.17	0.17	0.29
Net realized and unrealized gains (losses)	1.88	(0.99)	0.62	2.36	(6.50)
Total from investment operations	2.15	(0.74)	0.79	2.53	(6.21)
Less distributions from:					
Net investment income	(0.26)	(0.18)	(0.16)	(0.31)	(0.26)
Net realized gains	—	—	—	—	(0.87)
Total distributions	(0.26)	(0.18)	(0.16)	(0.31)	(1.13)
Net asset value, end of year	$ 12.16	$ 10.27	$ 11.19	$ 10.56	$ 8.34
Total return[c]	21.40%	(6.80)%	7.74%	31.33%	(42.13)%
Ratios to average net assets					
Expenses[d]	0.78%	0.78%	0.77%	0.79%	0.78%
Net investment income	2.31%	2.22%	1.71%	2.00%	2.64%
Supplemental data					
Net assets, end of year (000's)	$476,954	$1,200,682	$1,348,622	$824,575	$ 371,700
Portfolio turnover rate	18.73%[e]	42.13%[e]	9.61%	14.95%	18.37%

[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

Class 2	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 10.11	$ 11.01	$ 10.40	$ 8.20	$ 15.44
Income from investment operations[a]:					
Net investment income[b]	0.21	0.21	0.15	0.16	0.29
Net realized and unrealized gains (losses)	1.88	(0.96)	0.60	2.32	(6.44)
Total from investment operations	2.09	(0.75)	0.75	2.48	(6.15)
Less distributions from:					
Net investment income	(0.23)	(0.15)	(0.14)	(0.28)	(0.22)
Net realized gains	—	—	—	—	(0.87)
Total distributions	(0.23)	(0.15)	(0.14)	(0.28)	(1.09)
Net asset value, end of year	$ 11.97	$ 10.11	$ 11.01	$ 10.40	$ 8.20
Total return[c]	21.07%	(6.97)%	7.39%	31.10%	(42.32)%
Ratios to average net assets					
Expenses[d]	1.03%	1.03%	1.02%	1.04%	1.03%
Net investment income	2.06%	1.97%	1.46%	1.75%	2.39%
Supplemental data					
Net assets, end of year (000's)	$1,352,554	$1,254,193	$1,626,885	$1,718,894	$1,513,557
Portfolio turnover rate	18.73%[e]	42.13%[e]	9.61%	14.95%	18.37%

[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	**2012**	**2011**	**2010**	**2009**	**2008[a]**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 10.19	$ 11.11	$ 10.50	$ 8.31	$ 14.08
Income from investment operations[b]:					
Net investment income[c]	0.20	0.20	0.14	0.14	0.09
Net realized and unrealized gains (losses)	1.90	(0.98)	0.61	2.36	(4.73)
Total from investment operations	2.10	(0.78)	0.75	2.50	(4.64)
Less distributions from:					
Net investment income	(0.22)	(0.14)	(0.14)	(0.31)	(0.26)
Net realized gains	—	—	—	—	(0.87)
Total distributions	(0.22)	(0.14)	(0.14)	(0.31)	(1.13)
Net asset value, end of year	$ 12.07	$ 10.19	$ 11.11	$ 10.50	$ 8.31
Total return[d]	21.02%	(7.14)%	7.31%	30.98%	(35.79)%
Ratios to average net assets[e]					
Expenses[f]	1.13%	1.13%	1.12%	1.14%	1.13%
Net investment income	1.96%	1.87%	1.36%	1.65%	2.29%
Supplemental data					
Net assets, end of year (000's)	$ 67,158	$ 56,170	$60,569	$ 56,218	$ 24,877
Portfolio turnover rate	18.73%[g]	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.

The accompanying notes are an integral part of these financial statements.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks 97.5%			
Aerospace & Defense 0.5%			
BAE Systems PLC	United Kingdom	1,730,147	$ 9,621,162
Air Freight & Logistics 1.5%			
FedEx Corp.	United States	137,650	12,625,258
United Parcel Service Inc., B	United States	213,890	15,770,110
			28,395,368
Airlines 3.4%			
Deutsche Lufthansa AG	Germany	1,852,934	35,019,057
[a]International Consolidated Airlines Group SA	United Kingdom	9,750,507	29,569,326
			64,588,383
Auto Components 1.5%			
Cie Generale des Etablissements Michelin, B	France	304,259	29,146,006
Automobiles 2.6%			
[a]Mazda Motor Corp.	Japan	5,893,690	12,078,973
Nissan Motor Co. Ltd.	Japan	1,197,020	11,342,660
Toyota Motor Corp.	Japan	547,420	25,527,034
			48,948,667
Biotechnology 2.0%			
Amgen Inc.	United States	394,160	34,023,891
[a]Elan Corp. PLC, ADR	Ireland	294,500	3,006,845
[a]Prothena Corp. PLC	Ireland	5,524	40,494
			37,071,230
Capital Markets 3.3%			
Credit Suisse Group AG	Switzerland	1,002,529	24,380,068
Morgan Stanley	United States	985,150	18,836,068
UBS AG	Switzerland	1,243,876	19,391,611
			62,607,747
Chemicals 1.2%			
Akzo Nobel NV	Netherlands	345,572	22,869,662
Commercial Banks 8.8%			
BNP Paribas SA	France	501,247	28,528,429
[a]Credit Agricole SA	France	2,476,096	20,160,137
DBS Group Holdings Ltd.	Singapore	932,690	11,451,583
HSBC Holdings PLC	United Kingdom	1,913,864	20,076,403
ICICI Bank Ltd., ADR	India	261,909	11,421,851
Intesa Sanpaolo SpA	Italy	12,521,254	21,647,397
KB Financial Group Inc.	South Korea	657,984	23,445,521
SunTrust Banks Inc.	United States	313,620	8,891,127
[a]UniCredit SpA	Italy	4,430,841	21,813,672
			167,436,120
Communications Equipment 3.1%			
[a]Brocade Communications Systems Inc.	United States	1,648,830	8,788,264
Cisco Systems Inc.	United States	1,476,640	29,015,976
Ericsson, B	Sweden	2,161,202	21,641,440
			59,445,680
Computers & Peripherals 1.4%			
Dell Inc.	United States	978,970	9,916,966

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Computers & Peripherals (continued)			
Hewlett-Packard Co.	United States	1,154,460	$ 16,451,055
			26,368,021
Construction & Engineering 0.1%			
Carillion PLC	United Kingdom	506,846	2,635,293
Construction Materials 1.4%			
CRH PLC	Ireland	1,277,393	25,970,299
Consumer Finance 0.6%			
American Express Co.	United States	201,170	11,563,251
Diversified Financial Services 4.3%			
Citigroup Inc.	United States	770,990	30,500,364
[a]ING Groep NV	Netherlands	3,399,906	32,283,667
JPMorgan Chase & Co.	United States	440,760	19,380,217
			82,164,248
Diversified Telecommunication Services 4.3%			
China Telecom Corp. Ltd., ADR	China	179,195	10,187,236
France Telecom SA	France	1,226,401	13,601,851
Singapore Telecommunications Ltd.	Singapore	10,915,970	29,706,312
Telefonica SA	Spain	900,340	12,186,503
Vivendi SA	France	739,654	16,723,523
			82,405,425
Electrical Equipment 1.5%			
Alstom SA	France	590,117	23,765,902
Dongfang Electric Corp. Ltd., H	China	2,016,600	4,069,498
			27,835,400
Electronic Equipment, Instruments & Components 0.8%			
[a]Flextronics International Ltd.	Singapore	1,241,008	7,706,660
TE Connectivity Ltd.	United States	210,968	7,831,132
			15,537,792
Energy Equipment & Services 3.7%			
Baker Hughes Inc.	United States	594,950	24,297,758
Halliburton Co.	United States	731,720	25,383,367
Noble Corp.	United States	470,410	16,379,676
[a]SBM Offshore NV	Netherlands	228,380	3,219,921
			69,280,722
Food & Staples Retailing 2.2%			
CVS Caremark Corp.	United States	389,620	18,838,127
Tesco PLC	United Kingdom	3,999,235	22,044,102
			40,882,229
Health Care Equipment & Supplies 1.1%			
Medtronic Inc.	United States	497,540	20,409,091
Industrial Conglomerates 2.1%			
Koninklijke Philips Electronics NV	Netherlands	707,508	18,729,970
Siemens AG	Germany	201,712	22,051,465
			40,781,435
Insurance 5.3%			
[a]American International Group Inc.	United States	221,040	7,802,712

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
Aviva PLC	United Kingdom	3,976,260	$ 24,609,908
AXA SA	France	1,338,128	24,197,568
Muenchener Rueckversicherungs-Gesellschaft AG	Germany	98,161	17,716,074
Swiss Re AG	Switzerland	352,506	25,378,429
			99,704,691
Life Sciences Tools & Services 0.3%			
Lonza Group AG	Switzerland	120,746	6,511,195
Machinery 0.8%			
[a]Navistar International Corp.	United States	725,430	15,792,611
Media 6.0%			
Comcast Corp., Special A	United States	872,552	31,368,244
News Corp., A	United States	610,902	15,602,437
Time Warner Cable Inc.	United States	204,750	19,899,652
Time Warner Inc.	United States	420,870	20,130,212
Viacom Inc., B	United States	164,298	8,665,077
The Walt Disney Co.	United States	367,850	18,315,252
			113,980,874
Metals & Mining 0.3%			
POSCO	South Korea	15,450	5,069,431
Multiline Retail 0.6%			
Target Corp.	United States	191,680	11,341,706
Oil, Gas & Consumable Fuels 8.6%			
BP PLC	United Kingdom	3,119,588	21,696,277
Chesapeake Energy Corp.	United States	728,380	12,105,676
Chevron Corp.	United States	195,030	21,090,544
Eni SpA	Italy	776,759	19,023,613
Galp Energia SGPS SA, B	Portugal	857,860	13,312,697
Royal Dutch Shell PLC, B	United Kingdom	539,383	19,243,072
Talisman Energy Inc.	Canada	2,121,220	24,025,900
Total SA, B	France	618,659	32,182,077
			162,679,856
Pharmaceuticals 10.2%			
[a]Forest Laboratories Inc.	United States	139,200	4,916,544
GlaxoSmithKline PLC	United Kingdom	1,418,813	30,889,719
Merck & Co. Inc.	United States	666,781	27,298,014
Merck KGaA	Germany	129,667	17,084,895
Pfizer Inc.	United States	1,566,733	39,293,664
Roche Holding AG	Switzerland	172,833	34,742,199
Sanofi	France	404,337	38,335,195
			192,560,230
Professional Services 1.6%			
Adecco SA	Switzerland	88,434	4,641,251
Hays PLC	United Kingdom	2,280	3,105
Randstad Holding NV	Netherlands	708,650	26,296,064
			30,940,420
Semiconductors & Semiconductor Equipment 3.5%			
Samsung Electronics Co. Ltd.	South Korea	38,670	55,334,267
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	3,053,585	10,190,874
			65,525,141

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Templeton Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Software 3.4%			
Microsoft Corp.	United States	1,099,279	$ 29,383,728
Nintendo Co. Ltd.	Japan	99,240	10,581,921
Oracle Corp.	United States	332,460	11,077,567
SAP AG	Germany	157,602	12,669,822
			63,713,038
Specialty Retail 1.0%			
Kingfisher PLC	United Kingdom	4,012,231	18,740,579
Trading Companies & Distributors 0.4%			
Itochu Corp.	Japan	770,990	8,137,396
Wireless Telecommunication Services 4.1%			
[a]Sprint Nextel Corp.	United States	4,601,360	26,089,711
[a]Turkcell Iletisim Hizmetleri AS, ADR	Turkey	1,477,723	23,850,449
Vodafone Group PLC	United Kingdom	11,383,719	28,660,903
			78,601,063
Total Common Stocks (Cost $1,713,263,190)			1,849,261,462
Preferred Stocks 0.6%			
Metals & Mining 0.4%			
Vale SA, ADR, pfd., A	Brazil	372,875	7,569,362
Oil, Gas & Consumable Fuels 0.2%			
Petroleo Brasileiro SA, ADR, pfd.	Brazil	172,602	3,331,219
Total Preferred Stocks (Cost $11,833,237)			10,900,581
Non-Registered Mutual Funds (Cost $11,935,000) 0.7%			
Diversified Financial Services 0.7%			
[a,b,c,d]Templeton China Opportunities Fund Ltd., Reg D	Cayman Islands	1,194,518	13,689,174
Total Investments before Short Term Investments (Cost $1,737,031,427)			1,873,851,217
		Principal Amount	
Short Term Investments (Cost $26,000,000) 1.4%			
Time Deposits 1.4%			
Royal Bank of Canada, 0.05%, 1/02/13	United States	$26,000,000	26,000,000
Total Investments (Cost $1,763,031,427) 100.2%			1,899,851,217
Other Assets, less Liabilities (0.2)%			(3,184,901)
Net Assets 100.0%			$1,896,666,316

See abbreviations on page TG-30.

[a]Non-income producing.
[b]See Note 1(c) regarding investment in Templeton China Opportunities Fund, Ltd.
[c]See Note 8 regarding restricted securities.
[d]See Note 9 regarding holdings of 5% voting securities.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2012

	Templeton Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$1,751,096,427
Cost - Non-controlled affiliated issuers (Note 9)	11,935,000
Total cost of investments	$1,763,031,427
Value - Unaffiliated issuers	$1,886,162,043
Value - Non-controlled affiliated issuers (Note 9)	13,689,174
Total value of investments	1,899,851,217
Cash	431,212
Receivables:	
Capital shares sold	162,634
Dividends and interest	2,695,418
Other assets	61
Total assets	1,903,140,542
Liabilities:	
Payables:	
Investment securities purchased	883,672
Capital shares redeemed	2,787,099
Affiliates	2,304,855
Reports to shareholders	373,231
Accrued expenses and other liabilities	125,369
Total liabilities	6,474,226
Net assets, at value	$1,896,666,316
Net assets consist of:	
Paid-in capital	$1,999,113,705
Undistributed net investment income	54,035,591
Net unrealized appreciation (depreciation)	136,855,890
Accumulated net realized gain (loss)	(293,338,870)
Net assets, at value	$1,896,666,316

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
December 31, 2012

	Templeton Growth Securities Fund
Class 1:	
Net assets, at value	$ 476,954,253
Shares outstanding	39,231,294
Net asset value and maximum offering price per share	$ 12.16
Class 2:	
Net assets, at value	$1,352,554,115
Shares outstanding	112,970,230
Net asset value and maximum offering price per share	$ 11.97
Class 4:	
Net assets, at value	$ 67,157,948
Shares outstanding	5,563,777
Net asset value and maximum offering price per share	$ 12.07

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, 2012

	Templeton Growth Securities Fund
Investment income:	
Dividends (net of foreign taxes $5,567,047)	$ 75,236,783
Interest	53,195
Income from securities loaned	2,601,913
Total investment income	77,891,891
Expenses:	
Management fees (Note 3a)	18,785,943
Distribution fees: (Note 3c)	
Class 2	3,248,515
Class 4	217,813
Unaffiliated transfer agent fees	1,232
Custodian fees (Note 4)	260,580
Reports to shareholders	363,995
Professional fees	131,200
Trustees' fees and expenses	10,637
Other	58,700
Total expenses	23,078,615
Expense reductions (Note 4)	(199)
Net expenses	23,078,416
Net investment income	54,813,475
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments (includes gains from a redemption in-kind of $18,346,694) (Note 11)	52,542,423
Foreign currency transactions	(507,903)
Net realized gain (loss)	52,034,520
Net change in unrealized appreciation (depreciation) on:	
Investments	384,754,033
Translation of other assets and liabilities denominated in foreign currencies	109,661
Net change in unrealized appreciation (depreciation)	384,863,694
Net realized and unrealized gain (loss)	436,898,214
Net increase (decrease) in net assets resulting from operations	$491,711,689

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Templeton Growth Securities Fund	
	Year Ended December 31, 2012	2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 54,813,475	$ 60,824,912
Net realized gain (loss) from investments and foreign currency transactions	52,034,520	119,363,548
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	384,863,694	(404,407,949)
Net increase (decrease) in net assets resulting from operations	491,711,689	(224,219,489)
Distributions to shareholders from:		
Net investment income:		
Class 1	(30,925,492)	(23,962,804)
Class 2	(26,587,764)	(19,367,342)
Class 4	(1,228,892)	(766,075)
Total distributions to shareholders	(58,742,148)	(44,096,221)
Capital share transactions: (Note 2)		
Class 1	(922,021,789)	15,269,781
Class 2	(125,611,247)	(272,568,653)
Class 4	284,692	582,974
Total capital share transactions	(1,047,348,344)	(256,715,898)
Net increase (decrease) in net assets	(614,378,803)	(525,031,608)
Net assets:		
Beginning of year	2,511,045,119	3,036,076,727
End of year	$ 1,896,666,316	$2,511,045,119
Undistributed net investment income included in net assets:		
End of year	$ 54,035,591	$ 58,485,038

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. Investment activities of these insurance company separate accounts could have a material impact on the Fund. 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 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 Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to 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 (OTC) 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 OTC 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, credit spreads, estimated default rates, anticipated market interest rate volatility, 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. Time deposits are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC 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. An income-based valuation approach may also be used 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. The VLOC employs various methods for calibrating these valuation approaches

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC 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 VLOC 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. At December 31, 2012, a market event occurred resulting in a portion of the securities held by the Fund being valued using fair value procedures.

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 Board.

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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Investment in Templeton China Opportunities Fund, Ltd. (continued)

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 securities 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 day. The collateral is invested in a non-registered money fund. 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. At December 31, 2012, the Fund had no securities on loan.

e. Income and Deferred 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, 2012, 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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Security Transactions, Investment Income, Expenses and Distributions (continued)

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.

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, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2012		2011	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	39,146,115	$ 423,930,779	64,351,377	$ 689,220,432
Shares issued in reinvestment of distributions	3,052,862	30,925,492	2,081,912	23,962,804
Shares redeemed in-kind (Note 11)	(90,515,836)	(1,060,908,757)	(62,046)	(778,675)
Shares redeemed	(29,409,088)	(315,969,303)	(69,960,205)	(697,134,780)
Net increase (decrease)	(77,725,947)	$ (922,021,789)	(3,588,962)	$ 15,269,781
Class 2 Shares:				
Shares sold	9,278,139	$ 99,327,364	8,669,643	$ 93,168,510
Shares issued in reinvestment of distributions	2,661,438	26,587,764	1,706,374	19,367,342
Shares redeemed in-kind (Note 11)	—	—	(7,322,431)	(90,358,797)
Shares redeemed	(23,060,322)	(251,526,375)	(26,665,336)	(294,745,708)
Net increase (decrease)	(11,120,745)	$ (125,611,247)	(23,611,750)	$(272,568,653)

2. SHARES OF BENEFICIAL INTEREST (continued)

	Year Ended December 31,			
	2012		2011	
Class 4 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	712,668	$ 7,687,691	552,161	$ 6,020,586
Shares issued on reinvestment of distributions	121,914	1,228,892	66,906	766,075
Shares redeemed	(782,111)	(8,631,891)	(559,011)	(6,203,687)
Net increase (decrease)	52,471	$ 284,692	60,056	$ 582,974

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

FT Services, under terms of an agreement, provides administrative services to the Fund and is not paid by the Fund for the services.

c. Distribution Fees

The Board 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. Some distribution fees are not charged on shares held by affiliates. The Board has agreed to limit the current rate to 0.25% per year for Class 2.

3. TRANSACTIONS WITH AFFILIATES (continued)

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.

e. Other Affiliated Transactions

At December 31, 2012, Franklin Templeton Variable Insurance Products Trust – Franklin Templeton VIP Founding Funds Allocation Fund owned 16.71% of the Fund's outstanding shares. Investment activities of this investment company could have a material impact on the Fund.

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, 2012, 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. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2012, capital loss carryforwards were as follows:

Capital loss carryforwards expiring in:	
2017	$215,277,225
2018	55,299,629
	$270,576,854

During the year ended December 31, 2012, the Fund utilized $25,377,477 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2012 and 2011, was as follows:

	2012	2011
Distributions paid from ordinary income	$58,742,148	$44,096,221

At December 31, 2012, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$1,787,547,618
Unrealized appreciation	$ 316,201,161
Unrealized depreciation	(203,897,562)
Net unrealized appreciation (depreciation)	$ 112,303,599
Distributable earnings - undistributed ordinary income	$ 55,789,766

5. INCOME TAXES (continued)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, wash sales and gains realized on in-kind shareholder redemptions.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2012, aggregated $536,120,562 and $447,857,998, respectively. Sales of investments excludes redemptions in-kind of $1,060,908,757.

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, 2012, 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 (0.72% of Net Assets)	3/17/10-12/1/11	$11,935,000	$13,689,174

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, 2012, 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 . .	1,194,518	—	—	1,194,518	$13,689,174	$—	$—
Total Affiliated Securities (0.72% 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 $1.5 billion (Global Credit Facility) which matured on January 18, 2013. 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 18, 2013, the Borrowers renewed the Global Credit Facility, which matures on January 17, 2014.

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 0.07% 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, 2012, the Fund did not use the Global Credit Facility.

11. REDEMPTION IN-KIND

During the year ended December 31, 2012 and year ended December 31, 2011, the Fund realized $18,346,694 and $9,941,638, respectively, of net gains resulting from redemptions 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 have been 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 financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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. Additionally, at December 31, 2012, due to market events the Fund employed fair value procedures to value a portion of its holdings. Such procedures resulted in a temporary transfer of financial instruments valued at $851,762,094 from Level 1 to Level 2 within the fair value hierarchy.

12. FAIR VALUE MEASUREMENTS (continued)

A summary of inputs used as of December 31, 2012, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:				
Aerospace & Defense	$ —	$ 9,621,162	$ —	$ 9,621,162
Airlines	—	64,588,383	—	64,588,383
Auto Components	—	29,146,006	—	29,146,006
Automobiles	—	48,948,667	—	48,948,667
Chemicals	—	22,869,662	—	22,869,662
Commercial Banks	63,834,902	103,601,218	—	167,436,120
Construction & Engineering	—	2,635,293	—	2,635,293
Construction Materials	—	25,970,299	—	25,970,299
Diversified Financial Services	49,880,581	32,283,667	13,689,174	95,853,422
Diversified Telecommunication Services	10,187,236	72,218,189	—	82,405,425
Electrical Equipment	4,069,498	23,765,902	—	27,835,400
Energy Equipment & Services	66,060,801	3,219,921	—	69,280,722
Food & Staples Retailing	18,838,127	22,044,102	—	40,882,229
Industrial Conglomerates	—	40,781,435	—	40,781,435
Insurance	33,181,141	66,523,550	—	99,704,691
Oil, Gas & Consumable Fuels	73,866,036	92,145,039	—	166,011,075
Pharmaceuticals	106,250,421	86,309,809	—	192,560,230
Professional Services	4,641,251	26,299,169	—	30,940,420
Software	40,461,295	23,251,743	—	63,713,038
Specialty Retail	—	18,740,579	—	18,740,579
Trading Companies & Distributors	—	8,137,396	—	8,137,396
Wireless Telecommunication Services	49,940,160	28,660,903	—	78,601,063
All Other Equity Investments[a,b]	487,188,500	—	—	487,188,500
Short Term Investments	26,000,000	—	—	26,000,000
Total Investments in Securities	$1,034,399,949	$851,762,094	$13,689,174	$1,899,851,217

[a]Includes common and preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. In January 2013, FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of these ASUs 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

Selected Portfolio

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, 2012, 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, 2012 by correspondence with the custodian, transfer agent and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 15, 2013

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 29.32% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2012.

At December 31, 2012, 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 2013 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 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 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 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.

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.

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 12/31/12, there were 229 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 12/31/12, there were 63 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 12/31/12, there were 51 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12/31/12, there were 118 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 World Index (ACWI) 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/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; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (August 2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); 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 (aerospace 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) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President—Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (June 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President—Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); 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, Staples Europe (office supplies) (October 2012); 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. (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) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	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.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since April 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and 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
Breda M. Beckerle (1958) 600 Fifth Avenue New York, NY 10020	Chief Compliance Officer and Vice President	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Investment Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; Vice President and Compliance Officer—Commingled Trusts, Fiduciary Trust International of the South; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
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; and officer of 46 of the investment companies in Franklin Templeton Investments.				
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).				
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.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President—AML Compliance	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; 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 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 46 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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

< GAIN FROM OUR PERSPECTIVE® >

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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DECEMBER 31, 2012

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report
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*Not part of the annual report. Retain for your records.
† Please see Group of Funds Prospectus Supplement and Group of Funds Statement of Additional Information Supplement.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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 1, 2013
TO THE PROSPECTUSES
DATED MAY 1, 2012
OF
FRANKLIN GLOBAL REAL ESTATE SECURITIES FUND
FRANKLIN GROWTH AND INCOME SECURITIES FUND
FRANKLIN HIGH INCOME SECURITIES FUND
FRANKLIN INCOME SECURITIES FUND
FRANKLIN STRATEGIC INCOME SECURITIES FUND
MUTUAL GLOBAL DISCOVERY SECURITIES FUND
MUTUAL INTERNATIONAL SECURITIES FUND
MUTUAL SHARES SECURITIES FUND
TEMPLETON GLOBAL BOND SECURITIES FUND
(Series of Franklin Templeton Variable Insurance Products Trust)

The Prospectus is amended as follows:

I. For the Franklin Global Real Estate Securities Fund, Franklin Strategic Income Securities Fund, Mutual Global Discovery Securities Fund, Mutual International Securities Fund, Mutual Shares Securities Fund and Templeton Global Bond Securities Fund, the "Principal Investment Policies and Practices - Commodity Exchange Act Exclusion" section of the Fund Details is replaced with the following:

> The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.
>
> As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this prospectus.

II. For the Franklin Growth and Income Securities Fund, Franklin High Income Securities Fund and Franklin Income Securities Fund, the following is added above the "Principal Investment Policies and Practices - Temporary Investments" section of the Fund Details:

> The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.
>
> As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this prospectus.

Please keep this supplement for future reference

Supplement Dated January 1, 2013
to the Statement of Additional Information
Dated May 1, 2012
of
Franklin Global Real Estate Securities Fund
Franklin Growth and Income Securities Fund
Franklin High Income Securities Fund
Franklin Income Securities Fund
Franklin Strategic Income Securities Fund
Franklin Templeton VIP Founding Funds Allocation Fund
Mutual Global Discovery Securities Fund
Mutual International Securities Fund
Mutual Shares Securities Fund
Templeton Global Bond Securities Fund
(Series of Franklin Templeton Variable Insurance Products Trust)

The statement of additional information is amended as follows:

The fourth paragraph on page 23 under "Glossary of Investments, Techniques, Strategies and Their Risks - Derivative instruments" is replaced with the following paragraphs:

The Fund is not intended as a vehicle for trading in the futures, commodity options or swaps markets. With respect to the Fund, the investment manager has claimed an exclusion from the definition of "commodity pool operator" (CPO) under the Commodity Exchange Act (CEA) and the rules of the Commodity Futures Trading Commission (CFTC) and, therefore, is not subject to CFTC registration or regulation as a CPO. In addition, the investment manager is relying upon a related exclusion from the definition of "commodity trading advisor" (CTA) under the CEA and the rules of the CFTC.

As of January 1, 2013, the terms of the CPO exclusion require the Fund, among other things, to adhere to certain limits on its investments in futures, commodity options, swaps and non-deliverable foreign currency forwards (used for purposes other than bona fide hedging). Because the investment manager and the Fund intend to comply with the terms of the CPO exclusion, the Fund may need to adjust its investment strategies to limit its investments in these types of instruments. The CFTC has neither reviewed nor approved the investment manager's reliance on these exclusions, or the Fund, its investment strategies or this statement of additional information.

Please keep this supplement for future reference

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We are pleased to bring you Franklin Strategic Income Securities Fund's annual report for the fiscal year ended December 31, 2012.

Franklin Strategic Income Securities Fund – Class 2

Performance Summary as of 12/31/12

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 12/31/12

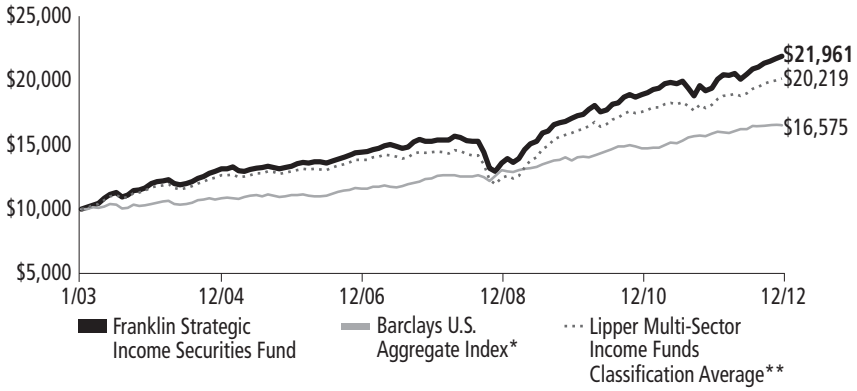
	1-Year	5-Year	10-Year
Average Annual Total Return	+12.75%	+7.44%	+8.18%

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 (1/1/03–12/31/12)

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 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: © 2013 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, including possible loss of principal. As the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Risks associated with higher yielding, lower rated securities (junk bonds) include higher risk of default and loss of principal. Floating rate loans and high yield corporate bonds are rated below investment grade and are subject to greater risk of default, which could result in loss of principal. Investments in foreign securities involve risks such as currency fluctuations and political uncertainty. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investing in derivative securities and the use of foreign currency techniques involve special risks as such may not achieve the anticipated benefits and/or may result in losses to the Fund. 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. Under normal market conditions, the Fund 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 outperformed the +4.21% total return of its benchmark, the Barclays U.S. Aggregate Index.[1] The Fund also outperformed the +11.21% 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, U.S. economic data remained mixed. Oil prices declined, and the housing sector strengthened with new and existing home sales as well as prices pointing toward a gradual strengthening trend, albeit from a low base. Consumer spending generally increased and consumer confidence reached its highest level during the period in November. However, manufacturing indicators weakened and gross domestic product growth was moderate.

The global economic recovery was also mixed during 2012. Emerging markets continued to lead the recovery with many economies returning to and exceeding pre-crisis activity levels. Although some developed economies also enjoyed relatively strong recoveries, growth in the G-3 (U.S., eurozone and Japan) continued to be slow by the standards of previous recoveries. Despite ongoing uncertainty, eurozone leaders made meaningful progress and began to deploy policy solutions aimed at correcting long-unaddressed structural issues. Policymakers in the largest developed economies increased their already unprecedented efforts to supply liquidity and with few exceptions, policymakers elsewhere in the world paused their tightening cycles or reduced rates in response to the risks to domestic activity from a potential deterioration in the global outlook. European Central Bank (ECB) President Mario Draghi declared, "the ECB is ready to do whatever it takes to preserve the euro," buoying markets in the summer. In Asia, China's and Japan's central banks took measures to stimulate their countries' growth.

1. Source: © 2013 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.

In September, the Federal Reserve Board (Fed) acknowledged the need for further policy accommodation and announced a third round of quantitative easing (QE3). QE3 consisted of additional $40 billion monthly purchases of mortgage-backed securities until the labor market improves. The Fed also continued buying long-term Treasuries and selling short-term Treasuries in an effort to put downward pressure on long-term interest rates. In December, the Fed announced a 6.5% unemployment target as a guide to maintaining the historically low federal funds target rate. Economists, business leaders and market watchers were concerned about the U.S. "fiscal cliff" when, unless Congress acted, automatic income tax increases and federal budget cuts were scheduled to take effect in 2013. They feared these events could cause another U.S. recession. Not knowing whether Congress and the President would avert these measures after the U.S. election, many businesses delayed major investment and hiring decisions. Lawmakers reached a late compromise on January 1, 2013, a day after the reporting period ended. The approved legislation will maintain some tax cuts for most Americans but increase rates on the wealthiest. It will also delay the automatic federal spending cuts scheduled to start in January 2013.

Ongoing investor concerns about the fiscal cliff and eurozone uncertainty drove the 10-year U.S. Treasury note yield to 1.78% at year-end from 1.89% on December 31, 2011. During the 12 months under review, below-investment-grade corporate bonds, as measured by the Credit Suisse High Yield Index, produced strong returns and outperformed investment-grade fixed income markets, as measured by the Barclays U.S. Aggregate Index.[3]

3. Please see Index Descriptions following the Fund Summaries.

What is a currency forward contract?

A currency forward 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.

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

Global economic and political headlines continued to influence financial markets in 2012. During the first half of 2012, weak economic data along with renewed eurozone concerns pressured financial markets, and U.S. stocks, as measured by the Standard & Poor's® 500 Index (S&P 500®), fell in the second quarter.[3] However, similar to the back-and-forth pattern of the past couple of years, financial markets rallied during the second half of the year, and the S&P 500 delivered a +16.00% total return in 2012.[1] Renewed optimism stemmed from indications of further monetary easing from central banks in the U.S., eurozone and Japan, as well as improving economic indicators in the U.S. and China toward period-end. In this environment, long-term U.S. rates fluctuated, but ultimately ended the reporting period at slightly lower levels. Amid relatively steady interest rates and a more supportive credit market environment by period-end, most fixed income sectors delivered positive total returns. Given greater financial market optimism, many "spread" sectors of the fixed income market outperformed U.S. Treasuries. Similarly, a rebound in certain foreign currencies compared to the U.S. dollar drove many international fixed income currency markets to positive performance.

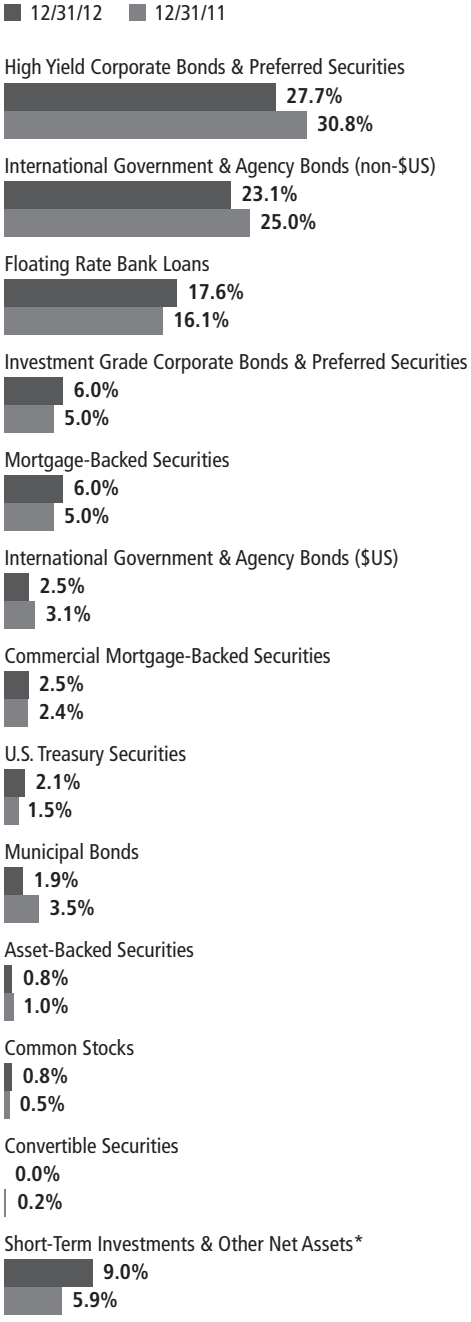
The Fund's overweighted exposure to noninvestment-grade corporate credit sectors positively impacted performance relative to the Barclays U.S. Aggregate Index. Compared to the Lipper peer average, the Fund's higher exposure to certain non-dollar holdings aided returns.

Corporate credit fundamentals remained broadly supportive during the period, with ample corporate liquidity and default rates well below the historical average. Although companies began focusing more on shareholder-friendly activities, such as stock buybacks and increasing dividends, in general management teams remained cautious regarding balance sheet liquidity and accessed the public debt markets to refinance existing debt at lower interest rates. Similarly, although banks' reluctance to lend curbed corporate spending initiatives, increases in global capital ratios and liquidity buffers for global banks strengthened the banking sector's perceived credit safety. Consequently, corporate spread sectors delivered positive performance as spreads tightened during the period. The Fund's largest corporate credit exposure remained in high yield bonds, although given the compression in spreads between higher quality and lower rated securities, the Fund raised its exposure to leveraged bank loans and investment grade corporate bonds while reducing its weighting in high yield corporate bonds.

The global financial market rally also drove positive performance for many of the underlying currencies held in the Fund's global bond positions. In particular, many positions denominated in Asian currencies in countries such as South Korea and the Philippines, some of which included currency forward contracts, performed well versus the U.S. dollar. Similarly, Fund holdings in Polish and Hungarian bonds generated positive returns, as they were proxy-hedged against short euro currency forward contracts, and the euro underperformed the two currencies during the period. In Latin America, the Fund's exposure to the Mexican peso and Chilean peso benefited returns, given the strength of those currencies. Toward period-end, weakness in the Japanese yen also helped Fund performance, as the Fund had sold the yen using currency forward contracts. In most global positions, the Fund maintained relatively short duration, focusing on yield in short-term maturity instruments and seeking potential currency appreciation. Finally, we maintained only a modest weighting in hard currency (U.S. dollar and euro) emerging market sovereign bonds, given valuations that remained rich compared to longer term averages.

With relatively flat longer term U.S. interest rates, the more rate-sensitive U.S. fixed income sectors, including Treasuries, agencies and mortgage-backed securities (MBS), generally delivered positive returns for the period, although lagging returns of the broader fixed income market. The Fund maintained lower exposure to these sectors,

Asset Allocation
Franklin Strategic Income Securities Fund
Based on Total Net Assets



*Includes unrealized gains/losses on currency forward 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.

considering historically low U.S. rates, preferring higher income opportunities in the corporate and global markets. Within the U.S. rate sectors, the Fund favored agency MBS, given their somewhat higher current yields and considering the Fed's continued purchases of agency MBS through quantitative easing programs. For municipal bond holdings, the Fund realized gains by selling certain longer maturity municipal bonds while adding diversified floating-rate exposure with a basket of municipal issuers via a derivatives index instrument.

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, 2012, 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

Franklin Strategic Income Securities Fund – Class 2

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 7/1/12	Ending Account Value 12/31/12	Fund-Level Expenses Incurred During Period* 7/1/12–12/31/12
Actual	$1,000	$1,067.30	$4.26
Hypothetical (5% return before expenses)	$1,000	$1,021.01	$4.17

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.82%), 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 184/366 to reflect the one-half year period.

SUPPLEMENT DATED SEPTEMBER 14, 2012
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2012
FRANKLIN STRATEGIC INCOME SECURITIES FUND
(A series of Franklin Templeton Variable Insurance Products Trust)

The Statement of Additional Information is amended as follows:

I. For Franklin Strategic Income Securities Fund, the Section entitled "**Goals, Strategies and Risks –** *Additional Strategies/Additional Considerations*" on page 7 is amended to reflect that the Fund may invest up to 5% of its net assets in collateralized debt obligations, including collateralized loan obligations.

II. For Franklin Strategic Income Securities Fund, the Section entitled "**Goals, Strategies and Risks –** *Glossary of Investments, Techniques, Strategies and Their Risks* **– Collateralized loan obligations**," beginning on page 12 is replaced with the following:

> **Collateralized Debt Obligations** Collateralized debt obligations and similarly structured securities, sometimes known generally as CDOs, are interests in a trust or other special purpose entity (SPE) and are typically backed by a diversified pool of bonds, loans or other debt obligations. CDOs are not limited to investments in one type of debt and, accordingly, a CDO may be collateralized by corporate bonds, commercial loans, asset-backed securities, residential mortgage-backed securities, REITs, commercial mortgage-backed securities, emerging market debt, and municipal bonds. Certain CDOs may use derivatives contracts, such as credit default swaps, to create "synthetic" exposure to assets rather than holding such assets directly, which entails the risks of derivative instruments described elsewhere in this SAI.
>
> Common varieties of CDOs include the following:
>
> *Collateralized loan obligations* Collateralized loan obligations (CLOs) are interests in a trust typically collateralized substantially by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans made to domestic and foreign borrowers, including loans that may be rated below investment grade or equivalent unrated loans.
>
> *Collateralized bond obligations* Collateralized bond obligations (CBOs) are interests in a trust typically backed substantially by a diversified pool of high risk, below investment grade fixed income securities.

Structured finance CDOs Structured finance CDOs are interests in a trust typically backed substantially by structured investment products such as asset-backed securities and commercial mortgage-backed securities.

Synthetic CDOs In contrast to CDOs that directly own the underlying debt obligations, referred to as cash CDOs, synthetic CDOs are typically collateralized substantially by derivatives contracts, such as credit default swaps, to create "synthetic" exposure to assets rather than holding such assets directly, which entails the risks of derivative instruments described elsewhere in this SAI, principally counterparty risk.

CDOs are similar in structure to collateralized mortgage obligations, described elsewhere in this SAI. Unless the context indicates otherwise, the discussion of CDOs below also applies to CLOs, CBOs and other similarly structured securities.

In CDOs, the cash flows from the SPE are split into two or more portions, called tranches (or classes), that vary in risk and yield. The riskiest portion is the "equity" tranche which bears the first loss from defaults on the bonds or loans in the SPE and is intended to protect the other, more senior tranches from severe, and potentially unforeseen, defaults or delinquent collateral payments (though such protection is not complete). Because they may be partially protected from defaults, senior tranches from a CDO typically have higher ratings and lower yields than the underlying collateral securities held by the trust, and may be rated investment grade. Despite protection from the equity tranche, more senior tranches can experience, and may have experienced in the past, substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default, downgrades of the underlying collateral by rating agencies, forced liquidation of a collateral pool due to a failure of coverage tests, disappearance of protecting tranches, market anticipation of defaults, as well as a market aversion to CDO securities as a class.

The risks of an investment in a CDO depend largely on the type of collateral held by the SPE and the tranche of the CDO in which the Fund invests. Investment risk may also be affected by the performance of a CDO's collateral manager (the entity responsible for selecting and managing the pool of collateral securities held by the CDO trust), especially during a period of market volatility like that experienced in 2007-2008. Normally, CDOs are privately offered and sold, and thus, are not registered under the securities laws and traded in a public market. As a result, investments in CDOs may be characterized by the Fund as illiquid securities. However, an active dealer market may exist for CDOs allowing the Fund to trade CDOs with other qualified institutional investors under Rule 144A. To the extent such investments are characterized as illiquid, they will be subject to the Fund's restrictions on investments in illiquid securities. The Fund's investment in

unregistered securities such as CDOs will not receive the same investor protection as an investment in registered securities.

All tranches of CDOs, including senior tranches with high credit ratings, can experience, and many have recently experienced, substantial losses due to actual defaults, increased sensitivity to future defaults due to the disappearance of protecting tranches, market anticipation of defaults, as well as market aversion to CDO securities as a class. Recently, prices of CDO tranches have declined considerably. The drop in prices was initially triggered by the subprime mortgage crisis. Subprime mortgages make up a significant portion of the mortgage securities that collateralize many CDOs. As floating interest rates and mortgage default rates increased, the rating agencies that had rated the mortgage securities and CDO transactions backed by such mortgages realized their default assumptions were too low and began to downgrade the credit rating of these transactions. There can be no assurance that additional losses of equal or greater magnitude will not occur in the future.

In addition to the normal risks associated with debt securities and asset backed securities (e.g., interest rate risk, credit risk and default risk) described elsewhere in this SAI, CDOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or quality or go into default or be downgraded; (iii) the Fund may invest in tranches of a CDO that are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer, difficulty in valuing the security or unexpected investment results.

Certain issuers of CDOs may be deemed to be "investment companies" as defined in the 1940 Act. As a result, the Fund's investment in these structured investments from these issuers may be limited by the restrictions contained in the 1940 Act. CDOs generally charge management fees and administrative expenses that the shareholders of the Fund would pay indirectly.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights

Franklin Strategic Income Securities Fund

	Year Ended December 31,				
Class 1	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.55	$ 12.99	$ 12.28	$ 10.58	$ 12.78
Income from investment operations[a]:					
Net investment income[b]	0.65	0.69	0.72	0.70	0.69
Net realized and unrealized gains (losses)	0.92	(0.32)	0.61	1.95	(1.99)
Total from investment operations	1.57	0.37	1.33	2.65	(1.30)
Less distributions from:					
Net investment income and net of foreign currency gains	(0.93)	(0.81)	(0.62)	(0.95)	(0.87)
Net realized gains	(0.02)	—	—	—	(0.03)
Total distributions	(0.95)	(0.81)	(0.62)	(0.95)	(0.90)
Net asset value, end of year	$ 13.17	$ 12.55	$ 12.99	$ 12.28	$ 10.58
Total return[c]	13.12%	2.78%	11.21%	26.11%	(11.03)%
Ratios to average net assets					
Expenses	0.58%	0.60%[d]	0.59%[d]	0.58%[d]	0.61%[d]
Net investment income	5.04%	5.36%	5.71%	6.13%	5.83%
Supplemental data					
Net assets, end of year (000's)	$1,019,537	$1,043,690	$1,195,149	$1,173,313	$ 903,358
Portfolio turnover rate	49.98%	55.65%	56.46%	56.19%	47.68%
Portfolio turnover rate excluding mortgage dollar rolls[e]	48.75%	55.65%	56.46%	56.19%	47.68%

[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(h) 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

	Year Ended December 31,				
Class 2	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.27	$ 12.72	$ 12.05	$ 10.41	$ 12.60
Income from investment operations[a]:					
Net investment income[b]	0.60	0.64	0.68	0.66	0.65
Net realized and unrealized gains (losses)	0.89	(0.30)	0.59	1.91	(1.96)
Total from investment operations	1.49	0.34	1.27	2.57	(1.31)
Less distributions from:					
Net investment income and net of foreign currency gains	(0.90)	(0.79)	(0.60)	(0.93)	(0.85)
Net realized gains	(0.02)	—	—	—	(0.03)
Total distributions	(0.92)	(0.79)	(0.60)	(0.93)	(0.88)
Net asset value, end of year	$ 12.84	$ 12.27	$ 12.72	$ 12.05	$ 10.41
Total return[c]	12.75%	2.57%	10.91%	25.75%	(11.24)%
Ratios to average net assets					
Expenses	0.83%	0.85%[d]	0.84%[d]	0.83%[d]	0.86%[d]
Net investment income	4.79%	5.11%	5.46%	5.88%	5.58%
Supplemental data					
Net assets, end of year (000's)	$158,451	$123,749	$101,347	$ 68,240	$ 33,155
Portfolio turnover rate	49.98%	55.65%	56.46%	56.19%	47.68%
Portfolio turnover rate excluding mortgage dollar rolls[e]	48.75%	55.65%	56.46%	56.19%	47.68%

[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(h) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Financial Highlights *(continued)*

Franklin Strategic Income Securities Fund

	Year Ended December 31,				
Class 4	**2012**	**2011**	**2010**	**2009**	**2008[a]**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 12.44	$ 12.88	$ 12.20	$ 10.54	$ 12.84
Income from investment operations[b]:					
Net investment income[c]	0.60	0.64	0.67	0.66	0.53
Net realized and unrealized gains (losses)	0.91	(0.31)	0.60	1.94	(1.93)
Total from investment operations	1.51	0.33	1.27	2.60	(1.40)
Less distributions from:					
Net investment income and net of foreign currency gains	(0.89)	(0.77)	(0.59)	(0.94)	(0.87)
Net realized gains	(0.02)	—	—	—	(0.03)
Total distributions	(0.91)	(0.77)	(0.59)	(0.94)	(0.90)
Net asset value, end of year	$ 13.04	$ 12.44	$ 12.88	$ 12.20	$ 10.54
Total return[d]	12.67%	2.46%	10.88%	25.52%	(11.69)%
Ratios to average net assets[e]					
Expenses	0.93%	0.95%[f]	0.94%[f]	0.93%[f]	0.96%[f]
Net investment income	4.69%	5.01%	5.36%	5.78%	5.48%
Supplemental data					
Net assets, end of year (000's)	$196,479	$188,786	$188,178	$162,074	$ 59,766
Portfolio turnover rate	49.98%	55.65%	56.46%	56.19%	47.68%
Portfolio turnover rate excluding mortgage dollar rolls[g]	48.75%	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%.
[g]See Note 1(h) regarding mortgage dollar rolls.

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012

Franklin Strategic Income Securities Fund	Country	Shares	Value
Common Stocks and Other Equity Interests 0.8%			
Consumer Durables & Apparel 0.0%			
[a,b]Comfort Co. Inc., Escrow Account	United States	13,427	$ —
Consumer Services 0.1%			
[a,c,d]Turtle Bay Resort	United States	1,901,449	1,730,319
Materials 0.1%			
[a,b]NewPage Corp., Litigation Trust	United States	2,500,000	—
[a,e]NewPage Holdings Inc.	United States	10,000	958,000
			958,000
Media 0.6%			
[a]MGM Holdings Inc., A	United States	207,949	7,936,727
Total Common Stocks (Cost $10,612,261)			10,625,046
Preferred Stocks (Cost $865,000) 0.1%			
Diversified Financials 0.1%			
GMAC Capital Trust I, 8.125%, pfd.	United States	34,600	922,090
		Principal Amount*	
Corporate Bonds 34.1%			
Automobiles & Components 0.4%			
Exide Technologies, senior secured note, 8.625%, 2/01/18	United States	1,400,000	1,193,500
Ford Motor Credit Co. LLC, senior note,			
6.625%, 8/15/17	United States	1,000,000	1,169,271
5.00%, 5/15/18	United States	1,000,000	1,105,518
8.125%, 1/15/20	United States	1,200,000	1,540,947
5.75%, 2/01/21	United States	600,000	691,660
			5,700,896
Banks 1.4%			
[f]Banco do Brasil SA, sub. note, 144A, 5.875%, 1/26/22	Brazil	3,500,000	3,867,903
CIT Group Inc., senior note,			
5.375%, 5/15/20	United States	1,600,000	1,756,000
5.00%, 8/15/22	United States	1,300,000	1,391,291
[f]144A, 6.625%, 4/01/18	United States	500,000	567,500
HSBC USA Inc., sub. note, 5.00%, 9/27/20	United States	3,500,000	3,824,303
Regions Bank, sub. note, 7.50%, 5/15/18	United States	1,000,000	1,208,750
Regions Financial Corp., senior note,			
7.75%, 11/10/14	United States	2,500,000	2,778,250
5.75%, 6/15/15	United States	300,000	325,125
Royal Bank of Scotland Group PLC, sub. note, 6.125%, 12/15/22	United Kingdom	400,000	422,750
The Royal Bank of Scotland PLC, sub. note, 6.934%, 4/09/18	United Kingdom	2,300,000 EUR	3,429,640
			19,571,512
Capital Goods 0.8%			
[f]Abengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	3,500,000	3,307,500
[f]KM Germany Holdings GmbH, secured note, 144A, 8.75%, 12/15/20	Germany	1,200,000 EUR	1,659,727
Meritor Inc., senior note, 10.625%, 3/15/18	United States	3,000,000	3,142,500
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	1,600,000	1,552,000
Terex Corp., senior note, 6.00%, 5/15/21	United States	1,200,000	1,269,000
			10,930,727
Commercial & Professional Services 0.5%			
[f]Algeco Scotsman Global Finance PLC, secured note, 144A, 8.50%, 10/15/18	United Kingdom	2,500,000	2,595,313
United Rentals North America Inc., senior sub. note, 8.375%, 9/15/20	United States	3,500,000	3,893,750
			6,489,063

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Durables & Apparel 0.7%			
Jarden Corp., senior sub. note, 7.50%, 5/01/17	United States	2,500,000	$ 2,828,125
M/I Homes Inc., senior note, 8.625%, 11/15/18	United States	2,400,000	2,652,000
Shea Homes LP/Funding Corp., senior secured note, 8.625%, 5/15/19	United States	2,000,000	2,220,000
Visant Corp., senior note, 10.00%, 10/01/17	United States	2,800,000	2,527,000
			10,227,125
Consumer Services 1.2%			
ClubCorp Club Operations Inc., senior note, 10.00%, 12/01/18	United States	2,900,000	3,240,750
[f,g]Fontainebleau Las Vegas, 144A, 11.00%, 6/15/15	United States	2,500,000	1,575
Harrah's Operating Co. Inc., senior secured note, 11.25%, 6/01/17	United States	4,500,000	4,843,125
MGM Resorts International, senior note,			
6.625%, 7/15/15	United States	3,500,000	3,771,250
6.625%, 12/15/21	United States	400,000	400,500
[f]144A, 6.75%, 10/01/20	United States	200,000	204,750
Pinnacle Entertainment Inc., senior note, 8.625%, 8/01/17	United States	1,500,000	1,618,125
[f]Shingle Springs Tribal Gaming Authority, senior note, 144A, 9.375%, 6/15/15	United States	2,000,000	1,970,000
			16,050,075
Diversified Financials 3.4%			
Ally Financial Inc., senior note, 7.50%, 9/15/20	United States	2,500,000	3,028,125
Bank of America Corp.,			
[h]pfd., sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	4,000,000	4,434,040
senior note, 5.65%, 5/01/18	United States	1,500,000	1,746,552
Capital One Capital VI, pfd., junior sub. bond, 8.875%, 5/15/40	United States	2,000,000	2,000,000
Citigroup Inc., senior note,			
6.125%, 11/21/17	United States	1,500,000	1,786,545
5.375%, 8/09/20	United States	1,000,000	1,179,274
E*TRADE Financial Corp., senior note, 6.375%, 11/15/19	United States	1,400,000	1,442,000
General Electric Capital Corp.,			
senior note, A, 8.50%, 4/06/18	United States	55,000,000 MXN	4,622,150
sub. note, 5.30%, 2/11/21	United States	1,000,000	1,161,639
GMAC Inc., sub. note, 8.00%, 12/31/18	United States	900,000	1,057,500
International Lease Finance Corp.,			
senior note, 8.25%, 12/15/20	United States	1,000,000	1,195,000
[f]senior secured note, 144A, 6.75%, 9/01/16	United States	2,000,000	2,255,000
JPMorgan Chase & Co.,			
6.00%, 1/15/18	United States	1,500,000	1,797,137
senior note, 4.25%, 10/15/20	United States	2,500,000	2,782,362
senior note, 3.25%, 9/23/22	United States	2,000,000	2,061,448
[f]KKR Group Finance Co., senior note, 144A, 6.375%, 9/29/20	United States	3,000,000	3,484,065
Merrill Lynch & Co. Inc., senior note, 6.40%, 8/28/17	United States	2,000,000	2,350,348
Morgan Stanley, senior note,			
6.00%, 4/28/15	United States	2,000,000	2,179,464
5.50%, 7/24/20	United States	1,500,000	1,688,678
5.50%, 7/28/21	United States	800,000	908,993
[f]Neuberger Berman Group LLC/Finance Corp., senior note, 144A,			
5.625%, 3/15/20	United States	600,000	631,500
5.875%, 3/15/22	United States	1,400,000	1,491,000
[f]Nuveen Investments Inc., senior note, 144A, 9.50%, 10/15/20	United States	1,800,000	1,800,000
			47,082,820
Energy 6.8%			
Apache Corp., senior bond, 2.625%, 1/15/23	United States	5,000,000	4,995,435

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Atlas Pipeline Partners LP, senior note, 8.75%, 6/15/18	United States	2,000,000	$ 2,140,000
Chaparral Energy Inc., senior note,			
9.875%, 10/01/20	United States	1,500,000	1,713,750
8.25%, 9/01/21	United States	1,000,000	1,090,000
7.625%, 11/15/22	United States	300,000	316,500
CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	3,500,000	3,701,250
Chesapeake Energy Corp., senior note,			
6.625%, 8/15/20	United States	4,000,000	4,310,000
6.125%, 2/15/21	United States	1,500,000	1,563,750
Compagnie Generale de Geophysique-Veritas, senior note,			
7.75%, 5/15/17	France	1,500,000	1,567,500
6.50%, 6/01/21	France	2,000,000	2,150,000
CONSOL Energy Inc., senior note,			
8.00%, 4/01/17	United States	1,500,000	1,631,250
8.25%, 4/01/20	United States	1,500,000	1,631,250
6.375%, 3/01/21	United States	200,000	206,000
Crosstex Energy LP/Crosstex Energy Finance Corp., senior note, 8.875%, 2/15/18	United States	3,000,000	3,255,000
El Paso Corp., senior bond, 6.50%, 9/15/20	United States	1,500,000	1,699,743
Energy Transfer Equity LP, senior note, 7.50%, 10/15/20	United States	3,500,000	4,060,000
Energy Transfer Partners LP, senior note, 5.20%, 2/01/22	United States	900,000	1,027,453
Energy XXI Gulf Coast Inc., senior note, 9.25%, 12/15/17	United States	2,500,000	2,868,750
Enterprise Products Operating LLC, junior sub. note, 7.034% to 1/15/18, FRN thereafter, 1/15/68	United States	2,000,000	2,292,462
[f]Expro Finance Luxembourg, senior secured note, 144A, 8.50%, 12/15/16	United Kingdom	3,113,000	3,268,650
[f,i]Gaz Capital SA, (OJSC Gazprom), loan participation,			
senior bond, 144A, 6.51%, 3/07/22	Russia	500,000	598,750
senior note, 144A, 5.092%, 11/29/15	Russia	3,000,000	3,222,720
[f]Halcon Resources Corp., senior note, 144A, 8.875%, 5/15/21	United States	1,000,000	1,065,000
[f]Kinder Morgan Finance Co. LLC, senior secured note, 144A, 6.00%, 1/15/18	United States	3,500,000	3,863,153
Linn Energy LLC/Finance Corp., senior note,			
8.625%, 4/15/20	United States	3,000,000	3,285,000
7.75%, 2/01/21	United States	1,000,000	1,070,000
Martin Midstream Partners LP, senior note, 8.875%, 4/01/18	United States	1,754,000	1,876,780
Offshore Group Investment Ltd.,			
[f]first lien, 144A, 7.50%, 11/01/19	United States	2,200,000	2,233,000
senior secured note, 11.50%, 8/01/15	United States	1,352,000	1,477,060
[f]PBF Holding Co. LLC, senior secured note, 144A, 8.25%, 2/15/20	United States	2,100,000	2,273,250
Peabody Energy Corp., senior note,			
6.00%, 11/15/18	United States	700,000	747,250
6.50%, 9/15/20	United States	2,500,000	2,693,750
6.25%, 11/15/21	United States	1,000,000	1,067,500
[f]Penn Virginia Resource Partners LP/Finance Corp. II, senior note, 144A,			
8.375%, 6/01/20	United States	1,600,000	1,732,000
Plains Exploration & Production Co., senior note,			
7.625%, 6/01/18	United States	3,000,000	3,172,500
6.125%, 6/15/19	United States	600,000	657,000
6.875%, 2/15/23	United States	1,000,000	1,147,500
QR Energy LP/QRE Finance, senior note, 9.25%, 8/01/20	United States	1,800,000	1,899,000
Quicksilver Resources Inc., senior note,			
8.25%, 8/01/15	United States	3,000,000	2,790,000
9.125%, 8/15/19	United States	500,000	447,500
[f]Samson Investment Co., senior note, 144A, 9.75%, 2/15/20	United States	3,500,000	3,718,750

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
SandRidge Energy Inc., senior note,			
8.75%, 1/15/20	United States	1,000,000	$ 1,100,000
[f]144A, 8.00%, 6/01/18	United States	3,000,000	3,195,000
W&T Offshore Inc., senior note,			
8.50%, 6/15/19	United States	2,000,000	2,160,000
[f]144A, 8.50%, 6/15/19	United States	800,000	864,000
			93,845,206
Food & Staples Retailing 0.8%			
[f]Cencosud SA, senior note, 144A, 4.875%, 1/20/23	Chile	3,500,000	3,592,592
Rite Aid Corp., senior secured note,			
9.75%, 6/12/16	United States	1,700,000	1,848,750
8.00%, 8/15/20	United States	1,300,000	1,491,750
Safeway Inc., senior bond, 3.95%, 8/15/20	United States	3,500,000	3,503,304
			10,436,396
Food, Beverage & Tobacco 1.1%			
[f]Boparan Finance PLC, senior note, 144A, 9.75%, 4/30/18	United Kingdom	2,000,000 EUR	2,995,492
[f]CEDC Finance Corp. International Inc., senior secured note, 144A, 9.125%, 12/01/16	Russia	1,800,000	1,119,375
Del Monte Corp., senior note, 7.625%, 2/15/19	United States	4,000,000	4,190,000
JBS USA LLC/Finance Inc., senior note,			
11.625%, 5/01/14	United States	1,500,000	1,680,000
[f]144A, 8.25%, 2/01/20	United States	1,700,000	1,810,500
[f]Kraft Foods Group Inc., senior bond, 144A, 3.50%, 6/06/22	United States	3,000,000	3,204,939
Pinnacle Foods Finance LLC/Pinnacle Foods Finance Corp., senior note, 9.25%, 4/01/15	United States	496,000	505,920
			15,506,226
Health Care Equipment & Services 1.3%			
CHS/Community Health Systems Inc.,			
senior note, 8.00%, 11/15/19	United States	2,100,000	2,283,750
senior note, 7.125%, 7/15/20	United States	700,000	748,125
senior secured note, 5.125%, 8/15/18	United States	1,100,000	1,149,500
DaVita HealthCare Partners Inc., senior note, 5.75%, 8/15/22	United States	1,400,000	1,482,250
Emergency Medical Services Corp., senior note, 8.125%, 6/01/19	United States	2,300,000	2,537,188
HCA Inc.,			
senior note, 6.50%, 2/15/16	United States	800,000	874,000
senior note, 7.50%, 2/15/22	United States	2,000,000	2,300,000
senior note, 5.875%, 5/01/23	United States	500,000	518,750
senior secured bond, 7.25%, 9/15/20	United States	300,000	333,750
senior secured note, 5.875%, 3/15/22	United States	1,900,000	2,075,750
[f]Hologic Inc., senior note, 144A, 6.25%, 8/01/20	United States	900,000	974,250
Laboratory Corp. of America Holdings, senior bond, 3.75%, 8/23/22	United States	400,000	424,557
Vanguard Health Holding Co. II LLC/Inc., senior note, 8.00%, 2/01/18	United States	2,000,000	2,080,000
Vanguard Health Systems Inc., senior note, zero cpn., 2/01/16	United States	30,000	22,800
			17,804,670
Insurance 0.5%			
MetLife Inc., junior sub. note, 6.40% to 12/15/36, FRN thereafter, 12/15/66	United States	3,500,000	3,750,876
[f]Mitsui Sumitomo Insurance Co. Ltd., junior sub. note, 144A, 7.00% to 3/15/22, FRN thereafter, 3/15/72	Japan	3,000,000	3,447,780
			7,198,656

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Materials 3.7%			
ArcelorMittal, senior note, 6.00%, 3/01/21	Luxembourg	4,000,000	$ 3,991,332
[f]Ardagh Packaging Finance PLC, senior note, 144A, 9.125%, 10/15/20	Luxembourg	900,000	985,500
[f]Ardagh Packaging Finance PLC/MP Holdings USA Inc., 144A, 7.375%, 10/15/17	Luxembourg	600,000	655,875
[f]Cemex SAB de CV, senior secured note, 144A, 9.00%, 1/11/18	Mexico	3,500,000	3,822,297
Euramax International Inc., senior secured note, 9.50%, 4/01/16	United States	2,000,000	1,875,000
[f]FMG Resources August 2006 Pty. Ltd., senior note, 144A,			
7.00%, 11/01/15	Australia	700,000	735,942
6.00%, 4/01/17	Australia	500,000	512,500
6.875%, 2/01/18	Australia	3,000,000	3,108,750
[f]Ineos Finance PLC, senior secured note, 144A,			
9.00%, 5/15/15	United Kingdom	300,000	320,250
9.25%, 5/15/15	United Kingdom	100,000 EUR	142,338
8.375%, 2/15/19	United Kingdom	200,000	216,000
7.50%, 5/01/20	United Kingdom	300,000	315,750
[f]Ineos Group Holdings Ltd.,			
senior note, 144A, 7.875%, 2/15/16	United Kingdom	1,500,000 EUR	1,974,451
senior secured note, 144A, 8.50%, 2/15/16	United Kingdom	1,500,000	1,500,000
[f]Inmet Mining Corp., senior note, 144A, 8.75%, 6/01/20	Canada	3,500,000	3,841,250
[f]Kerling PLC, senior secured note, 144A, 10.625%, 1/28/17	United Kingdom	3,000,000 EUR	3,846,885
[f]Kinove German Bondco GmbH, senior secured bond, 144A, 10.00%, 6/15/18	Germany	2,250,000 EUR	3,286,423
[f]MacDermid Inc., senior sub. note, 144A, 9.50%, 4/15/17	United States	2,500,000	2,615,625
Novelis Inc., senior note,			
8.375%, 12/15/17	Canada	1,500,000	1,661,250
8.75%, 12/15/20	Canada	1,600,000	1,792,000
Reynolds Group Issuer Inc./LLC/SA,			
[f]secured note, 144A, 5.75%, 10/15/20	United States	900,000	931,500
senior note, 8.50%, 5/15/18	United States	3,500,000	3,605,000
senior note, 8.25%, 2/15/21	United States	500,000	510,000
senior secured note, 7.125%, 4/15/19	United States	1,000,000	1,080,000
[f]Sealed Air Corp., senior note, 144A,			
8.125%, 9/15/19	United States	1,000,000	1,130,000
6.50%, 12/01/20	United States	500,000	542,500
8.375%, 9/15/21	United States	800,000	918,000
[f]Xstrata Finance Canada Ltd., senior note, 144A, 4.95%, 11/15/21	Canada	4,000,000	4,299,668
			50,216,086
Media 3.3%			
AMC Networks Inc., senior note, 7.75%, 7/15/21	United States	1,000,000	1,150,000
Cablevision Systems Corp., senior note, 8.625%, 9/15/17	United States	500,000	585,625
[f]Central European Media Enterprises Ltd., secured note, 144A, 11.625%, 9/15/16	Czech Republic	2,000,000 EUR	2,784,356
[f]CET 21 spol sro, senior secured note, 144A, 9.00%, 11/01/17	Czech Republic	300,000 EUR	432,746
Clear Channel Communications Inc.,			
[f]144A, 9.00%, 12/15/19	United States	975,000	897,000
senior note, 9.00%, 3/01/21	United States	4,700,000	4,218,250
Clear Channel Worldwide Holdings Inc.,			
[f]senior note, 144A, 6.50%, 11/15/22	United States	1,000,000	1,042,500
senior sub. note, 7.625%, 3/15/20	United States	200,000	200,500
senior sub. note, 7.625%, 3/15/20	United States	1,300,000	1,316,250
CSC Holdings Inc., senior deb., 7.625%, 7/15/18	United States	1,500,000	1,740,000
[f]CSC Holdings LLC, senior note, 144A, 6.75%, 11/15/21	United States	2,000,000	2,227,500
DISH DBS Corp., senior note,			
7.125%, 2/01/16	United States	4,000,000	4,500,000
6.75%, 6/01/21	United States	500,000	572,500
5.875%, 7/15/22	United States	500,000	540,000

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Media (continued)			
Media General Inc., senior secured note, 11.75%, 2/15/17	United States	1,400,000	$ 1,624,000
[f]Nara Cable Funding Ltd., senior note, 144A, 8.875%, 12/01/18	Spain	800,000	818,000
[j]Radio One Inc., senior sub. note, PIK, 12.25%, 5/24/16	United States	2,280,619	2,026,538
[f]Seat Pagine Gialle SpA, senior secured note, 144A, 10.50%, 1/31/17	Italy	1,000,000 EUR	802,482
Time Warner Inc.,			
7.625%, 4/15/31	United States	2,500,000	3,444,005
senior bond, 3.40%, 6/15/22	United States	500,000	522,003
[f]Unitymedia Hessen/NRW,			
secured bond, 144A, 5.75%, 1/15/23	Germany	800,000 EUR	1,103,186
senior secured note, 144A, 9.50%, 3/15/21	Germany	1,000,000 EUR	1,534,860
[f]Univision Communications Inc.,			
secured bond, 144A, 6.75%, 9/15/22	United States	500,000	518,750
senior secured note, 144A, 7.875%, 11/01/20	United States	2,500,000	2,718,750
[f]UPC Holding BV, senior note, 144A, 6.375%, 9/15/22	Netherlands	500,000 EUR	675,883
[f]UPCB Finance II Ltd., senior secured note, 144A, 6.375%, 7/01/20	Netherlands	2,000,000 EUR	2,820,302
[f]UPCB Finance VI Ltd., senior secured note, 144A, 6.875%, 1/15/22	Netherlands	500,000	541,562
[f]Ziggo Bond Co., senior bond, 144A, 8.00%, 5/15/18	Netherlands	2,500,000 EUR	3,641,271
			44,998,819
Pharmaceuticals, Biotechnology & Life Sciences 1.5%			
[f]AbbVie Inc., senior note, 144A, 2.90%, 11/06/22	United States	1,500,000	1,529,004
[f]Capsugel FinanceCo SCA, senior note, 144A, 9.875%, 8/01/19	United States	2,000,000 EUR	2,983,945
Endo Health Solutions Inc., senior note, 7.00%, 7/15/19	United States	1,500,000	1,606,875
Gilead Sciences Inc., senior note,			
4.50%, 4/01/21	United States	2,000,000	2,287,464
4.40%, 12/01/21	United States	1,000,000	1,140,879
Grifols Inc., senior note, 8.25%, 2/01/18	Spain	3,000,000	3,318,750
[f]inVentiv Health Inc., senior note, 144A,			
9.00%, 1/15/18	United States	600,000	607,500
10.00%, 8/15/18	United States	2,300,000	2,006,750
[f,j]Jaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	1,900,000	2,004,500
[f]VPI Escrow Corp., senior note, 144A, 6.375%, 10/15/20	United States	2,900,000	3,124,750
			20,610,417
Real Estate 0.0%†			
Forest City Enterprises Inc., senior note, 7.625%, 6/01/15	United States	595,000	595,744
Retailing 0.9%			
[f]Academy Ltd./Finance Corp., senior note, 144A, 9.25%, 8/01/19	United States	2,000,000	2,230,000
[f,k]Edcon Pty. Ltd., senior secured note, 144A, FRN, 3.433%, 6/15/14	South Africa	3,000,000 EUR	3,800,468
[f]Matalan Finance Ltd., senior secured note, 144A, 8.875%, 4/29/16	United Kingdom	1,500,000 GBP	2,515,049
Michaels Stores Inc., senior note, 7.75%, 11/01/18	United States	3,000,000	3,307,500
			11,853,017
Semiconductors & Semiconductor Equipment 0.3%			
Freescale Semiconductor Inc.,			
senior note, 8.875%, 12/15/14	United States	182,000	184,048
senior note, 8.05%, 2/01/20	United States	1,600,000	1,600,000
senior note, 10.75%, 8/01/20	United States	1,382,000	1,489,105
[f]senior secured note, 144A, 9.25%, 4/15/18	United States	500,000	548,750
			3,821,903
Software & Services 0.9%			
[f]Ceridian Corp., secured note, 144A, 8.875%, 7/15/19	United States	1,000,000	1,090,000
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	300,000	317,250
[f]senior secured bond, 144A, 8.25%, 1/15/21	United States	4,500,000	4,522,500

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Software & Services (continued)			
Sitel LLC/Finance Corp., senior note, 11.50%, 4/01/18	United States	2,500,000	$ 1,775,000
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	1,100,000	1,127,500
West Corp., senior note, 7.875%, 1/15/19	United States	3,300,000	3,432,000
			12,264,250
Technology Hardware & Equipment 0.5%			
CDW LLC/Finance Corp., senior note, 8.50%, 4/01/19	United States	3,500,000	3,806,250
[f]CommScope Inc., senior note, 144A, 8.25%, 1/15/19	United States	3,000,000	3,300,000
			7,106,250
Telecommunication Services 2.8%			
[f]CC Holdings GS V LLC, senior secured bond, 144A, 3.849%, 4/15/23	United States	2,300,000	2,341,991
CenturyLink Inc., senior note,			
6.00%, 4/01/17	United States	1,500,000	1,662,289
6.45%, 6/15/21	United States	1,000,000	1,105,800
Cricket Communications Inc., senior note, 7.75%, 10/15/20	United States	3,000,000	3,075,000
[f]Digicel Group Ltd., senior note, 144A, 8.25%, 9/30/20	Jamaica	2,000,000	2,197,500
[f]Digicel Ltd., senior note, 144A, 8.25%, 9/01/17	Jamaica	300,000	324,000
[f]eAccess Ltd., senior note, 144A,			
8.25%, 4/01/18	Japan	1,400,000	1,581,125
8.375%, 4/01/18	Japan	600,000 EUR	896,668
Frontier Communications Corp., senior note,			
8.50%, 4/15/20	United States	2,500,000	2,887,500
8.75%, 4/15/22	United States	1,000,000	1,165,000
7.125%, 1/15/23	United States	500,000	531,875
Intelsat Jackson Holdings SA, senior note,			
7.50%, 4/01/21	Luxembourg	2,000,000	2,215,000
[f]144A, 7.25%, 10/15/20	Luxembourg	1,600,000	1,746,000
[f]144A, 6.625%, 12/15/22	Luxembourg	1,600,000	1,655,000
Intelsat Luxembourg SA, senior note, 11.25%, 2/04/17	Luxembourg	400,000	424,500
MetroPCS Wireless Inc., senior note, 7.875%, 9/01/18	United States	700,000	761,250
Sprint Nextel Corp., senior note,			
8.375%, 8/15/17	United States	3,000,000	3,502,500
[f]144A, 9.00%, 11/15/18	United States	2,000,000	2,475,000
[f]144A, 7.00%, 3/01/20	United States	800,000	932,000
Telefonica Emisiones SAU, senior note, 5.462%, 2/16/21	Spain	2,600,000	2,773,550
[f]Wind Acquisition Finance SA, senior secured note, 144A, 11.75%, 7/15/17	Italy	3,500,000	3,683,750
[f,j]Wind Acquisition Holdings Finance SA, senior secured note, 144A, PIK,			
12.25%, 7/15/17	Italy	679,540 EUR	845,976
			38,783,274
Transportation 0.4%			
[f]CEVA Group PLC, senior secured note, 144A,			
11.625%, 10/01/16	United Kingdom	300,000	309,750
8.375%, 12/01/17	United Kingdom	1,500,000	1,494,375
11.50%, 4/01/18	United Kingdom	1,000,000	845,000
[f]HDTFS Inc., senior note, 144A, 6.25%, 10/15/22	United States	300,000	321,000
[f]Hertz Corp., senior note, 144A, 6.75%, 4/15/19	United States	2,200,000	2,411,750
			5,381,875

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Utilities 0.9%			
[f]Calpine Corp., senior secured note, 144A,			
7.875%, 7/31/20	United States	982,000	$ 1,107,205
7.50%, 2/15/21	United States	1,700,000	1,887,000
7.875%, 1/15/23	United States	470,000	533,450
CMS Energy Corp., senior note, 8.75%, 6/15/19	United States	1,500,000	1,957,617
[f]Intergen NV, senior secured note, 144A, 9.00%, 6/30/17	Netherlands	3,000,000	2,700,000
[f]Texas Competitive Electric Holdings Co. LLC/Texas Competitive Electric Holdings Finance Inc.,			
senior secured note, 144A, 11.50%, 10/01/20	United States	5,400,000	4,252,500
			12,437,772
Total Corporate Bonds (Cost $436,439,869)			468,912,779
[kj]**Senior Floating Rate Interests 17.6%**			
Automobiles & Components 0.3%			
August Luxuk Holding Co., Lux Second Lien, 10.50%, 4/27/19	Luxembourg	1,246,997	1,259,467
August U.S. Holding Co. Inc., U.S. Second Lien, 10.50%, 4/27/19	United States	960,077	969,678
[m]Federal-Mogul Corp.,			
Tranche B Term Loan, 2.148%, 12/27/14	United States	1,046,071	963,039
Tranche C Term Loan, 2.148%, 12/27/15	United States	533,721	491,357
FPC Holdings Inc. (FleetPride), Initial Loan (2nd Lien), 9.25%, 5/19/20	United States	557,300	548,940
FRAM Group Holdings Inc. (Autoparts Holdings), Second Lien Term Loan, 10.50%, 1/29/18	United States	400,802	382,766
			4,615,247
Capital Goods 1.6%			
[m]Air Distribution Technologies (Tomkins Air Distr.), Second Lien Initial Loan, 9.25%, 5/09/20	United States	737,891	756,338
Allison Transmission Inc., Term B-3 Loan, 4.25%, 8/23/19	United States	1,783,117	1,803,177
[m]FLY Funding II S.A.R.L., Loans, 7.75%, 8/08/18	Ireland	255,000	257,152
[m]RBS Global Inc. (Rexnord), Term B Loan, 4.50%, 4/01/18	United States	4,823,815	4,873,563
Sensus USA Inc., Second Lien Term Loan, 8.50%, 5/09/18	United States	2,582,186	2,595,097
[m]Silver II US Holdings LLC, Term Loan, 6.00%, 12/13/19	United States	2,235,600	2,258,155
Terex Corp., U.S. Term Loan, 4.50%, 4/28/17	United States	3,576,419	3,619,336
Tomkins LLC and Tomkins Inc., Term B-1 Loan, 4.25%, 9/21/16	United States	2,805,942	2,828,740
TransDigm Inc.,			
Tranche B1 Term Loan, 4.00%, 2/14/17	United States	1,799,857	1,814,201
Tranche B2 Term Loan, 4.00%, 2/14/17	United States	507,575	511,654
Wesco Distribution Inc., Tranche B-1 Loan, 4.50%, 12/12/19	United States	724,300	729,189
			22,046,602
Commercial & Professional Services 1.3%			
ARAMARK Corp.,			
Extended Synthetic L/C, 3.309%, 7/26/16	United States	143,344	144,194
Extended U.S. Term Loan B-3, 3.462% - 3.561%, 7/26/16	United States	1,138,629	1,145,382
Synthetic L/C-3, 3.309%, 7/26/16	United States	91,726	92,270
Term Loan B Extended, 3.462%, 7/26/16	United States	2,178,033	2,190,951
[m]U.S. Term C Loan, 6.50%, 7/26/16	United States	980,600	986,416
Brock Holdings III Inc., Second Lien Term Loan, 10.00%, 3/16/18	United States	1,187,270	1,196,175
EnviroSolutions Real Property Holdings, Second Lien Term Loan, 8.00%, 7/29/14	United States	502,938	503,567
Interactive Data Corp., Term B Loans, 4.50%, 2/11/18	United States	5,873,824	5,912,332
KAR Auction Services Inc. (Adesa), Term Loan, 5.00%, 5/19/17	United States	5,436,709	5,494,474
			17,665,761

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[k,l] **Senior Floating Rate Interests (continued)**			
Consumer Durables & Apparel 0.2%			
[m] PVH Corp., Term Loan B, 4.75%, 12/20/19	United States	2,608,900	$ 2,628,000
Consumer Services 1.1%			
Ameristar Casinos Inc., B Term Loan, 4.00%, 4/14/18	United States	2,295,714	2,315,444
Burger King Corp., Tranche B Term Loan, 3.75%, 9/28/19	United States	2,600,041	2,621,166
DineEquity Inc., Term B-1 Loan, 4.25%, 10/19/17	United States	1,363,692	1,377,329
MGM Resorts International, Term B Loan, 4.25%, 12/20/19	United States	753,200	762,380
[d,j] Turtle Bay Holdings LLC,			
Term Loan A, PIK, 10.25%, 3/01/15	United States	2,116,501	2,116,501
Term Loan B, PIK, 3.00%, 3/01/15	United States	4,154,266	3,738,839
Wendy's International Inc., Closing Date Term Loan, 4.75%, 5/15/19	United States	2,772,613	2,804,301
			15,735,960
Diversified Financials 0.9%			
Asurion LLC,			
Amortizing Term Loans (B1), 4.75%, 7/23/17	United States	707,672	713,268
Second Lien Term Loan, 9.00%, 5/24/19	United States	2,013,553	2,078,994
Term Loan (TLB), 5.50%, 5/24/18	United States	494,873	500,543
MoneyGram Payment Systems Worldwide Inc.,			
Term Loan, 4.25%, 11/18/17	United States	3,357,159	3,352,963
Tranche B-1 Loan, 4.25%, 11/18/17	United States	1,073,388	1,072,046
TransUnion LLC/TransUnion FICO, Replacement Term Loan, 5.50%, 2/10/18	United States	3,967,779	4,028,950
			11,746,764
Energy 0.7%			
Arch Coal Inc., Term Loans, 5.75%, 5/16/18	United States	4,556,788	4,614,564
[m] ATP Oil & Gas Corp.,			
Additional NM Loans (DIP), 10.75%, 3/01/14	United States	5,532	4,713
DIP, 10.75%, 3/01/14	United States	48,443	41,273
Refinancing Loan (DIP), 10.75%, 3/01/14	United States	82,858	70,595
FTS International LLC (Frac Tech), Term Loan, 8.50%, 5/06/16	United States	447,523	373,402
Patriot Coal Corp., DIP Term Loan, 9.25%, 10/03/13	United States	2,512,495	2,531,339
Plains Exploration & Production Co., 7-Year Term Loan, 4.00%, 11/30/19	United States	1,973,600	1,982,645
			9,618,531
Food & Staples Retailing 0.2%			
AdvancePierre Foods Inc.,			
Loans, 5.75%, 7/10/17	United States	1,061,401	1,075,332
Second Lien Term Loan, 9.50%, 10/10/17	United States	1,619,009	1,659,484
			2,734,816
Food, Beverage & Tobacco 0.6%			
Del Monte Foods Co., Initial Term Loan, 4.50%, 3/08/18	United States	8,621,296	8,651,832
Health Care Equipment & Services 2.4%			
[m] Ardent Medical Services Inc., Second Lien Term Loan, 11.75%, 1/02/19	United States	1,195,436	1,220,839
Bausch & Lomb Inc., Parent Term Loan, 5.25%, 5/18/19	United States	4,602,815	4,650,487
Community Health Systems Inc., New Extended Term Loan, 3.811%, 1/25/17	United States	7,487,232	7,542,780
DaVita Inc.,			
Tranche B Term Loan, 4.50%, 10/20/16	United States	2,660,317	2,682,265
Tranche B-2 Term Loan, 4.00%, 8/24/19	United States	3,464,300	3,496,043
HCA Inc., Tranche B-2 Term Loan, 3.561%, 3/31/17	United States	8,318,841	8,352,640
Hologic Inc., Tranche B Term Loan, 4.50%, 8/01/19	United States	2,099,816	2,127,594

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[k][l]**Senior Floating Rate Interests (continued)**			
Health Care Equipment & Services (continued)			
Universal Health Services Inc., New Tranche B Term Loan, 3.75%, 11/15/16	United States	2,247,659	$ 2,260,583
			32,333,231
Household & Personal Products 0.0%†			
Spectrum Brands Inc., Initial U.S. Term Loan, 4.50%, 12/17/19	United States	380,400	382,842
Materials 2.4%			
American Rock Salt Co. LLC, Initial Loan, 5.50%, 4/25/17	United States	1,898,223	1,876,076
Exopack LLC, Term B Loan, 6.50%, 5/31/17	United States	232,279	232,279
FMG America Finance Inc., Loans, 5.25%, 10/18/17	United States	2,535,845	2,561,401
Ineos US Finance LLC, Dollar Term Loan, 6.50%, 4/27/18	United States	4,093,474	4,144,004
NewPage Corp., Term Loan, 8.75%, 12/21/18	United States	2,757,776	2,757,776
PL Propylene LLC (PetroLogistics), Tranche B Term Loan, 7.00%, 3/27/17	United States	2,305,976	2,337,683
Reynolds Group Holdings Inc., U.S. Term Loan, 4.75%, 9/28/18	United States	6,944,627	7,039,720
Road Infrastructure Investment LLC (Ennis Flint), Second Lien Term Loan, 10.25%, 9/30/18	United States	5,351,561	5,257,909
Tronox Pigments (Netherlands) BV,			
Closing Date Term Loan, 4.25%, 2/08/18	Netherlands	1,385,341	1,400,926
Delayed Draw Term Loan, 4.25%, 2/08/18	Netherlands	377,820	381,717
Walter Energy Inc., B Term Loan, 5.75%, 4/01/18	United States	4,251,841	4,291,702
			32,281,193
Media 2.3%			
Cinemark USA Inc., Term Loan, 3.21%, 12/13/19	United States	1,732,380	1,739,743
Clear Channel Communications Inc.,			
Tranche A Term Loan, 3.612%, 5/13/14	United States	666,228	649,780
Tranche B Term Loan, 3.862%, 1/29/16	United States	3,254,857	2,705,600
CSC Holdings Inc. (Cablevision), Incremental B-2 Extended Term Loan, 1.962%, 3/29/16	United States	2,754,274	2,771,488
[m]Cumulus Media Holdings Inc., Second Lien Term Loan, 7.50%, 9/16/19	United States	6,593,187	6,807,466
FoxCo Acquisition Sub LLC, Initial Term Loan, 5.50%, 7/14/17	United States	1,079,794	1,096,441
Hubbard Radio LLC, Second Lien Term Loan, 8.75%, 4/29/18	United States	1,488,810	1,518,587
Regal Cinemas Corp., Term Loan, 3.212% - 3.311%, 8/23/17	United States	2,871,730	2,887,114
Sinclair Television Group Inc., New Tranche B Term Loan, 4.00%, 10/29/16	United States	1,035,169	1,042,493
Telesat Canada, U.S. Term B Loan, 4.25%, 3/28/19	Canada	2,796,582	2,821,052
TWCC Holding Corp., Term Loan, 4.25%, 2/11/17	United States	2,882,032	2,916,855
UPC Financing Partnership,			
Term Loan AF, 4.00%, 1/29/21	Netherlands	736,600	736,370
Term Loan T, 3.714%, 12/30/16	Netherlands	3,158,518	3,146,674
Term Loan X, 3.714%, 12/31/17	Netherlands	1,384,751	1,383,713
			32,223,376
Pharmaceuticals, Biotechnology & Life Sciences 0.9%			
Par Pharmaceutical Cos. Inc., Term B Loans, 5.00%, 9/30/19	United States	1,669,774	1,672,034
[m]Quintiles Transnational Corp., Term B-2 Loan, 5.50%, 6/08/18	United States	38,400	38,712
Valeant Pharmaceuticals International Inc.,			
[m]Series C Tranche B Term Loan, 5.50%, 2/13/19	Canada	2,568,200	2,588,746
Series D Tranche B Term Loan, 4.25%, 2/13/19	Canada	2,458,840	2,476,256
Warner Chilcott Co. LLC, Term B-2 Loan, 4.25%, 3/15/18	Puerto Rico	1,184,331	1,193,319
Warner Chilcott Corp.,			
Additional Term B-1 Loan, 4.25%, 3/15/18	United States	899,549	906,376
Term B-1 Loan, 4.25%, 3/15/18	United States	2,368,662	2,386,638
WC Luxco S.A.R.L., Term B-3 Loan, 4.25%, 3/15/18	Luxembourg	1,628,455	1,640,813
			12,902,894

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
[k,l] **Senior Floating Rate Interests (continued)**			
Retailing 1.1%			
BJ's Wholesale Club Inc.,			
Initial Loan, 5.75%, 9/26/19	United States	6,334,857	$ 6,431,014
Second Lien Term Loan, 9.75%, 3/26/20	United States	2,652,243	2,741,756
Evergreen AcqCo. 1 LP (Savers), Term Loan, 5.00%, 7/09/19	United States	3,539,376	3,558,181
Party City Holdings Inc., Term Loans, 5.75%, 7/27/19	United States	2,307,623	2,335,748
			15,066,699
Software & Services 0.2%			
AVG Technologies NV, Term Loan, 7.50%, 3/15/16	Netherlands	387,393	390,299
[m] SunGard Data Systems Inc., Tranche D Term Loan, 6.00%, 1/31/20	United States	554,300	560,536
Vertafore Inc., Second Lien Term Loan, 9.75%, 10/27/17	United States	1,872,942	1,882,306
			2,833,141
Technology Hardware & Equipment 0.1%			
Flextronics International USA Inc.,			
A Closing Date Loan, 2.462%, 10/01/14	United States	95,127	95,294
A-1-A Delayed Draw Term Loan, 2.462%, 10/01/14	United States	27,335	27,383
A-1-B Delayed Draw Term Loan, 2.462%, 10/01/14	United States	195,392	195,820
A-2 Delayed Draw Term Loan, 2.462%, 10/01/14	United States	669,983	671,449
A-3 Delayed Draw Term Loan, 2.462%, 10/01/14	United States	213,575	214,043
[m] Riverbed Technology Inc., Term Loan B, 5.25%, 12/18/19	United States	665,000	671,650
			1,875,639
Telecommunication Services 0.7%			
Intelsat Jackson Holdings SA, Tranche B-1 Term Loan, 4.50%, 4/02/18	Luxembourg	8,721,642	8,802,631
[m] NTELOS Inc., Term B Advance, 7.00%, 11/11/19	United States	234,776	226,265
			9,028,896
Transportation 0.6%			
Avis Budget Car Rental LLC, Tranche C Term Loan, 4.25%, 3/15/19	United States	3,077,494	3,111,346
Evergreen International Aviation Inc., Term Loan, 11.50%, 6/30/15	United States	2,010,458	1,970,249
Hertz Corp.,			
Credit Linked Deposit, 3.75%, 3/11/18	United States	847,103	849,750
Tranche B-1 Term Loan, 3.75%, 3/12/18	United States	2,298,900	2,305,367
			8,236,712
Total Senior Floating Rate Interests (Cost $238,910,354)			242,608,136
Foreign Government and Agency Securities 21.1%			
Government of Australia, senior bond, 6.50%, 5/15/13	Australia	5,700,000 AUD	6,005,255
Government of Hungary,			
5.50%, 2/12/14	Hungary	1,443,700,000 HUF	6,567,843
5.50%, 2/12/16	Hungary	1,864,700,000 HUF	8,424,586
6.50%, 6/24/19	Hungary	206,000,000 HUF	962,700
7.50%, 11/12/20	Hungary	312,600,000 HUF	1,551,198
senior note, 6.25%, 1/29/20	Hungary	5,507,000	6,102,444
senior note, 6.375%, 3/29/21	Hungary	1,550,000	1,726,313
[f] Government of Iceland, 144A, 5.875%, 5/11/22	Iceland	3,010,000	3,396,604
Government of Indonesia,			
FR19, 14.25%, 6/15/13	Indonesia	26,830,000,000 IDR	2,916,027
FR20, 14.275%, 12/15/13	Indonesia	23,637,000,000 IDR	2,682,086
FR26, 11.00%, 10/15/14	Indonesia	1,800,000,000 IDR	207,890
FR34, 12.80%, 6/15/21	Indonesia	37,155,000,000 IDR	5,857,672

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Indonesia, (continued)			
FR42, 10.25%, 7/15/27	Indonesia	2,000,000,000 IDR	$ 293,126
FR44, 10.00%, 9/15/24	Indonesia	9,300,000,000 IDR	1,320,783
Government of Ireland,			
4.60%, 4/18/16	Ireland	344,000 EUR	484,593
5.90%, 10/18/19	Ireland	2,228,000 EUR	3,226,872
4.50%, 4/18/20	Ireland	2,029,000 EUR	2,698,687
5.00%, 10/18/20	Ireland	3,562,000 EUR	4,871,980
senior bond, 4.40%, 6/18/19	Ireland	3,338,000 EUR	4,450,018
senior bond, 5.40%, 3/13/25	Ireland	2,534,000 EUR	3,424,069
Government of Israel,			
5.00%, 3/31/13	Israel	4,370,000 ILS	1,180,278
3.50%, 9/30/13	Israel	16,505,000 ILS	4,478,908
Government of Malaysia,			
3.434%, 8/15/14	Malaysia	1,695,000 MYR	557,809
senior bond, 3.702%, 2/25/13	Malaysia	2,323,000 MYR	760,347
senior bond, 3.70%, 5/15/13	Malaysia	2,695,000 MYR	883,367
senior bond, 3.21%, 5/31/13	Malaysia	15,375,000 MYR	5,031,039
senior bond, 3.461%, 7/31/13	Malaysia	15,030,000 MYR	4,926,665
senior bond, 8.00%, 10/30/13	Malaysia	50,000 MYR	17,008
senior bond, 5.094%, 4/30/14	Malaysia	5,925,000 MYR	1,989,085
senior bond, 3.814%, 2/15/17	Malaysia	11,400,000 MYR	3,820,521
senior bond, 4.24%, 2/07/18	Malaysia	600,000 MYR	205,079
Government of Mexico,			
9.00%, 6/20/13	Mexico	1,074,360[n] MXN	8,542,735
8.00%, 12/19/13	Mexico	1,062,700[n] MXN	8,541,707
7.00%, 6/19/14	Mexico	192,800[n] MXN	1,549,609
9.50%, 12/18/14	Mexico	526,900[n] MXN	4,469,497
8.00%, 12/17/15	Mexico	140,000[n] MXN	1,182,784
Government of Poland,			
5.25%, 4/25/13	Poland	7,895,000 PLN	2,569,450
5.00%, 10/24/13	Poland	3,845,000 PLN	1,262,744
5.75%, 4/25/14	Poland	38,255,000 PLN	12,785,484
5.50%, 4/25/15	Poland	5,975,000 PLN	2,034,051
6.25%, 10/24/15	Poland	12,680,000 PLN	4,443,331
5.75%, 9/23/22	Poland	1,000,000 PLN	379,374
[k]FRN, 5.15%, 1/25/17	Poland	1,660,000 PLN	540,185
[k]FRN, 5.15%, 1/25/21	Poland	1,683,000 PLN	542,544
Strip, 7/25/13	Poland	9,270,000 PLN	2,948,217
Strip, 1/25/14	Poland	12,960,000 PLN	4,059,242
[f]Government of Russia, senior bond, 144A, 7.50%, 3/31/30	Russia	3,674,275	4,705,460
Government of Sri Lanka,			
A, 8.50%, 1/15/13	Sri Lanka	50,900,000 LKR	398,299
A, 13.50%, 2/01/13	Sri Lanka	59,500,000 LKR	466,723
A, 7.50%, 8/01/13	Sri Lanka	48,640,000 LKR	373,288
A, 7.00%, 3/01/14	Sri Lanka	7,020,000 LKR	52,220
A, 11.25%, 7/15/14	Sri Lanka	176,100,000 LKR	1,370,050
A, 11.75%, 3/15/15	Sri Lanka	1,160,000 LKR	9,066
A, 6.50%, 7/15/15	Sri Lanka	28,980,000 LKR	200,828
A, 11.00%, 8/01/15	Sri Lanka	200,400,000 LKR	1,537,886
A, 6.40%, 8/01/16	Sri Lanka	19,500,000 LKR	128,232
B, 8.50%, 7/15/13	Sri Lanka	1,110,000 LKR	8,582
B, 11.75%, 4/01/14	Sri Lanka	6,990,000 LKR	54,750

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Sri Lanka, (continued)			
B, 6.60%, 6/01/14	Sri Lanka	7,100,000 LKR	$ 51,983
B, 6.40%, 10/01/16	Sri Lanka	16,000,000 LKR	104,747
Government of Sweden,			
1.50%, 8/30/13	Sweden	106,380,000 SEK	16,453,257
6.75%, 5/05/14	Sweden	109,020,000 SEK	18,106,528
Government of the Philippines,			
senior bond, 8.75%, 3/03/13	Philippines	57,170,000 PHP	1,407,854
senior note, 6.25%, 1/27/14	Philippines	121,000,000 PHP	3,071,970
[f]Government of Ukraine,			
144A, 7.75%, 9/23/20	Ukraine	6,000,000	6,178,170
senior bond, 144A, 7.80%, 11/28/22	Ukraine	1,310,000	1,323,100
senior note, 144A, 7.95%, 2/23/21	Ukraine	2,120,000	2,201,048
[o]Government of Uruguay, senior note, Index Linked, 4.375%, 12/15/28	Uruguay	135,613,104 UYU	8,422,946
[f]Government of Vietnam, 144A, 6.75%, 1/29/20	Vietnam	1,500,000	1,717,500
Indonesia Retail Bond, senior bond, ORI7, 7.95%, 8/15/13	Indonesia	8,300,000,000 IDR	880,166
Korea Monetary Stabilization Bond,			
senior bond, 3.76%, 6/02/13	South Korea	707,150,000 KRW	667,516
senior bond, 3.90%, 8/02/13	South Korea	1,325,900,000 KRW	1,254,616
senior bond, 3.59%, 10/02/13	South Korea	1,237,510,000 KRW	1,170,438
senior bond, 3.48%, 12/02/13	South Korea	2,121,430,000 KRW	2,006,671
senior bond, 3.47%, 2/02/14	South Korea	2,916,950,000 KRW	2,761,944
senior bond, 3.59%, 4/02/14	South Korea	4,287,030,000 KRW	4,069,507
senior note, 3.28%, 6/02/14	South Korea	5,082,540,000 KRW	4,809,407
senior note, 2.82%, 8/02/14	South Korea	509,400,000 KRW	478,916
senior note, 2.78%, 10/02/14	South Korea	2,030,900,000 KRW	1,908,087
senior note, 2.84%, 12/02/14	South Korea	717,280,000 KRW	674,607
Korea Treasury Bond,			
senior bond, 5.00%, 3/26/13	South Korea	1,163,000,000 KRW	1,098,798
senior bond, 3.75%, 6/10/13	South Korea	4,210,340,000 KRW	3,975,228
senior bond, 3.00%, 12/10/13	South Korea	15,972,210,000 KRW	15,045,186
senior bond, 3.50%, 6/10/14	South Korea	2,788,920,000 KRW	2,647,662
senior note, 5.25%, 3/10/13	South Korea	346,570,000 KRW	327,319
senior note, 3.25%, 12/10/14	South Korea	1,261,950,000 KRW	1,195,856
New South Wales Treasury Corp.,			
5.25%, 5/01/13	Australia	1,605,000 AUD	1,681,193
5.50%, 8/01/13	Australia	3,305,000 AUD	3,486,491
Nota Do Tesouro Nacional,			
10.00%, 1/01/14	Brazil	2,700[p] BRL	1,352,092
10.00%, 1/01/17	Brazil	7,400[p] BRL	3,807,622
[q]Index Linked, 6.00%, 5/15/15	Brazil	3,890[p] BRL	4,618,172
[q]Index Linked, 6.00%, 8/15/16	Brazil	1,604[p] BRL	1,955,646
[q]Index Linked, 6.00%, 8/15/18	Brazil	1,525[p] BRL	1,924,614
Queensland Treasury Corp., senior note, 6.00%, 8/14/13	Australia	600,000 AUD	635,694
Uruguay Notas del Tesoro,			
9.00%, 1/27/14	Uruguay	7,570,000 UYU	393,103
10.50%, 3/21/15	Uruguay	1,700,000 UYU	90,517
10.25%, 8/22/15	Uruguay	58,780,000 UYU	3,079,974
9.50%, 1/27/16	Uruguay	9,220,000 UYU	483,197
[o]Index Linked, 2.25%, 8/23/17	Uruguay	22,309,878 UYU	1,163,249
Western Australia Treasury Corp., 8.00%, 6/15/13	Australia	4,602,000 AUD	4,890,905
Total Foreign Government and Agency Securities (Cost $273,901,323)			289,750,686

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
U.S. Government and Agency Securities 2.1%			
U.S. Treasury Bond,			
4.50%, 2/15/16	United States	3,000,000	$ 3,381,330
7.875%, 2/15/21	United States	900,000	1,353,445
7.125%, 2/15/23	United States	1,980,000	2,982,684
U.S. Treasury Note,			
2.375%, 3/31/16	United States	3,500,000	3,721,484
4.625%, 2/15/17	United States	600,000	699,281
4.75%, 8/15/17	United States	2,900,000	3,442,619
3.75%, 11/15/18	United States	7,000,000	8,147,342
[o]Index Linked, 0.125%, 4/15/16	United States	2,410,349	2,538,774
[o]Index Linked, 0.625%, 7/15/21	United States	2,565,844	2,916,644
Total U.S. Government and Agency Securities (Cost $26,704,627)			29,183,603
Asset-Backed Securities and Commercial Mortgage-Backed Securities 3.3%			
Banks 1.5%			
Banc of America Commercial Mortgage Inc., 2006-4, AJ, 5.695%, 7/10/46	United States	1,547,000	1,474,519
[f,k]Banc of America Large Loan, 2010-HLTN, 144A, FRN, 2.509%, 11/15/15	United States	4,119,670	4,122,626
Bear Stearns Commercial Mortgage Securities Inc.,			
[k]2006-PW11, AJ, FRN, 5.452%, 3/11/39	United States	500,000	511,813
2006-PW13, AJ, 5.611%, 9/11/41	United States	5,100,000	4,986,140
[k]Greenwich Capital Commercial Funding Corp., 2006-GG7, AJ, FRN, 5.867%, 7/10/38	United States	2,260,000	2,199,311
[f,k]Wachovia Bank Commercial Mortgage Trust, 2007-WHL8, A1, 144A, FRN, 0.289%, 6/15/20	United States	4,752,247	4,680,049
Wells Fargo Mortgage Backed Securities Trust,			
[k]2004-W, A9, FRN, 2.762%, 11/25/34	United States	1,859,052	1,931,098
2007-3, 3A1, 5.50%, 4/25/37	United States	1,432,052	1,482,550
			21,388,106
Diversified Financials 1.8%			
[f,k]ARES CLO Funds, 2007-12A, B, 144A, FRN, 1.312%, 11/25/20	Cayman Islands	1,380,000	1,297,869
[f,k]Cent CDO Ltd., 2007-15A, A2B, 144A, FRN, 0.65%, 3/11/21	Cayman Islands	1,251,000	1,144,771
Citigroup Commercial Mortgage Trust,			
2006-C5, AJ, 5.482%, 10/15/49	United States	1,700,000	1,622,947
[k]2007-C6, AM, FRN, 5.885%, 6/10/17	United States	1,700,000	1,935,437
[k]2008-C7, A4, FRN, 6.072%, 12/10/49	United States	6,200,000	7,505,162
[k]Citigroup/Deutsche Bank Commercial Mortgage Trust, 2006-CD3, AJ, FRN, 5.688%, 10/15/48	United States	2,120,000	1,801,081
[f,k]Columbus Nova CLO Ltd., 2007-2A, A2, 144A, FRN, 1.34%, 10/15/21	Cayman Islands	860,000	811,616
[f,k]Commercial Industrial Finance Corp., 2007-3A, A1J, 144A, FRN, 0.714%, 7/26/21	Cayman Islands	960,000	882,996
Countrywide Asset-Backed Certificates, 2005-11, AF4, 5.21%, 3/25/34	United States	1,275,000	858,178
[f,k]Gleneagles CLO Ltd., 2005-1A, A2, 144A, FRN, 0.713%, 11/01/17	Cayman Islands	1,000,000	909,580
[f,k]MAPS CLO Fund LLC, 2005-1A, B, 144A, FRN, 0.81%, 12/21/17	United States	1,400,000	1,385,510
[k]Morgan Stanley Capital I Trust, 2006-HQ8, AJ, FRN, 5.68%, 3/12/44	United States	200,000	203,283
Residential Asset Securities Corp., 2004-KS1, AI4, 4.213%, 4/25/32	United States	68,193	67,759
[f,k]Westchester CLO Ltd., 2007-1A, A1A, 144A, FRN, 0.538%, 8/01/22	Cayman Islands	4,379,921	4,123,170
			24,549,359
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost $41,738,738)			45,937,465

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Mortgage-Backed Securities 6.0%			
[k]**Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%†**			
FHLMC, 2.348%, 1/01/33	United States	74,452	$ 77,627
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 1.0%			
FHLMC Gold 15 Year, 4.50%, 10/01/18 - 6/01/19	United States	754,108	799,653
FHLMC Gold 15 Year, 5.00%, 12/01/17 - 9/01/19	United States	992,106	1,067,544
FHLMC Gold 15 Year, 5.50%, 7/01/17 - 7/01/19	United States	244,341	264,961
FHLMC Gold 15 Year, 6.00%, 5/01/17	United States	9,614	10,407
FHLMC Gold 15 Year, 6.50%, 5/01/16	United States	2,264	2,404
FHLMC Gold 30 Year, 3.00%, 11/01/42	United States	2,897,092	3,032,635
FHLMC Gold 30 Year, 3.50%, 4/01/42	United States	192,531	204,955
FHLMC Gold 30 Year, 4.00%, 9/01/40	United States	1,494,925	1,597,786
FHLMC Gold 30 Year, 4.50%, 10/01/40	United States	2,232,411	2,404,651
FHLMC Gold 30 Year, 5.00%, 4/01/34 - 8/01/35	United States	822,534	889,090
FHLMC Gold 30 Year, 5.50%, 3/01/33 - 6/01/36	United States	2,479,656	2,721,244
FHLMC Gold 30 Year, 6.00%, 4/01/33 - 2/01/36	United States	696,663	769,777
FHLMC Gold 30 Year, 6.50%, 12/01/23 - 6/01/36	United States	131,223	149,607
FHLMC Gold 30 Year, 7.00%, 9/01/21 - 4/01/30	United States	53,441	62,002
FHLMC Gold 30 Year, 7.50%, 3/01/30 - 7/01/31	United States	1,733	1,886
			13,978,602
[k]**Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%†**			
FNMA, 2.33%, 4/01/20	United States	54,785	56,498
FNMA, 2.332%, 12/01/34	United States	253,358	270,091
			326,589
Federal National Mortgage Association (FNMA) Fixed Rate 4.8%			
FNMA 15 Year, 2.50%, 6/01/27 - 11/01/27	United States	7,140,562	7,474,532
FNMA 15 Year, 3.00%, 3/01/22	United States	2,234,140	2,359,881
[m]FNMA 15 Year, 3.50%, 1/01/27	United States	1,750,000	1,856,914
[m]FNMA 15 Year, 4.00%, 1/01/27	United States	1,750,000	1,874,414
FNMA 15 Year, 4.50%, 6/01/19 - 3/01/20	United States	200,599	216,350
FNMA 15 Year, 5.00%, 10/01/17 - 6/01/18	United States	205,724	223,600
FNMA 15 Year, 5.50%, 11/01/13 - 11/01/18	United States	1,699,586	1,825,225
FNMA 15 Year, 6.00%, 4/01/16 - 7/01/16	United States	3,423	3,639
[m]FNMA 30 Year, 3.00%, 10/01/42 - 1/01/43	United States	15,149,706	15,892,583
FNMA 30 Year, 3.50%, 9/01/42	United States	746,545	798,426
FNMA 30 Year, 4.00%, 11/01/40 - 1/01/41	United States	2,482,972	2,665,150
FNMA 30 Year, 4.50%, 12/01/40	United States	4,351,537	4,717,076
FNMA 30 Year, 5.00%, 4/01/30 - 6/01/41	United States	19,192,892	20,867,561
FNMA 30 Year, 5.50%, 8/01/33 - 9/01/35	United States	1,285,373	1,408,142
FNMA 30 Year, 6.00%, 6/01/34 - 5/01/38	United States	1,913,438	2,109,549
FNMA 30 Year, 6.50%, 6/01/28 - 10/01/37	United States	933,078	1,049,708
			65,342,750
Government National Mortgage Association (GNMA) Fixed Rate 0.2%			
GNMA I SF 30 Year, 5.00%, 11/15/33 - 7/15/34	United States	758,947	834,611
GNMA I SF 30 Year, 5.50%, 12/15/32 - 6/15/36	United States	886,663	979,168
GNMA I SF 30 Year, 6.50%, 11/15/31 - 2/15/32	United States	4,007	4,757
GNMA I SF 30 Year, 7.00%, 10/15/28 - 6/15/32	United States	42,951	51,466
GNMA I SF 30 Year, 7.50%, 9/15/30	United States	1,933	2,371
GNMA II SF 30 Year, 5.00%, 9/20/33 - 11/20/33	United States	213,182	234,909
GNMA II SF 30 Year, 6.00%, 11/20/34	United States	253,113	284,775
GNMA II SF 30 Year, 6.50%, 4/20/31 - 2/20/34	United States	102,063	117,290

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Principal Amount*	Value
Mortgage-Backed Securities (continued)			
Government National Mortgage Association (GNMA) Fixed Rate (continued)			
GNMA II SF 30 Year, 7.50%, 1/20/28 - 4/20/32	United States	22,195	$ 27,185
			2,536,532
Total Mortgage-Backed Securities (Cost $80,673,342)			82,262,100
Municipal Bonds 1.9%			
California State GO,			
Refunding, 5.00%, 4/01/38	United States	7,000,000	7,752,849
Various Purpose, 6.00%, 4/01/38	United States	2,500,000	2,996,250
Various Purpose, 6.00%, 11/01/39	United States	160,000	194,819
Various Purpose, 5.25%, 11/01/40	United States	560,000	651,515
Various Purpose, Refunding, 5.25%, 3/01/38	United States	1,500,000	1,688,370
Various Purpose, Refunding, NATL Insured, 4.50%, 12/01/32	United States	300,000	323,364
Various Purpose, Refunding, Series 1, AGMC Insured, 4.75%, 9/01/31	United States	290,000	311,425
Illinois State GO,			
5.877%, 3/01/19	United States	3,575,000	4,118,865
Build America Bonds, 7.35%, 7/01/35	United States	3,000,000	3,632,130
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	1,639,694
Sonoma County Pension Obligation Revenue, Series A, 6.00%, 12/01/29	United States	2,100,000	2,345,511
Total Municipal Bonds (Cost $22,148,562)			25,654,792
Total Investments before Short Term Investments (Cost $1,131,994,076)			1,195,856,697
Short Term Investments 13.1%			
Foreign Government and Agency Securities 4.0%			
[r]Bank of Negara Monetary Note, 1/10/13 - 12/12/13	Malaysia	58,815,000 MYR	19,007,920
Government of Singapore, senior bond, 1.625%, 4/01/13	Singapore	2,400,000 SGD	1,971,399
Korea Monetary Stabilization Bond,			
senior bond, 3.38%, 5/09/13	South Korea	4,420,000,000 KRW	4,164,368
senior note, 3.83%, 4/02/13	South Korea	441,970,000 KRW	416,623
senior note, 3.28%, 6/09/13	South Korea	4,397,300,000 KRW	4,143,155
[r]Malaysia Treasury Bills, 1/25/13 - 6/28/13	Malaysia	5,900,000 MYR	1,902,993
[r]Mexican Cetes Treasury Bill, 9/19/13	Mexico	325,000 MXN	244,796
[r]Philippine Treasury Bills, 2/20/13 - 11/13/13	Philippines	239,680,000 PHP	5,823,608
[r]Singapore Treasury Bills, 1/10/13 - 11/01/13	Singapore	12,310,000 SGD	10,074,879
[r]Sri Lanka Treasury Bills, 8/02/13 - 10/11/13	Sri Lanka	3,260,000 LKR	23,784
[r]Sweden Treasury Bills, 3/20/13 - 6/19/13	Sweden	19,410,000 SEK	2,976,593
Uruguay Treasury Bills,			
[r]8/09/13	Uruguay	16,070,000 UYU	795,100
Strip, 9/09/13	Uruguay	58,400,000 UYU	2,861,914
Total Foreign Government and Agency Securities (Cost $52,597,129)			54,407,132
Total Investments before Money Market Funds (Cost $1,184,591,205)			1,250,263,829

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund	Country	Shares	Value
Money Market Funds (Cost $125,449,996) 9.1%			
[a,s]Institutional Fiduciary Trust Money Market Portfolio	United States	125,449,996	$ 125,449,996
Total Investments (Cost $1,310,041,201) 100.1%			1,375,713,825
Other Assets, less Liabilities (0.1)%			(1,247,144)
Net Assets 100.0%			$1,374,466,681

See Abbreviations on page FSI-51.

†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]Security has been deemed illiquid because it may not be able to be sold within seven days.
[c]See Note 1(g) regarding investment in FT Holdings Corporation III.
[d]At December 31, 2012, 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 9 regarding restricted securities.
[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, 2012, the aggregate value of these securities was $228,960,011, representing 16.66% of net assets.
[g]See Note 8 regarding defaulted securities.
[h]Perpetual security with no stated maturity date.
[i]See Note 1(f) regarding loan participation notes.
[j]Income may be received in additional securities and/or cash.
[k]The coupon rate shown represents the rate at period end.
[l]See Note 1(i) regarding senior floating rate interests.
[m]A portion or all of the security purchased on a delayed delivery or to-be-announced (TBA) basis. See Note 1(c).
[n]Principal amount is stated in 100 Mexican Peso Units.
[o]Principal amount of security is adjusted for inflation. See Note 1(k).
[p]Principal amount is stated in 1,000 Brazilian Real Units.
[q]Redemption price at maturity is adjusted for inflation. See Note 1(k).
[r]The security is traded on a discount basis with no stated coupon rate.
[s]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

Statement of Investments, December 31, 2012 *(continued)*

Franklin Strategic Income Securities Fund

At December 31, 2012, 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
Euro	DBAB	Sell	239,450	$ 305,897	1/03/13	$ —	$ (10,089)
Euro	DBAB	Buy	239,450	316,194	1/03/13	—	(207)
Philippine Peso	DBAB	Buy	12,562,000	301,899	1/07/13	4,079	—
Chilean Peso	DBAB	Sell	1,000,000,000	1,969,859	1/10/13	—	(116,038)
Chilean Peso	DBAB	Buy	2,449,000,000	4,646,177	1/10/13	462,185	—
Indian Rupee	HSBC	Buy	94,400,000	1,702,318	1/10/13	14,618	—
Japanese Yen	HSBC	Sell	183,560,000	2,402,932	1/10/13	286,909	—
Euro	UBSW	Sell	3,940,000	5,039,654	1/11/13	—	(160,090)
Euro	BZWS	Sell	1,691,484	2,164,339	1/11/13	—	(67,967)
Euro	JPHQ	Sell	1,802,953	2,299,576	1/14/13	—	(79,903)
Euro	DBAB	Sell	2,187,000	2,808,327	1/14/13	—	(78,006)
Euro	DBAB	Buy	321,959	416,551	1/14/13	8,361	—
Japanese Yen	BZWS	Sell	460,675,000	6,026,228	1/15/13	715,481	—
Philippine Peso	JPHQ	Buy	2,317,000	55,861	1/15/13	582	—
Indian Rupee	JPHQ	Buy	192,280,000	3,606,152	1/16/13	—	(113,433)
Euro	DBAB	Sell	252,750	330,243	1/17/13	—	(3,337)
Euro	DBAB	Buy	212,200	273,993	1/17/13	6,070	—
Euro	BZWS	Sell	2,912,410	3,716,235	1/22/13	—	(127,750)
Euro	DBAB	Sell	186,978	238,990	1/22/13	—	(7,796)
Japanese Yen	DBAB	Buy	271,680,000	3,466,810	1/22/13	—	(334,646)
Japanese Yen	DBAB	Sell	271,680,000	3,556,021	1/22/13	423,857	—
Euro	DBAB	Sell	465,260	603,675	1/24/13	—	(10,416)
Euro	DBAB	Sell	3,774,662	4,908,633	1/28/13	—	(73,679)
Euro	BZWS	Sell	1,007,118	1,313,231	1/28/13	—	(16,100)
Euro	DBAB	Buy	572,313	758,114	1/28/13	—	(2,698)
Euro	DBAB	Buy	3,177,772	4,098,910	1/28/13	95,546	—
Indian Rupee	JPHQ	Buy	54,590,000	1,000,000	1/29/13	—	(11,110)
Euro	DBAB	Sell	4,032,721	5,311,900	1/30/13	—	(11,130)
Euro	DBAB	Sell	3,014,151	3,960,293	1/31/13	—	(18,299)
Chilean Peso	DBAB	Buy	725,000,000	1,434,167	2/07/13	72,222	—
Chilean Peso	JPHQ	Buy	482,900,000	958,325	2/08/13	44,911	—
Indian Rupee	HSBC	Buy	186,760,000	3,668,507	2/08/13	—	(291,139)
Chilean Peso	BZWS	Buy	1,487,300,000	2,958,623	2/11/13	130,137	—
Euro	UBSW	Sell	2,151,000	2,862,400	2/13/13	22,831	—
Singapore Dollar	DBAB	Buy	578,000	462,289	2/25/13	10,902	—
Japanese Yen	BZWS	Sell	37,600,000	480,327	2/27/13	46,723	—
Singapore Dollar	DBAB	Buy	361,500	288,301	2/28/13	7,648	—
Euro	UBSW	Sell	2,581,000	3,478,156	3/01/13	70,477	—
Japanese Yen	JPHQ	Sell	85,800,000	1,073,842	3/01/13	84,379	—
Japanese Yen	HSBC	Sell	85,800,000	1,073,070	3/01/13	83,607	—
Euro	DBAB	Sell	5,979,967	8,000,000	3/04/13	104,464	—
Indian Rupee	HSBC	Buy	32,771,000	592,320	3/04/13	—	(2,064)
Japanese Yen	UBSW	Sell	95,700,000	1,194,048	3/04/13	90,388	—
Japanese Yen	DBAB	Sell	257,790,000	3,153,395	3/04/13	180,430	—
Indian Rupee	HSBC	Buy	5,576,000	100,950	3/11/13	—	(645)
Indian Rupee	HSBC	Buy	14,080,000	255,600	3/13/13	—	(2,408)
Euro	DBAB	Sell	324,000	424,084	3/18/13	—	(3,760)
Indian Rupee	DBAB	Buy	14,156,000	256,505	3/18/13	—	(2,175)
Singapore Dollar	JPHQ	Buy	700,000	573,395	3/19/13	—	(322)

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Singapore Dollar	DBAB	Buy	973,400	$ 768,696	3/19/13	$28,202	$ —
Singapore Dollar	HSBC	Buy	1,113,000	880,747	3/19/13	30,438	—
Indian Rupee	DBAB	Buy	12,894,000	231,786	3/20/13	—	(212)
Indian Rupee	JPHQ	Buy	55,600,000	1,000,000	3/21/13	—	(1,616)
Singapore Dollar	DBAB	Buy	1,048,000	835,592	3/21/13	22,380	—
Singapore Dollar	HSBC	Buy	837,000	667,251	3/21/13	17,980	—
Euro	DBAB	Sell	333,108	440,136	3/26/13	232	—
Euro	DBAB	Sell	7,647,393	10,159,601	4/02/13	59,755	—
Euro	DBAB	Sell	222,456	297,469	4/03/13	3,670	—
Indian Rupee	HSBC	Buy	108,100,000	2,000,000	4/03/13	—	(63,363)
Euro	BZWS	Sell	132,570	176,948	4/05/13	1,859	—
Philippine Peso	DBAB	Buy	12,557,000	302,149	4/05/13	3,677	—
Philippine Peso	DBAB	Buy	20,621,000	496,999	4/10/13	5,173	—
Philippine Peso	JPHQ	Buy	6,636,000	159,919	4/10/13	1,684	—
British Pound	DBAB	Sell	456,285	720,246	4/11/13	—	(20,969)
British Pound	DBAB	Buy	456,285	738,725	4/11/13	2,489	—
Euro	DBAB	Sell	949,814	1,251,011	4/11/13	—	(3,511)
Philippine Peso	HSBC	Buy	10,293,000	247,779	4/11/13	2,875	—
Indian Rupee	DBAB	Buy	20,841,000	383,696	4/12/13	—	(10,894)
Chilean Peso	MSCO	Buy	116,230,000	229,138	4/15/13	10,254	—
Indian Rupee	DBAB	Buy	44,691,000	817,214	4/15/13	—	(18,192)
Indian Rupee	DBAB	Sell	28,000,000	486,280	4/15/13	—	(14,327)
Philippine Peso	HSBC	Buy	8,192,000	197,502	4/15/13	1,972	—
Euro	HSBC	Sell	142,717	188,818	4/16/13	307	—
Indian Rupee	JPHQ	Buy	30,019,000	550,585	4/16/13	—	(13,971)
Indian Rupee	JPHQ	Buy	29,466,000	538,595	4/18/13	—	(12,045)
Chilean Peso	MSCO	Buy	104,150,000	205,505	4/19/13	8,887	—
Euro	BZWS	Sell	130,134	171,152	4/19/13	—	(743)
Indian Rupee	JPHQ	Buy	14,719,000	269,695	4/22/13	—	(6,848)
Indian Rupee	DBAB	Buy	10,360,000	189,582	4/22/13	—	(4,577)
Euro	JPHQ	Sell	36,314	48,058	4/23/13	88	—
Euro	BZWS	Sell	1,659,340	2,160,809	4/25/13	—	(31,161)
Indian Rupee	DBAB	Buy	20,931,000	373,361	4/26/13	165	—
Chilean Peso	JPHQ	Buy	234,301,000	462,680	4/29/13	18,958	—
Chilean Peso	CITI	Buy	377,668,000	747,857	4/29/13	28,490	—
Indian Rupee	JPHQ	Buy	17,801,000	319,386	4/29/13	—	(1,878)
Euro	DBAB	Sell	753,750	1,000,000	4/30/13	4,256	—
Euro	BZWS	Sell	91,515	121,559	4/30/13	663	—
Indian Rupee	JPHQ	Buy	14,829,000	265,529	4/30/13	—	(1,076)
Singapore Dollar	DBAB	Buy	6,168,500	5,059,963	4/30/13	—	(9,832)
British Pound	DBAB	Sell	453,906	732,877	5/02/13	—	(4,415)
British Pound	DBAB	Buy	230,355	370,520	5/02/13	3,652	—
Euro	DBAB	Sell	71,000	93,003	5/02/13	—	(794)
Philippine Peso	JPHQ	Buy	91,360,000	2,144,953	5/06/13	78,675	—
Chilean Peso	DBAB	Buy	574,000,000	1,134,051	5/08/13	44,412	—
Singapore Dollar	DBAB	Buy	3,707,640	2,984,016	5/10/13	51,439	—
Euro	DBAB	Sell	429,000	557,357	5/13/13	—	(9,448)
British Pound	DBAB	Sell	2,287,500	3,654,968	5/17/13	—	(60,468)
British Pound	DBAB	Buy	2,157,182	3,433,090	5/17/13	70,680	—
Euro	JPHQ	Sell	201,376	258,322	5/23/13	—	(7,766)
Euro	DBAB	Sell	1,053,792	1,310,844	6/05/13	—	(81,764)

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Singapore Dollar	JPHQ	Buy	4,945,200	$4,052,446	6/05/13	$ —	$ (3,720)
Euro	UBSW	Sell	4,274,000	5,354,467	6/28/13	—	(294,985)
Euro	DBAB	Sell	320,700	402,767	6/28/13	—	(21,140)
Japanese Yen	BZWS	Sell	620,288,000	7,871,176	7/02/13	710,321	—
British Pound	DBAB	Sell	297,656	461,665	7/09/13	—	(21,702)
Euro	DBAB	Sell	478,724	590,553	7/23/13	—	(42,403)
Euro	DBAB	Sell	218,913	267,380	7/25/13	—	(22,067)
Euro	BZWS	Sell	1,993,000	2,589,505	7/26/13	—	(45,678)
Euro	DBAB	Sell	190,862	231,697	7/26/13	—	(20,665)
Euro	CITI	Sell	648,569	841,907	7/26/13	—	(15,643)
Euro	DBAB	Sell	3,280,000	3,997,336	7/29/13	—	(339,685)
Euro	DBAB	Sell	870,275	1,077,313	7/31/13	—	(73,443)
British Pound	DBAB	Sell	169,385	264,765	8/01/13	—	(10,277)
Euro	JPHQ	Sell	667,276	815,828	8/06/13	—	(66,562)
Euro	CITI	Sell	317,220	395,948	8/08/13	—	(23,546)
Euro	CITI	Sell	92,411	115,487	8/09/13	—	(6,719)
Japanese Yen	DBAB	Sell	35,465,000	452,961	8/19/13	43,331	—
Chilean Peso	JPHQ	Buy	1,141,336,600	2,278,117	8/20/13	34,406	—
Euro	BZWS	Sell	2,084,000	2,579,784	8/20/13	—	(176,470)
Japanese Yen	JPHQ	Sell	15,928,000	201,793	8/20/13	17,818	—
Japanese Yen	HSBC	Sell	65,957,000	835,957	8/20/13	74,129	—
Japanese Yen	UBSW	Sell	32,055,000	407,125	8/20/13	36,878	—
Euro	DBAB	Sell	193,056	238,881	8/21/13	—	(16,453)
Euro	UBSW	Sell	3,500,000	4,331,775	8/22/13	—	(297,350)
Japanese Yen	BZWS	Sell	15,895,000	201,075	8/22/13	17,478	—
Euro	BZWS	Sell	704,462	882,127	8/23/13	—	(49,609)
Japanese Yen	DBAB	Buy	15,708,000	201,147	8/23/13	—	(19,708)
Japanese Yen	CITI	Sell	31,757,000	401,758	8/23/13	34,942	—
Japanese Yen	DBAB	Sell	15,708,000	198,848	8/23/13	17,409	—
Japanese Yen	HSBC	Sell	31,524,000	399,250	8/23/13	35,125	—
Euro	BZWS	Sell	3,068,753	3,844,657	8/26/13	—	(214,275)
Euro	UBSW	Sell	2,397,698	3,000,000	8/26/13	—	(171,351)
Japanese Yen	JPHQ	Sell	31,689,000	401,992	8/26/13	35,949	—
Japanese Yen	UBSW	Sell	34,903,000	442,426	8/26/13	39,258	—
Japanese Yen	BZWS	Sell	44,152,000	560,376	8/26/13	50,371	—
Singapore Dollar	DBAB	Buy	580,000	464,595	8/26/13	10,270	—
Euro	DBAB	Sell	810,000	1,024,091	8/27/13	—	(47,279)
Japanese Yen	DBAB	Buy	44,915,000	575,059	8/27/13	—	(56,236)
Japanese Yen	JPHQ	Sell	15,991,000	204,547	8/27/13	19,832	—
Japanese Yen	HSBC	Sell	50,145,000	641,240	8/27/13	62,004	—
Japanese Yen	DBAB	Sell	72,099,000	921,699	8/27/13	88,868	—
Singapore Dollar	DBAB	Buy	722,000	581,742	8/27/13	9,383	—
Euro	DBAB	Sell	1,978,657	2,487,970	8/28/13	—	(129,187)
Euro	DBAB	Sell	651,325	823,796	8/29/13	—	(37,717)
Japanese Yen	JPHQ	Sell	15,743,000	201,079	8/30/13	19,223	—
Singapore Dollar	DBAB	Buy	361,500	289,269	8/30/13	6,702	—
Euro	DBAB	Sell	601,984	760,606	9/04/13	—	(35,694)
Euro	BZWS	Sell	271,320	343,478	9/10/13	—	(15,446)
Euro	BZWS	Sell	266,006	341,467	9/12/13	—	(10,435)
Euro	BZWS	Sell	759,073	982,734	9/16/13	—	(21,494)
Euro	UBSW	Sell	708,181	916,245	9/17/13	—	(20,666)

Forward Exchange Contracts (continued)

Currency	Counterparty	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Euro	BZWS	Sell	178,354	$ 234,946	9/19/13	$ —	$ (1,018)
Singapore Dollar	JPHQ	Buy	694,000	567,364	9/19/13	836	—
Euro	UBSW	Sell	2,137,312	2,824,950	9/20/13	—	(2,766)
Japanese Yen	DBAB	Sell	335,180,000	4,000,000	9/20/13	127,280	—
Euro	DBAB	Sell	495,470	648,967	9/23/13	—	(6,574)
Euro	BZWS	Sell	469,210	609,870	9/24/13	—	(10,933)
Euro	DBAB	Sell	1,550,000	1,999,268	9/30/13	—	(51,657)
Philippine Peso	DBAB	Buy	21,010,000	502,632	10/04/13	7,654	—
Philippine Peso	HSBC	Buy	16,853,000	404,013	10/04/13	5,308	—
Euro	UBSW	Sell	2,850,000	3,691,121	10/07/13	—	(80,280)
Euro	DBAB	Sell	185,654	240,385	10/07/13	—	(5,291)
Philippine Peso	HSBC	Buy	25,126,000	604,150	10/07/13	6,005	—
Euro	BZWS	Sell	2,749,000	3,575,075	10/11/13	—	(62,864)
Philippine Peso	JPHQ	Buy	8,232,000	198,166	10/11/13	1,695	—
Philippine Peso	HSBC	Buy	14,493,000	348,716	10/11/13	3,153	—
Euro	DBAB	Sell	121,043	157,162	10/15/13	—	(3,031)
Philippine Peso	DBAB	Buy	4,913,000	118,047	10/16/13	1,201	—
Euro	DBAB	Sell	587,951	769,510	10/18/13	—	(8,637)
Malaysian Ringgit	JPHQ	Buy	763,000	245,614	10/18/13	—	(706)
Malaysian Ringgit	DBAB	Buy	10,212,000	3,293,662	10/23/13	—	(16,621)
Malaysian Ringgit	HSBC	Buy	6,809,796	2,196,000	10/24/13	—	(10,837)
Euro	BZWS	Sell	217,715	283,992	10/25/13	—	(4,178)
Japanese Yen	JPHQ	Sell	270,990,000	3,408,572	10/28/13	275,918	—
Euro	UBSW	Sell	369,000	481,010	10/29/13	—	(7,428)
Euro	DBAB	Sell	1,494,524	1,934,250	10/31/13	—	(44,074)
Japanese Yen	JPHQ	Sell	360,360,000	4,532,853	11/01/13	366,844	—
Euro	DBAB	Sell	243,767	318,112	11/04/13	—	(4,583)
Euro	BZWS	Sell	529,706	689,577	11/05/13	—	(11,649)
Euro	JPHQ	Sell	473,670	606,523	11/12/13	—	(20,580)
Euro	DBAB	Sell	800,000	1,050,560	11/14/13	—	(8,607)
Euro	DBAB	Sell	227,970	291,031	11/15/13	—	(10,796)
Japanese Yen	MSCO	Sell	12,500,000	158,018	11/15/13	13,481	—
Euro	DBAB	Sell	63,419	81,477	11/19/13	—	(2,493)
Malaysian Ringgit	DBAB	Buy	623,200	200,000	11/19/13	—	(279)
Euro	UBSW	Sell	1,480,440	1,895,111	11/20/13	—	(65,084)
Euro	JPHQ	Sell	221,993	283,400	11/20/13	—	(10,533)
Malaysian Ringgit	HSBC	Buy	376,000	120,466	11/20/13	28	—
Euro	UBSW	Sell	1,245,000	1,623,169	12/03/13	—	(25,570)
Euro	UBSW	Sell	3,400,000	4,463,418	12/09/13	—	(39,517)
Euro	DBAB	Sell	5,049,917	6,629,027	12/10/13	—	(59,134)
Japanese Yen	UBSW	Sell	187,760,000	2,293,448	12/12/13	121,562	—
Euro	DBAB	Sell	1,200,000	1,565,760	12/13/13	—	(23,595)
Euro	CITI	Sell	3,868,000	5,079,844	12/17/13	—	(43,445)
Euro	DBAB	Sell	486,875	643,016	12/18/13	—	(1,875)
Euro	DBAB	Sell	262,167	348,111	12/20/13	847	—
Euro	DBAB	Sell	239,450	317,415	1/03/14	184	—
Unrealized appreciation (depreciation)						5,765,812	(4,897,317)
Net unrealized appreciation (depreciation)						$ 868,495	

At December 31, 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									
MCDX.NA.19	CITI	$12,500,000	1.00%	12/20/17	$(322,747)	$ 9,191	$—	(313,556)	Non Investment Grade
MCDX.NA.19	GSCO	500,000	1.00%	12/20/17	(14,415)	1,873	—	(12,542)	Non Investment Grade
MCDX.NA.19	MSCO	7,000,000	1.00%	12/20/17	(171,750)	—	(3,841)	(175,591)	Non Investment Grade
Unrealized appreciation (depreciation)						11,064	(3,841)		
Net unrealized appreciation (depreciation)						$ 7,223			

[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)
CITI	$260,000

[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 of the underlying securities for traded index swaps.

See Abbreviations on page FSI-51.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2012

	Franklin Strategic Income Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$1,184,591,205
Cost - Sweep Money Fund (Note 7)	125,449,996
Total cost of investments	$1,310,041,201
Value - Unaffiliated issuers	$1,250,263,829
Value - Sweep Money Fund (Note 7)	125,449,996
Total value of investments	1,375,713,825
Cash	1,743,381
Restricted cash (Note 1e)	685,000
Foreign currency, at value (cost $1,402,602)	1,402,035
Receivables:	
Investment securities sold	3,879,221
Capital shares sold	457,848
Interest	15,217,191
Due from brokers	1,320,000
Unrealized appreciation on forward exchange contracts	5,765,812
Unrealized appreciation on swap contracts	11,064
Other assets	34
Total assets	1,406,195,411
Liabilities:	
Payables:	
Investment securities purchased	19,833,559
Capital shares redeemed	4,263,339
Affiliates	804,533
Due to brokers	685,000
Swaps (premiums received $526,681)	508,912
Unrealized depreciation on forward exchange contracts	4,897,317
Unrealized depreciation on swap contracts	3,841
Deferred tax	209,403
Accrued expenses and other liabilities	522,826
Total liabilities	31,728,730
Net assets, at value	$1,374,466,681
Net assets consist of:	
Paid-in capital	$1,223,254,980
Undistributed net investment income	68,571,868
Net unrealized appreciation (depreciation)	66,464,631
Accumulated net realized gain (loss)	16,175,202
Net assets, at value	$1,374,466,681

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*
December 31, 2012

	Franklin Strategic Income Securities Fund
Class 1:	
Net assets, at value	$1,019,536,948
Shares outstanding	77,412,494
Net asset value and maximum offering price per share	$ 13.17
Class 2:	
Net assets, at value	$ 158,451,035
Shares outstanding	12,336,191
Net asset value and maximum offering price per share	$ 12.84
Class 4:	
Net assets, at value	$ 196,478,698
Shares outstanding	15,065,356
Net asset value and maximum offering price per share	$ 13.04

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statement of Operations
for the year ended December 31, 2012

	Franklin Strategic Income Securities Fund
Investment income:	
Dividends	$ 70,281
Interest	77,427,453
Total investment income	77,497,734
Expenses:	
Management fees (Note 3a)	4,712,412
Administrative fees (Note 3b)	2,757,946
Distribution fees: (Note 3c)	
Class 2	350,666
Class 4	692,586
Unaffiliated transfer agent fees	520
Custodian fees (Note 4)	309,917
Reports to shareholders	102,535
Professional fees	96,141
Trustees' fees and expenses	5,476
Other	67,431
Total expenses	9,095,620
Net investment income	68,402,114
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	17,051,467
Foreign currency transactions	8,367,672
Swap contracts	2,626,286
Net realized gain (loss)	28,045,425
Net change in unrealized appreciation (depreciation) on:	
Investments	73,292,749
Translation of other assets and liabilities denominated in foreign currencies	(1,532,223)
Change in deferred taxes on unrealized appreciation	67,485
Net change in unrealized appreciation (depreciation)	71,828,011
Net realized and unrealized gain (loss)	99,873,436
Net increase (decrease) in net assets resulting from operations	$168,275,550

Franklin Templeton Variable Insurance Products Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Strategic Income Securities Fund	
	Year Ended December 31, 2012	2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 68,402,114	$ 76,340,737
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	28,045,425	33,514,759
Net change in unrealized appreciation (depreciation) on investments, translation of other assets and liabilities denominated in foreign currencies and deferred taxes	71,828,011	(71,081,939)
Net increase (decrease) in net assets resulting from operations	168,275,550	38,773,557
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class 1	(72,486,947)	(69,631,166)
Class 2	(9,567,293)	(7,304,903)
Class 4	(13,446,008)	(11,235,444)
Net realized gains:		
Class 1	(1,182,191)	—
Class 2	(160,795)	—
Class 4	(230,338)	—
Total distributions to shareholders	(97,073,572)	(88,171,513)
Capital share transactions: (Note 2)		
Class 1	(78,499,832)	(114,013,494)
Class 2	27,715,617	27,304,975
Class 4	(2,176,836)	7,657,719
Total capital share transactions	(52,961,051)	(79,050,800)
Net increase (decrease) in net assets	18,240,927	(128,448,756)
Net assets:		
Beginning of year	1,356,225,754	1,484,674,510
End of year	$1,374,466,681	$1,356,225,754
Undistributed net investment income included in net assets:		
End of year	$ 68,571,868	$ 84,105,225

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, 2012, 89.42% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. 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 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 Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to 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 (OTC) 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 OTC 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, credit spreads, estimated default rates, anticipated market interest rate volatility, 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 OTC 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 financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC 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. An income-based valuation approach may also be used 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

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

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 Board.

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 and TBA Basis

The Fund purchases securities on a delayed delivery and to-be-announced (TBA) 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's investments in OTC derivatives are subject to the terms of International Swaps and Derivatives Association Master Agreements and other related agreements between the Fund and certain derivative counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, requirements for the Fund to maintain

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Derivative Financial Instruments (continued)

certain net asset levels and/or limit the decline in net assets over various periods of time. Should the Fund fail to meet any of these provisions, the derivative counterparty has the right to terminate the derivative contract and require immediate payment by the Fund for those OTC derivatives with that particular counterparty that are in a net liability position.

At December 31, 2012, the Fund had OTC derivatives in a net liability position of $1,374,810 and the aggregate value of collateral pledged for such contracts was $1,320,000.

The Fund entered into OTC 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 OTC credit default swap contracts primarily to manage 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 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, 2012, the Fund held $148,494 in U.S treasury bonds and notes as collateral for derivatives.

See Note 10 regarding other derivative information.

e. Restricted Cash

At December 31, 2012, 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 and is reflected in the Statement of Assets and Liabilities.

f. Loan Participation Notes

The Fund invests in loan participation notes ("Participations"). Participations are loans originally issued to a borrower by one or more financial institutions (the "Lender") and subsequently sold to other investors, such as the Fund. Participations typically result in the Fund having a contractual relationship only with the Lender, and not with the borrower. The Fund has the right to receive from the Lender any payments of principal, interest and fees which the Lender received from the borrower. The Fund generally has no rights to either enforce compliance by the borrower with the terms of the loan agreement or to any collateral relating to the original loan. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. The Participations may also involve interest rate risk and liquidity risk, including the potential default or insolvency of the borrower and/or the Lender.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

g. FT Holdings Corporation III (FT Subsidiary)

The Fund invests in certain securities through its investment in FT Subsidiary, a Delaware Corporation and a wholly-owned subsidiary of the Fund. The FT Subsidiary has the ability to invest in securities consistent with the investment objective of the Fund. At December 31, 2012, all FT 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 FT Subsidiary during the year ended December 31, 2012, have been included in the Fund's Statement of Operations.

h. 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.

i. 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.

j. Income and Deferred 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 if applicable, 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, 2012, 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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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. 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.

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.

l. 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.

m. 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, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2012		2011	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	3,209,922	$ 41,235,226	2,569,621	$ 33,265,626
Shares issued in reinvestment of distributions	6,063,304	73,669,138	5,474,148	69,631,166
Shares redeemed	(14,997,522)	(193,404,196)	(16,887,770)	(216,910,286)
Net increase (decrease)	(5,724,296)	$ (78,499,832)	(8,844,001)	$(114,013,494)
Class 2 Shares:				
Shares sold	3,441,994	$ 43,341,865	3,778,943	$ 48,008,160
Shares issued in reinvestment of distributions	819,552	9,728,087	586,739	7,304,903
Shares redeemed	(2,012,180)	(25,354,335)	(2,243,563)	(28,008,088)
Net increase (decrease)	2,249,366	$ 27,715,617	2,122,119	$ 27,304,975
Class 4 Shares:				
Shares sold	1,353,603	$ 17,206,420	2,126,744	$ 27,218,734
Shares issued on reinvestment of distributions	1,134,025	13,676,347	889,584	11,235,444
Shares redeemed	(2,599,542)	(33,059,603)	(2,444,718)	(30,796,459)
Net increase (decrease)	(111,914)	$ (2,176,836)	571,610	$ 7,657,719

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

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

3. TRANSACTIONS WITH AFFILIATES (continued)

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 Board 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. Some distribution fees are not charged on shares held by affiliates.

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, 2012, there were no credits earned.

5. INCOME TAXES

The tax character of distributions paid during the years ended December 31, 2012 and 2011, was as follows:

	2012	2011
Distributions paid from:		
Ordinary income	$95,500,248	$88,171,513
Long term capital gain	1,573,324	—
	$97,073,572	$88,171,513

At December 31, 2012, 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	$1,313,823,506
Unrealized appreciation	$ 76,496,104
Unrealized depreciation	(14,605,785)
Net unrealized appreciation (depreciation)	$ 61,890,319
Undistributed ordinary income	$ 77,793,606
Undistributed long term capital gains	12,345,735
Distributable earnings	$ 90,139,341

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of paydown losses and bond discounts and premiums.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2012, aggregated $626,303,249 and $735,554,475, 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, 2012, the Fund had 49.25% 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 a defaulted security and/or other securities for which the income has been deemed uncollectible. At December 31, 2012, the value of this security represents less than 0.05% 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 security has been identified on the accompanying Statement of Investments.

9. 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, 2012, 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
10,000	[a]NewPage Holdings Inc. (Value is 0.07% of Net Assets)	9/17/09-3/3/10	$2,411,281	$958,000

[a]The Fund also invests in unrestricted security or other investments in the issuer, valued at $– as of December 31, 2012.

10. OTHER DERIVATIVE INFORMATION

At December 31, 2012, the Fund's investments in derivative contracts 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	$5,765,812	Unrealized depreciation on forward exchange contracts	$4,897,317
Credit contracts	Unrealized appreciation on swap contracts	11,064	Unrealized depreciation on swap contracts	3,841

10. OTHER DERIVATIVE INFORMATION (continued)

For the year ended December 31, 2012, 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	$8,760,074	$(1,967,454)
Credit contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	2,626,286	(769,556)

For the year ended December 31, 2012, the average month end market value of derivatives represented 0.83% of average month end net assets. The average month end number of open derivative contracts for the year was 207.

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 $1.5 billion (Global Credit Facility) which matured on January 18, 2013. 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 18, 2013, the Borrowers renewed the Global Credit Facility, which matures on January 17, 2014.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2012, 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 financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

12. FAIR VALUE MEASUREMENTS (continued)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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.

A summary of inputs used as of December 31, 2012, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Consumer Services	$ —	$ 1,730,319	$—	$ 1,730,319
Materials	—	958,000	—[c]	958,000
Media	—	7,936,727	—	7,936,727
Other Equity Investments[b]	922,090	—	—[c]	922,090
Corporate Bonds	—	468,912,779	—	468,912,779
Senior Floating Rate Interests	—	242,608,136	—	242,608,136
Foreign Government and Agency Securities	—	289,750,686	—	289,750,686
U.S. Government and Agency Securities	—	29,183,603	—	29,183,603
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	45,937,465	—	45,937,465
Mortgage-Backed Securities	—	82,262,100	—	82,262,100
Municipal Bonds	—	25,654,792	—	25,654,792
Short Term Investments	125,449,996	54,407,132	—	179,857,128
Total Investments in Securities	$126,372,086	$1,249,341,739	$—	$1,375,713,825
Forward Exchange Contracts	—	5,765,812	—	5,765,812
Swaps	—	11,064	—	11,064
Liabilities:				
Forward Exchange Contracts	—	4,897,317	—	4,897,317
Swaps	—	3,841	—	3,841

[a]Includes common and preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.
[c]Includes securities determined to have no value at December 31, 2012.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the year.

13. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. In January 2013, FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of these ASUs 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

BZWS - Barclays Bank PLC
CITI - Citigroup, Inc.
DBAB - Deutsche Bank AG
GSCO - The Goldman Sachs
HSBC - HSBC Bank USA, N.A.
JPHQ - JP Morgan Chase & Co.
MSCO - Morgan Stanley
UBSW - UBS AG

Currency

AUD - Australian Dollar
BRL - Brazilian Real
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
PHP - Philippine Peso
PLN - Polish Zloty
SEK - Swedish Krona
SGD - Singapore Dollar
UYU - Uruguayan Peso

Selected Portfolio

AGMC - Assured Guaranty Municipal Corp.
CDO - Collateralized Debt Obligation
CLO - Collateralized Loan Obligation
DIP - Debtor-In-Possession
FICO - Financing Corp.
FRN - Floating Rate Note
GO - General Obligation
L/C - Letter of Credit
NATL - National Public Financial Guarantee Corp.
PIK - Payment-In-Kind
PL - Project Loan
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, 2012, 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, 2012 by correspondence with the custodian, transfer agent and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 15, 2013

Franklin Templeton Variable Insurance Products Trust

Tax Information (unaudited)

Franklin Strategic Income Securities Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than $1,573,324 as a long term capital gain dividend for the fiscal year ended December 31, 2012.

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The indexes are unmanaged and include reinvested distributions.

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Barclays 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 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 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.

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.

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 12/31/12, there were 229 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 12/31/12, there were 63 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 12/31/12, there were 51 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12/31/12, there were 118 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 World Index (ACWI) 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/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; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (August 2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); 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 (aerospace 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) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President—Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (June 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President—Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); 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, Staples Europe (office supplies) (October 2012); 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. (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) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	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.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since April 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and 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
Breda M. Beckerle (1958) 600 Fifth Avenue New York, NY 10020	Chief Compliance Officer and Vice President	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Investment Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; Vice President and Compliance Officer—Commingled Trusts, Fiduciary Trust International of the South; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
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; and officer of 46 of the investment companies in Franklin Templeton Investments.				
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).				
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.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President—AML Compliance	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; 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 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 46 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.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ASSET ALLOCATION | FIXED INCOME

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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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VIP A 02/13

DECEMBER 31, 2012

Franklin Templeton Variable Insurance Products Trust

ANNUAL REPORT

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

Franklin Templeton Variable Insurance Products Trust Annual Report
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Franklin Large Cap Growth Securities Fund FLG-1

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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.

This annual report for Franklin Large Cap Growth Securities Fund covers the fiscal year ended December 31, 2012.

Franklin Large Cap Growth Securities Fund Class 2

Performance Summary as of 12/31/12

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 12/31/12

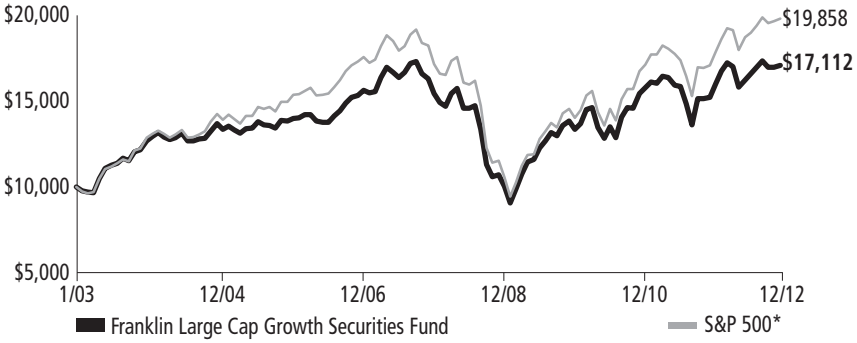
	1-Year	5-Year	10-Year
Average Annual Total Return	+12.37%	+0.96%	+5.52%

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 (1/1/03–12/31/12)

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®). 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: © 2013 Morningstar. Please see Index Descriptions following the Fund Summaries.

Fund Risks: All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund may focus on particular sectors of the market from time to time, which can carry greater risks of adverse developments in such sectors. Smaller- or midsized-company securities can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Investments in foreign securities may involve special risks including currency fluctuations and economic and political uncertainty. 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. Under normal market conditions, the Fund 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 benchmark, the S&P 500, which posted a +16.00% total return.[2]

Economic and Market Overview

The U.S. economy, as measured by gross domestic product, grew moderately in 2012, supported by positive construction, housing and labor market trends. U.S. home prices increased in most regions due to higher demand based on near to record-low mortgage rates, affordable housing prices, low new-home inventories and a five-year low in U.S. foreclosures. Home construction became a leading source of economic growth after reaching a multi-year high in 2012, further enhancing confidence in the housing market. Consumer spending and personal income levels climbed, and inflation was generally mild with the exception of energy and food prices. Consumer sentiment reached its highest level in five years, although the potential U.S. tax hikes and spending cuts scheduled to take effect in 2013 dampened confidence near year-end. Nevertheless, the federal budget deficit for fiscal year 2012 fell to its lowest level since 2008. Just after year-end, Congress passed compromise legislation that preserved lower income tax rates for most U.S. households and delayed far-reaching federal spending cuts.

For the 12-month period, U.S. stocks, as measured by the S&P 500 Index, fluctuated as investors reacted to news headlines and shifted between risk taking and risk aversion. Toward period-end uncertainty eased surrounding the European fiscal crisis as leaders made progress on economic reforms and management of Greek debt, but slowing economic growth in Asia, particularly China, curbed global economic recovery and markets. In its December meeting, the Federal Open Market Committee (FOMC) announced a 6.5% unemployment target as a guide to maintaining the historically low federal funds target rate. The FOMC also said it intended to continue purchasing longer term Treas-

1. Please see Index Descriptions following the Fund Summaries.
2. © 2013 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.

uries and agency mortgage-backed securities. Despite modest third-quarter U.S. company revenues suggesting a drop in global demand, a hard-fought national election and budget deadline concerns, domestic stock markets made strong gains for the year. Value stocks generally outperformed growth stocks, and all sectors generated positive returns, as represented by the S&P 500. Not all investors favored stocks, however, and many sought perceived safe havens such as gold bullion, the Japanese yen and U.S. Treasuries. By year-end, the yield on the 10-year U.S. Treasury note declined to 1.78% from 1.89% at the beginning of 2012.

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 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.

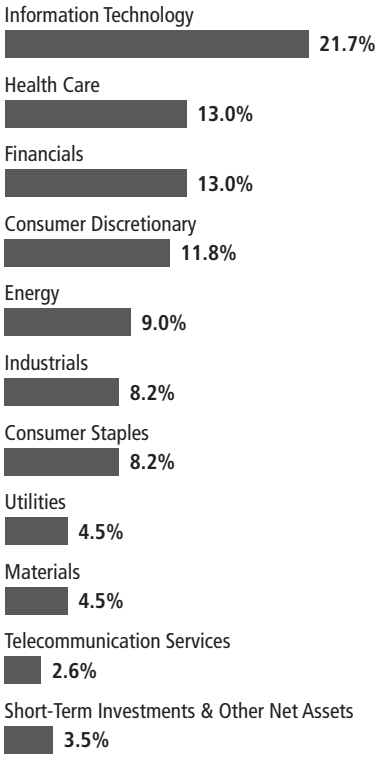
Manager's Discussion

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.

From a sector perspective, our stock selection in the health care sector helped the Fund's performance relative to the S&P 500. In particular, our positions in generic drug company Watson Pharmaceuticals, genetic analysis technologies developer Illumina[3, 4] and biopharmaceutical company Gilead Sciences boosted performance. Watson Pharmaceuticals' second- and third-quarter earnings rose largely due to its acquisition of pharmaceutical maker Actavis Group. This merger will create the third-largest generic drug maker in the world. During the period, Illumina

3. This holding is not an index component.
4. Sold by period-end.

Portfolio Breakdown
Franklin Large Cap Growth Securities Fund
Based on Total Net Assets as of 12/31/12



Top 10 Holdings
Franklin Large Cap Growth Securities Fund
12/31/12

Company *Sector/Industry*	% of Total Net Assets
Wells Fargo & Co. *Financials*	3.4%
Apple Inc. *Information Technology*	3.3%
Google Inc., A *Information Technology*	2.5%
Anadarko Petroleum Corp. *Energy*	2.4%
General Electric Co. *Industrials*	2.3%
AT&T Inc. *Telecommunication Services*	2.2%
The Walt Disney Co. *Consumer Discretionary*	2.1%
International Business Machines Corp. *Information Technology*	2.1%
JPMorgan Chase & Co. *Financials*	2.1%
Express Scripts Holding Co. *Health Care*	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.

benefited from a number of product launches as well as Swiss pharmaceutical maker Roche Holding's public offer to buy the company. In the case of Gilead Sciences, its antiviral products enjoyed strong sales during the period. Our stock selection and slightly overweighted position in the utilities sector also aided relative results, particularly our holding in electricity provider American Electric Power. The troubled company delivered solid performance in its second quarter driven by warmer weather and exhibited a disciplined approach to controlling costs throughout the period. Other key contributors to relative Fund returns included cable services provider Comcast, oil and gas corporation Exxon Mobil and diversified financial services firm Wells Fargo & Co.

In contrast, the Fund's overweighted position and stock selection in the materials sector was a major detractor from returns relative to the S&P 500, particularly our positions in coal miner Walter Energy,[3] technology materials producer Celanese[3] and fertilizer company Potash Corporation of Saskatchewan (PotashCorp).[3] Walter Energy experienced a loss during its third quarter principally because of lower pricing and softening demand for coal related to the global economic slowdown. Similarly, Celanese also reported lower earnings during the period after demand for its acetyl products declined because of weakened economic conditions in Europe and Asia. PotashCorp's earnings declined after it suffered a large impairment charge against its investment in fertilizer company Sinofert Holdings. The Fund's underweighted position and stock selection in the financials sector also hampered Fund performance, particularly our position in diversified financial services provider Bank of America. The company's third-quarter earnings were negatively affected by credit spread adjustments, litigation expenses and a charge related to the repricing of tax assets. Other major detractors from relative Fund returns included computer technology corporation Dell, social networking service Facebook[3, 4] and natural gas and oil producer Devon Energy.

Thank you for your participation in Franklin Large Cap Growth 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, 2012, 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

Franklin Large Cap Growth Securities Fund Class 2

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.

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 7/1/12	Ending Account Value 12/31/12	Fund-Level Expenses Incurred During Period* 7/1/12–12/31/12
Actual	$1,000	$1,052.60	$5.47
Hypothetical (5% return before expenses)	$1,000	$1,019.81	$5.38

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (1.06%), 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 184/366 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	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 14.75	$ 15.07	$ 13.62	$ 10.66	$ 17.51
Income from investment operations[a]:					
Net investment income[b]	0.21	0.15	0.12	0.12	0.17
Net realized and unrealized gains (losses)	1.65	(0.33)	1.48	3.04	(5.82)
Total from investment operations	1.86	(0.18)	1.60	3.16	(5.65)
Less distributions from:					
Net investment income	(0.18)	(0.14)	(0.15)	(0.20)	(0.24)
Net realized gains	—	—	—	—	(0.96)
Total distributions	(0.18)	(0.14)	(0.15)	(0.20)	(1.20)
Net asset value, end of year	$ 16.43	$ 14.75	$ 15.07	$ 13.62	$ 10.66
Total return[c]	12.65%	(1.22)%	11.85%	30.04%	(34.39)%
Ratios to average net assets					
Expenses	0.80%	0.80%	0.79%	0.81%[d]	0.77%[d]
Net investment income	1.31%	0.99%	0.86%	1.03%	1.19%
Supplemental data					
Net assets, end of year (000's)	$ 46,756	$ 48,666	$ 58,265	$ 58,287	$ 51,651
Portfolio turnover rate	33.88%	56.61%	46.75%	71.95%	66.04%

[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	**2012**	**2011**	**2010**	**2009**	**2008**
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 14.54	$ 14.86	$ 13.43	$ 10.50	$ 17.25
Income from investment operations[a]:					
Net investment income[b]	0.17	0.11	0.08	0.09	0.13
Net realized and unrealized gains (losses)	1.62	(0.33)	1.46	3.00	(5.73)
Total from investment operations	1.79	(0.22)	1.54	3.09	(5.60)
Less distributions from:					
Net investment income	(0.13)	(0.10)	(0.11)	(0.16)	(0.19)
Net realized gains	—	—	—	—	(0.96)
Total distributions	(0.13)	(0.10)	(0.11)	(0.16)	(1.15)
Net asset value, end of year	$ 16.20	$ 14.54	$ 14.86	$ 13.43	$ 10.50
Total return[c]	12.37%	(1.51)%	11.59%	29.73%	(34.53)%
Ratios to average net assets					
Expenses	1.05%	1.05%	1.04%	1.06%[d]	1.02%[d]
Net investment income	1.06%	0.74%	0.61%	0.78%	0.94%
Supplemental data					
Net assets, end of year (000's)	$278,989	$293,226	$357,405	$373,821	$ 328,597
Portfolio turnover rate	33.88%	56.61%	46.75%	71.95%	66.04%

[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, 2012

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks 96.5%			
Consumer Discretionary 11.8%			
[a]Amazon.com Inc.	United States	6,600	$ 1,657,523
[a]BorgWarner Inc.	United States	70,900	5,077,858
Comcast Corp., A	United States	143,100	5,349,078
[a]Dollar General Corp.	United States	42,080	1,855,307
Guess? Inc.	United States	96,000	2,355,840
Johnson Controls Inc.	United States	92,800	2,848,960
Kohl's Corp.	United States	70,800	3,042,984
Lowe's Cos. Inc.	United States	40,500	1,438,560
McDonald's Corp.	United States	31,300	2,760,973
NIKE Inc., B	United States	65,800	3,395,280
Target Corp.	United States	28,300	1,674,511
The Walt Disney Co.	United States	139,800	6,960,642
			38,417,516
Consumer Staples 8.2%			
Altria Group Inc.	United States	57,400	1,803,508
The Coca-Cola Co.	United States	81,000	2,936,250
CVS Caremark Corp.	United States	64,500	3,118,575
Mead Johnson Nutrition Co., A	United States	27,300	1,798,797
PepsiCo Inc.	United States	79,200	5,419,656
Philip Morris International Inc.	United States	69,500	5,812,980
The Procter & Gamble Co.	United States	57,045	3,872,785
Wal-Mart Stores Inc.	United States	27,000	1,842,210
			26,604,761
Energy 9.0%			
Anadarko Petroleum Corp.	United States	104,250	7,746,818
[a]Cameron International Corp.	United States	18,600	1,050,156
Chevron Corp.	United States	27,200	2,941,408
ConocoPhillips	United States	64,700	3,751,953
Devon Energy Corp.	United States	91,800	4,777,272
Exxon Mobil Corp.	United States	21,700	1,878,135
Halliburton Co.	United States	74,700	2,591,343
Occidental Petroleum Corp.	United States	10,400	796,744
Schlumberger Ltd.	United States	54,070	3,746,510
			29,280,339
Financials 13.0%			
American Express Co.	United States	26,400	1,517,472
Bank of America Corp.	United States	140,700	1,632,120
BlackRock Inc.	United States	12,900	2,666,559
Citigroup Inc.	United States	34,990	1,384,204
CME Group Inc.	United States	67,050	3,400,106
Comerica Inc.	United States	96,100	2,915,674
Invesco Ltd.	United States	81,300	2,121,117
JPMorgan Chase & Co.	United States	152,445	6,703,007
MetLife Inc.	United States	40,100	1,320,894
Prudential Financial Inc.	United States	35,100	1,871,883
U.S. Bancorp	United States	175,827	5,615,914
Wells Fargo & Co.	United States	328,100	11,214,458
			42,363,408

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Health Care 13.0%			
Aetna Inc.	United States	112,600	$ 5,213,380
[a]Express Scripts Holding Co.	United States	116,600	6,296,400
[a]Gilead Sciences Inc.	United States	38,800	2,849,860
Johnson & Johnson	United States	63,500	4,451,350
Merck & Co. Inc.	United States	147,875	6,054,003
Pfizer Inc.	United States	197,500	4,953,300
Roche Holding AG, ADR	Switzerland	100,000	5,050,000
Teva Pharmaceutical Industries Ltd., ADR	Israel	98,300	3,670,522
[a]Watson Pharmaceuticals Inc.	United States	46,000	3,956,000
			42,494,815
Industrials 8.2%			
The Boeing Co.	United States	46,400	3,496,704
Emerson Electric Co.	United States	28,600	1,514,656
FedEx Corp.	United States	65,700	6,026,004
General Electric Co.	United States	363,500	7,629,865
Honeywell International Inc.	United States	15,200	964,744
Union Pacific Corp.	United States	23,200	2,916,704
United Technologies Corp.	United States	50,100	4,108,701
			26,657,378
Information Technology 21.7%			
Apple Inc.	United States	20,300	10,820,509
Broadcom Corp., A	United States	38,900	1,291,869
Cisco Systems Inc.	United States	96,400	1,894,260
Corning Inc.	United States	276,600	3,490,692
Dell Inc.	United States	86,000	871,180
[a]Electronic Arts Inc.	United States	180,150	2,617,580
[a]EMC Corp.	United States	193,900	4,905,670
[a]Google Inc., A	United States	11,300	8,015,881
Hewlett-Packard Co.	United States	55,600	792,300
Intel Corp.	United States	205,600	4,241,528
International Business Machines Corp.	United States	35,000	6,704,250
MasterCard Inc., A	United States	6,330	3,109,802
Microsoft Corp.	United States	135,400	3,619,242
Oracle Corp.	United States	98,500	3,282,020
QUALCOMM Inc.	United States	94,890	5,885,078
[a]Research In Motion Ltd.	Canada	90,400	1,073,952
[a]Semtech Corp.	United States	33,900	981,405
[a]VeriFone Systems Inc.	United States	49,000	1,454,320
Visa Inc., A	United States	25,700	3,895,606
Xilinx Inc.	United States	48,400	1,737,560
			70,684,704
Materials 4.5%			
Celanese Corp., A	United States	52,600	2,342,278
E. I. du Pont de Nemours and Co.	United States	48,600	2,185,542
LyondellBasell Industries NV, A	United States	39,190	2,237,357
Potash Corp. of Saskatchewan Inc.	Canada	70,900	2,889,536
Randgold Resources Ltd., ADR	United Kingdom	14,200	1,409,350
Walter Energy Inc.	United States	97,375	3,493,815
			14,557,878

Franklin Templeton Variable Insurance Products Trust

Statement of Investments, December 31, 2012 *(continued)*

Franklin Large Cap Growth Securities Fund	Country	Shares	Value
Common Stocks (continued)			
Telecommunication Services 2.6%			
AT&T Inc.	United States	211,362	$ 7,125,013
Vodafone Group PLC, ADR	United Kingdom	50,500	1,272,095
			8,397,108
Utilities 4.5%			
American Electric Power Co. Inc.	United States	38,400	1,638,912
Exelon Corp.	United States	73,600	2,188,864
FirstEnergy Corp.	United States	44,000	1,837,440
MDU Resources Group Inc.	United States	47,600	1,011,024
PG&E Corp.	United States	111,550	4,482,079
Sempra Energy	United States	29,400	2,085,636
The Southern Co.	United States	36,400	1,558,284
			14,802,239
Total Common Stocks (Cost $221,152,571)			314,260,146
		Principal Amount	
Short Term Investments (Cost $10,945,794) 3.3%			
Repurchase Agreements 3.3%			
[b]Joint Repurchase Agreement, 0.154%, 1/02/13 (Maturity Value $10,945,888)	United States	$10,945,794	10,945,794
BNP Paribas Securities Corp. (Maturity Value $1,424,936)			
Credit Suisse Securities (USA) LLC (Maturity Value $1,781,224)			
Deutsche Bank Securities Inc. (Maturity Value $1,149,318)			
HSBC Securities (USA) Inc. (Maturity Value $3,206,160)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $1,424,936)			
Morgan Stanley & Co. LLC (Maturity Value $534,378)			
UBS Securities LLC (Maturity Value $1,424,936)			
Collateralized by U.S. Government Agency Securities, 0.00% - 6.21%, 1/15/13 - 1/22/37; U.S. Treasury Bonds, 11.25%, 2/15/15; and U.S. Treasury Notes, 0.25% - 2.00%, 11/30/13 - 9/15/15 (valued at $11,165,952)			
Total Investments (Cost $232,098,365) 99.8%			325,205,940
Other Assets, less Liabilities 0.2%			539,304
Net Assets 100.0%			$325,745,244

See Abbreviations on page FLG-21.

[a]Non-income producing.
[b]See Note 1(c) regarding joint repurchase agreement.

Franklin Templeton Variable Insurance Products Trust

Financial Statements

Statement of Assets and Liabilities
December 31, 2012

	Franklin Large Cap Growth Securities Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$221,152,571
Cost - Repurchase agreements	10,945,794
Total cost of investments	$232,098,365
Value - Unaffiliated issuers	$314,260,146
Value - Repurchase agreements	10,945,794
Total value of investments	325,205,940
Receivables:	
Capital shares sold	1,058,548
Dividends	457,220
Total assets	326,721,708
Liabilities:	
Payables:	
Capital shares redeemed	512,770
Affiliates	323,904
Reports to shareholders	94,049
Accrued expenses and other liabilities	45,741
Total liabilities	976,464
Net assets, at value	$325,745,244
Net assets consist of:	
Paid-in capital	$294,027,285
Undistributed net investment income	3,765,630
Net unrealized appreciation (depreciation)	93,107,575
Accumulated net realized gain (loss)	(65,155,246)
Net assets, at value	$325,745,244
Class 1:	
Net assets, at value	$ 46,756,112
Shares outstanding	2,845,390
Net asset value and maximum offering price per share	$ 16.43
Class 2:	
Net assets, at value	$278,989,132
Shares outstanding	17,216,550
Net asset value and maximum offering price per share	$ 16.20

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, 2012

	Franklin Large Cap Growth Securities Fund
Investment income:	
Dividends	$ 7,253,211
Interest	18,022
Total investment income	7,271,233
Expenses:	
Management fees (Note 3a)	2,586,231
Distribution fees - Class 2 (Note 3c)	737,882
Unaffiliated transfer agent fees	185
Custodian fees (Note 4)	7,856
Reports to shareholders	110,087
Professional fees	39,440
Trustees' fees and expenses	1,384
Other	16,844
Total expenses	3,499,909
Net investment income	3,771,324
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	26,406,862
Foreign currency transactions	(4,018)
Net realized gain (loss)	26,402,844
Net change in unrealized appreciation (depreciation) on investments	10,750,316
Net realized and unrealized gain (loss)	37,153,160
Net increase (decrease) in net assets resulting from operations	$40,924,484

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, 2012	2011
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 3,771,324	$ 2,937,400
Net realized gain (loss) from investments and foreign currency transactions	26,402,844	20,697,833
Net change in unrealized appreciation (depreciation) on investments	10,750,316	(28,917,851)
Net increase (decrease) in net assets resulting from operations	40,924,484	(5,282,618)
Distributions to shareholders from:		
Net investment income:		
Class 1	(544,179)	(492,852)
Class 2	(2,394,442)	(2,152,135)
Total distributions to shareholders	(2,938,621)	(2,644,987)
Capital share transactions: (Note 2)		
Class 1	(7,366,150)	(8,419,530)
Class 2	(46,766,651)	(57,429,668)
Class 4	—	(4,876)
Total capital share transactions	(54,132,801)	(65,854,074)
Net increase (decrease) in net assets	(16,146,938)	(73,781,679)
Net assets:		
Beginning of year	341,892,182	415,673,861
End of year	$325,745,244	$341,892,182
Undistributed net investment income included in net assets:		
End of year	$ 3,765,630	$ 2,936,945

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. At December 31, 2012, 41.39% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. 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 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 Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to 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 (OTC) 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 financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC 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. An income-based valuation approach may also be used 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. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC 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 VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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 Board.

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 31, 2012.

d. Income and Deferred 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 if applicable, 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.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Income and Deferred Taxes (continued)

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, 2012, 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.

e. 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 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.

f. 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.

g. 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, 2012, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2012		2011[a]	
Class 1 Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	9,386	$ 151,925	99,760	$ 1,555,529
Shares issued in reinvestment of distributions	35,290	544,179	33,122	492,852
Shares redeemed	(499,073)	(8,062,254)	(698,667)	(10,467,911)
Net increase (decrease)	(454,397)	$ (7,366,150)	(565,785)	$ (8,419,530)
Class 2 Shares:				
Shares sold	1,271,914	$ 20,054,584	983,185	$ 14,361,125
Shares issued in reinvestment of distributions	157,219	2,394,442	146,503	2,152,135
Shares redeemed	(4,380,008)	(69,215,677)	(5,015,686)	(73,942,928)
Net increase (decrease)	(2,950,875)	$(46,766,651)	(3,885,998)	$(57,429,668)
Class 4 Shares:				
Shares redeemed			(312)	$ (4,876)
Net increase (decrease)			(312)	$ (4,876)

[a]Effective March 4, 2011, Class 4 was liquidated.

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

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

FT Services, under terms of an agreement, provides administrative services to the Fund and is not paid by the Fund for the services.

3. TRANSACTIONS WITH AFFILIATES (continued)

c. Distribution Fees

The Board has adopted a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, 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. Some distribution fees are not charged on shares held by affiliates. The Board 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, 2012, there were no credits earned.

5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains, if any. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2012, the Fund had capital loss carryforwards of $58,674,865 expiring in 2017. During the year ended December 31, 2012, the Fund utilized $25,852,521 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2012 and 2011, was as follows:

	2012	2011
Distributions paid from ordinary income	$2,938,621	$2,644,987

At December 31, 2012, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$238,526,901
Unrealized appreciation	$ 94,417,026
Unrealized depreciation	(7,737,987)
Net unrealized appreciation (depreciation)	$ 86,679,039
Distributable earnings – undistributed ordinary income	$ 3,713,790

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, 2012, aggregated $112,447,119 and $168,936,325, 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 $1.5 billion (Global Credit Facility) which matured on January 18, 2013. 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 18, 2013, the Borrowers renewed the Global Credit Facility, which matures on January 17, 2014.

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 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2012, 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 financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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.

A summary of inputs used as of December 31, 2012, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments[a]	$314,260,146	$ —	$ —	$314,260,146
Short Term Investments	—	10,945,794	—	10,945,794
Total Investments in Securities	$314,260,146	$10,945,794	$ —	$325,205,940

[a]For detailed categories, see the accompanying Statement of Investments.

9. NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's

9. NEW ACCOUNTING PRONOUNCEMENTS (continued)

financial position. In January 2013, FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of these ASUs 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, 2012, 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, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 15, 2013

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 (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, 2012.

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The indexes are unmanaged and include reinvested distributions.

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Barclays 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 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 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.

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.

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 12/31/12, there were 229 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 12/31/12, there were 63 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 12/31/12, there were 51 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 Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High 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 12/31/12, there were 118 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 World Index (ACWI) 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/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; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (August 2012); and **formerly,** Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); 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 (aerospace 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) (2010-2012) and The Washington Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:
Executive Vice President—Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (June 2012); and **formerly,** John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President—Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); 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, Staples Europe (office supplies) (October 2012); 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. (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) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	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.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since April 2012	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and 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
Breda M. Beckerle (1958) 600 Fifth Avenue New York, NY 10020	Chief Compliance Officer and Vice President	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Investment Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; Vice President and Compliance Officer—Commingled Trusts, Fiduciary Trust International of the South; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
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; and officer of 46 of the investment companies in Franklin Templeton Investments.				
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).				
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.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President—AML Compliance	Since May 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; 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 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 46 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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VIP A 02/13

ANNUAL REPORT
December 31, 2012

MFS® GROWTH SERIES

MFS® Variable Insurance Trust

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.

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LETTER FROM THE CHAIRMAN AND CEO

Dear Contract Owners:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

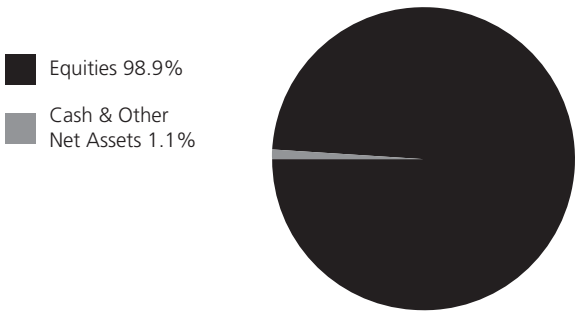
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	5.7%
Google, Inc., "A"	3.9%
Danaher Corp.	2.9%
American Tower Corp., REIT	2.7%
Qualcomm, Inc.	2.4%
Visa, Inc., "A"	2.3%
Precision Castparts Corp.	2.3%
EMC Corp.	2.2%
MasterCard, Inc., "A"	2.0%
Thermo Fisher Scientific, Inc.	1.9%

Equity sectors

Technology	22.9%
Health Care	13.0%
Leisure	11.5%
Retailing	9.6%
Industrial Goods & Services	8.9%
Financial Services	6.6%
Energy	6.2%
Consumer Staples	5.2%
Special Products & Services	4.8%
Utilities & Communications	3.3%
Basic Materials	2.9%
Autos & Housing	2.1%
Transportation	1.9%

Percentages are based on net assets as of 12/31/12.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS Growth Series ("fund") provided a total return of 17.39%, while Service Class shares of the fund provided a total return of 17.07%. These compare with a return of 15.26% over the same period for the fund's benchmark, the Russell 1000 Growth Index.

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Contributors to Performance

Strong stock selection in the *leisure* sector was a primary driver of relative outperformance during the period, led by holdings of strong-performing media and entertainment company News Corp. The timing of the fund's ownership in shares of fast food giant McDonald's [h] also boosted relative results.

The timing of the fund's overweight allocation to the *energy* sector contributed to relative performance as the sector underperformed the benchmark for the period. Avoiding shares of integrated oil and gas company Exxon Mobil was a positive factor for relative returns. Shares of Exxon Mobil traded lower over the period as the company experienced lower production and currency headwinds in a challenging global macroeconomic environment which caused energy prices to be lower.

Stock selection in the *financial services* sector helped relative results. Holding shares of global payments firm Visa bolstered relative performance. Visa's shares rose over the period as consumer spending improved relative to prior years allowing the company to consistently beat earnings expectations throughout the year.

The combination of an underweight position and stock selection in the *technology* sector positively influenced relative performance. Holding shares of software giant Apple benefited relative returns as the stock outperformed the benchmark over the period. Shares of Apple traded higher throughout most of the period due to continued strong demand for its iPhone and iPad products as well as favorable rulings for the firm's patent infringement lawsuit against Samsung. The fund's avoidance of semiconductor company Intel, and an underweight position in diversified technology products and services company International Business Machines (IBM) [h], also supported relative results as both stocks underperformed the benchmark over the period.

Stock selection in the *utilities & communications* sector was another factor that contributed to relative performance, led by the fund's holdings of strong-performing broadcast and communication tower management firm American Tower.

The combination of an overweight position and stock selection in the *health care* sector also strengthened relative returns. Holdings of life sciences supply company Thermo Fisher Scientific [b] were among the fund's top relative contributors for the year. Shares of Thermo Fisher Scientific traded higher throughout the period as the company benefited from solid organic revenue growth, an initiation of a quarterly dividend starting at the beginning of the year, and a series of share repurchases.

Detractors from Performance

Stock selection in both the *autos & housing* and *industrial goods & services* sectors detracted from relative performance. Within *autos & housing*, holdings of multi-industrial company Johnson Controls hampered relative returns as the stock delivered weak performance over the period. The stock struggled during the early part of the year as declining operating margins and an unusually warm winter in the beginning of the year, which lowered demand for car batteries, negatively impacted its share price. Within the *industrial goods & services* sector, holding shares of mining equipment manufacturer Joy Global weighed on relative results as weak demand for commodities throughout the year appeared to have caused the company's share price to trade lower.

Elsewhere, the fund's holdings of Israeli-headquartered security software provider Check Point Software Technologies [(b)], internet search giant Google, independent energy company SM Energy [(h)], and network security provider F5 Networks [(h)] hindered relative performance as all four stocks underperformed the benchmark during the period. Not holding shares of home improvement chain Home Depot, and the fund's underweight position in internet retailer Amazon.com [(b)], also weakened relative returns. The timing of the fund's ownership in shares of healthcare services company Express Scripts Holdings also detracted from relative results.

The fund's cash and/or cash equivalents position held back relative performance. The fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Respectfully,

Eric Fischman
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

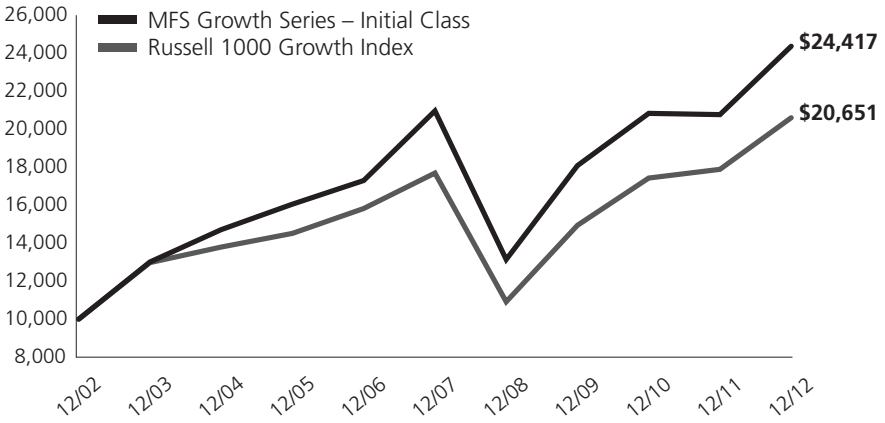
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/24/95	17.39%	3.06%	9.34%
Service Class	5/01/00	17.07%	2.81%	9.07%

Comparative benchmark

Russell 1000 Growth Index (f)	15.26%	3.12%	7.52%

(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.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.82%	$1,000.00	$1,075.75	$4.28
	Hypothetical (h)	0.82%	$1,000.00	$1,021.01	$4.17
Service Class	Actual	1.07%	$1,000.00	$1,074.55	$5.58
	Hypothetical (h)	1.07%	$1,000.00	$1,019.76	$5.43

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/12

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 – 3.3%		
Honeywell International, Inc.	168,560	$ 10,698,500
Precision Castparts Corp.	139,304	26,386,964
		$ 37,085,464
Alcoholic Beverages – 1.3%		
Diageo PLC	375,627	$ 10,935,450
Pernod Ricard S.A.	34,650	4,074,382
		$ 15,009,832
Apparel Manufacturers – 2.0%		
LVMH Moet Hennessy Louis Vuitton S.A.	40,498	$ 7,546,688
NIKE, Inc., "B"	140,842	7,267,447
VF Corp.	49,184	7,425,308
		$ 22,239,443
Automotive – 1.2%		
BorgWarner Transmission Systems, Inc. (a)	56,695	$ 4,060,496
Johnson Controls, Inc.	224,720	6,898,904
LKQ Corp. (a)	146,010	3,080,811
		$ 14,040,211
Biotechnology – 4.1%		
Alexion Pharmaceuticals, Inc. (a)	113,630	$ 10,659,630
Biogen Idec, Inc. (a)	87,059	12,768,944
Celgene Corp. (a)	147,691	11,626,236
Gilead Sciences, Inc. (a)	166,980	12,264,681
		$ 47,319,491
Broadcasting – 4.8%		
Discovery Communications, Inc., "A" (a)	195,330	$ 12,399,548
News Corp., "A"	785,350	20,057,839
Viacom, Inc., "B"	213,470	11,258,408
Walt Disney Co.	218,820	10,895,048
		$ 54,610,843
Brokerage & Asset Managers – 1.8%		
Affiliated Managers Group, Inc. (a)	87,730	$ 11,418,060
BlackRock, Inc.	44,110	9,117,978
		$ 20,536,038
Business Services – 3.2%		
Cognizant Technology Solutions Corp., "A" (a)	243,866	$ 18,058,277
FleetCor Technologies, Inc. (a)	116,510	6,250,762
Verisk Analytics, Inc., "A" (a)	242,600	12,372,600
		$ 36,681,639
Cable TV – 2.3%		
Comcast Corp., "Special A"	490,100	$ 17,619,095
Time Warner Cable, Inc.	88,130	8,565,355
		$ 26,184,450
Chemicals – 1.1%		
Monsanto Co.	138,370	$ 13,096,721

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – 4.4%		
Check Point Software Technologies Ltd. (a)	277,430	$ 13,216,765
Citrix Systems, Inc. (a)	132,202	8,692,282
Oracle Corp.	354,020	11,795,946
Parametric Technology Corp. (a)	167,680	3,774,477
Salesforce.com, Inc. (a)	56,108	9,431,755
TIBCO Software, Inc. (a)	124,820	2,747,288
		$ 49,658,513
Computer Software – Systems – 7.9%		
Apple, Inc.	122,675	$ 65,389,455
EMC Corp. (a)	977,260	24,724,678
		$ 90,114,133
Construction – 0.9%		
Stanley Black & Decker, Inc.	144,710	$ 10,704,199
Consumer Products – 1.0%		
Estee Lauder Cos., Inc., "A"	184,909	$ 11,068,653
Consumer Services – 1.6%		
Priceline.com, Inc. (a)	28,894	$ 17,948,953
Electrical Equipment – 3.3%		
AMETEK, Inc.	137,810	$ 5,177,522
Danaher Corp.	584,270	32,660,693
		$ 37,838,215
Electronics – 2.3%		
Altera Corp.	306,060	$ 10,540,706
Broadcom Corp., "A"	203,160	6,746,944
Linear Technology Corp.	245,130	8,407,959
		$ 25,695,609
Energy – Independent – 3.7%		
Anadarko Petroleum Corp.	89,660	$ 6,662,635
Cabot Oil & Gas Corp.	177,340	8,820,892
EOG Resources, Inc.	89,420	10,801,042
Noble Energy, Inc.	84,890	8,636,709
Pioneer Natural Resources Co.	66,590	7,097,828
		$ 42,019,106
Engineering – Construction – 0.4%		
Fluor Corp.	79,930	$ 4,695,088
Food & Beverages – 2.0%		
Groupe Danone	71,590	$ 4,729,925
Mead Johnson Nutrition Co., "A"	157,736	10,393,225
Mondelez International, Inc.	312,150	7,950,461
		$ 23,073,611
Gaming & Lodging – 1.8%		
Las Vegas Sands Corp.	258,110	$ 11,914,358
Wynn Resorts Ltd.	75,547	8,498,282
		$ 20,412,640

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
General Merchandise – 2.9%		
Costco Wholesale Corp.	152,621	$ 15,074,376
Dollar General Corp. (a)	148,060	6,527,965
Target Corp.	199,914	11,828,911
		$ 33,431,252
Insurance – 0.5%		
ACE Ltd.	77,840	$ 6,211,632
Internet – 5.9%		
eBay, Inc. (a)	292,970	$ 14,947,329
Google, Inc., "A" (a)	63,224	44,849,209
LinkedIn Corp., "A" (a)	33,780	3,878,620
Rackspace Hosting, Inc. (a)	51,480	3,823,420
		$ 67,498,578
Leisure & Toys – 0.6%		
Polaris Industries, Inc.	77,199	$ 6,496,296
Machinery & Tools – 1.9%		
Cummins, Inc.	47,540	$ 5,150,959
Joy Global, Inc.	128,681	8,207,274
Polypore International, Inc. (a)	61,140	2,843,010
Roper Industries, Inc.	51,590	5,751,253
		$ 21,952,496
Medical & Health Technology & Services – 2.7%		
Catamaran Corp. (a)	197,080	$ 9,284,439
Cerner Corp. (a)	80,572	6,255,610
Express Scripts Holding Co. (a)	289,040	15,608,160
		$ 31,148,209
Medical Equipment – 3.8%		
Cooper Cos., Inc.	46,080	$ 4,261,478
Covidien PLC	303,038	17,497,414
Thermo Fisher Scientific, Inc.	332,049	21,178,085
		$ 42,936,977
Natural Gas – Pipeline – 0.6%		
Kinder Morgan, Inc.	182,420	$ 6,444,899
Network & Telecom – 2.4%		
Qualcomm, Inc.	443,629	$ 27,513,871
Oil Services – 2.5%		
Cameron International Corp. (a)	150,850	$ 8,516,991
Dresser-Rand Group, Inc. (a)	148,302	8,325,674
FMC Technologies, Inc. (a)	128,180	5,489,949
Noble Corp.	81,970	2,854,195
Schlumberger Ltd.	48,202	3,339,917
		$ 28,526,726
Other Banks & Diversified Financials – 4.3%		
MasterCard, Inc., "A"	45,402	$ 22,305,095
Visa, Inc., "A"	175,927	26,667,015
		$ 48,972,110
Pharmaceuticals – 2.4%		
Abbott Laboratories	204,740	$ 13,410,470
Allergan, Inc.	107,124	9,826,485
Perrigo Co.	44,860	$ 4,666,786
		$ 27,903,741
Railroad & Shipping – 1.4%		
Kansas City Southern Co.	102,860	$ 8,586,753
Union Pacific Corp.	58,924	7,407,925
		$ 15,994,678
Restaurants – 2.0%		
Starbucks Corp.	261,920	$ 14,044,150
YUM! Brands, Inc.	127,451	8,462,746
		$ 22,506,896
Specialty Chemicals – 1.8%		
Airgas, Inc.	118,980	$ 10,861,684
Praxair, Inc.	88,677	9,705,698
		$ 20,567,382
Specialty Stores – 4.7%		
Amazon.com, Inc. (a)	31,860	$ 8,001,320
AutoZone, Inc. (a)	14,538	5,152,703
PetSmart, Inc.	116,120	7,935,641
Ross Stores, Inc.	212,512	11,507,525
Tiffany & Co.	135,060	7,744,340
Tractor Supply Co.	59,020	5,215,007
Urban Outfitters, Inc. (a)	215,379	8,477,317
		$ 54,033,853
Telecommunications – Wireless – 2.7%		
American Tower Corp., REIT	391,886	$ 30,281,031
Tobacco – 0.9%		
Philip Morris International, Inc.	126,680	$ 10,595,515
Trucking – 0.5%		
Expeditors International of Washington, Inc.	155,681	$ 6,157,184
Total Common Stocks (Identified Cost, $975,540,709)		**$1,129,206,178**
MONEY MARKET FUNDS – 1.1%		
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)	11,917,356	$ 11,917,356
Total Investments (Identified Cost, $987,458,065)		**$1,141,123,534**
WHEN-ISSUED EQUITY SALE – 0.0%		
Pharmaceuticals – 0.0%		
Abbott Laboratories (Proceeds $26,510)	(880)	$ (27,632)
OTHER ASSETS, LESS LIABILITIES – 0.0%		**573,090**
Net Assets – 100.0%		**$1,141,668,992**

Portfolio of Investments – continued

(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:

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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $975,540,709)	$1,129,206,178	
Underlying affiliated funds, at cost and value	11,917,356	
Total investments, at value (identified cost, $987,458,065)	$1,141,123,534	
Cash	22,816	
Receivables for		
When-issued equity sale	26,510	
Investments sold	11,313,684	
Fund shares sold	436,014	
Dividends	416,348	
Other assets	10,089	
Total assets		$1,153,348,995
Liabilities		
Payables for		
When-issued equity sale, at value	$27,632	
Investments purchased	9,352,791	
Fund shares reacquired	2,000,921	
Payable to affiliates		
Investment adviser	101,827	
Shareholder servicing costs	1,255	
Distribution and/or service fees	3,615	
Payable for independent Trustees' compensation	10	
Accrued expenses and other liabilities	191,952	
Total liabilities		$11,680,003
Net assets		$1,141,668,992
Net assets consist of		
Paid-in capital	$985,918,001	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	153,664,339	
Accumulated net realized gain (loss) on investments and foreign currency	(818,636)	
Undistributed net investment income	2,905,288	
Net assets		$1,141,668,992
Shares of beneficial interest outstanding		39,699,413

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$1,007,421,548	34,946,911	$28.83
Service Class	134,247,444	4,752,502	28.25

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 12/31/12

Net investment income		
Income		
Dividends	$8,653,834	
Interest	46,226	
Dividends from underlying affiliated funds	18,645	
Foreign taxes withheld	(40,852)	
Total investment income		$8,677,853
Expenses		
Management fee	$5,062,798	
Distribution and/or service fees	217,227	
Shareholder servicing costs	62,175	
Administrative services fee	105,443	
Independent Trustees' compensation	18,548	
Custodian fee	68,524	
Shareholder communications	110,097	
Audit and tax fees	56,271	
Legal fees	48,884	
Miscellaneous	35,431	
Total expenses		$5,785,398
Fees paid indirectly	(7)	
Reduction of expenses by investment adviser	(2,070)	
Net expenses		$5,783,321
Net investment income		$2,894,532
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$49,506,913	
Foreign currency	(8,244)	
Net realized gain (loss) on investments and foreign currency		$49,498,669
Change in unrealized appreciation (depreciation)		
Investments	$48,166,573	
Translation of assets and liabilities in foreign currencies	(10)	
Net unrealized gain (loss) on investments and foreign currency translation		$48,166,563
Net realized and unrealized gain (loss) on investments and foreign currency		$97,665,232
Change in net assets from operations		$100,559,764

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	2012	2011
From operations		
Net investment income (loss)	$2,894,532	$(133,687)
Net realized gain (loss) on investments and foreign currency	49,498,669	36,539,304
Net unrealized gain (loss) on investments and foreign currency translation	48,166,563	(38,178,192)
Change in net assets from operations	$100,559,764	$(1,772,575)
Distributions declared to shareholders		
From net investment income	$—	$(934,874)
Change in net assets from fund share transactions	$522,916,983	$(25,758,827)
Total change in net assets	$623,476,747	$(28,466,276)
Net assets		
At beginning of period	518,192,245	546,658,521
At end of period (including undistributed net investment income of $2,905,288 and $0, respectively)	$1,141,668,992	$518,192,245

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$24.56	$24.69	$21.43	$15.62	$25.01
Income (loss) from investment operations					
Net investment income (d)	$0.13	$(0.00)(w)	$0.05	$0.03	$0.05
Net realized and unrealized gain (loss) on investments and foreign currency	4.14	(0.08)	3.24	5.83	(9.39)
Total from investment operations	$4.27	$(0.08)	$3.29	$5.86	$(9.34)
Less distributions declared to shareholders					
From net investment income	$—	$(0.05)	$(0.03)	$(0.05)	$(0.05)
Net asset value, end of period (x)	$28.83	$24.56	$24.69	$21.43	$15.62
Total return (%) (k)(r)(s)(x)	17.39	(0.32)	15.34	37.67	(37.42)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.82	0.84	0.85	0.86	0.84
Expenses after expense reductions (f)	0.82	0.84	0.85	0.86	0.84
Net investment income	0.45	(0.00)(w)	0.24	0.14	0.25
Portfolio turnover	52	75	100	100	129
Net assets at end of period (000 omitted)	$1,007,422	$461,382	$503,497	$498,288	$389,813

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$24.13	$24.27	$21.10	$15.37	$24.61
Income (loss) from investment operations					
Net investment income (loss) (d)	$0.07	$(0.06)	$0.00(w)	$(0.02)	$0.00(w)
Net realized and unrealized gain (loss) on investments and foreign currency	4.05	(0.08)	3.17	5.76	(9.24)
Total from investment operations	$4.12	$(0.14)	$3.17	$5.74	$(9.24)
Less distributions declared to shareholders					
From net investment income	$—	$(0.00)(w)	$—	$(0.01)	$—
Net asset value, end of period (x)	$28.25	$24.13	$24.27	$21.10	$15.37
Total return (%) (k)(r)(s)(x)	17.07	(0.56)	15.02	37.33	(37.55)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.07	1.09	1.10	1.10	1.09
Expenses after expense reductions (f)	1.07	1.09	1.10	1.10	1.08
Net investment income (loss)	0.26	(0.25)	0.02	(0.11)	0.01
Portfolio turnover	52	75	100	100	129
Net assets at end of period (000 omitted)	$134,247	$56,810	$43,161	$31,861	$18,684

(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.

In this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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. 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, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$1,079,418,529	$—	$—	$1,079,418,529
France	—	16,350,995	—	16,350,995
Israel	13,216,765	—	—	13,216,765
United Kingdom	—	10,935,450	—	10,935,450
Canada	9,284,439	—	—	9,284,439
Mutual Funds	11,917,356	—	—	11,917,356
Total Investments	$1,113,837,089	$27,286,445	$—	$1,141,123,534
When-Issued Equity Sale	$(27,632)	$—	$—	$(27,632)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $15,665,375 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

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 in 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. At December 31, 2012, there were no securities on loan or collateral outstanding. At December 31, 2012, there were no securities on loan or collateral outstanding.

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. Some securities may be purchased on a "when-issued" or "forward delivery" basis, which means that the securities will be delivered to the fund at a future date, usually beyond customary settlement time. 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, 2012, is shown as a reduction of total expenses in 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. 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:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$—	$934,874(a)

(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 distribution.

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$987,854,440
Gross appreciation	161,815,643
Gross depreciation	(8,546,549)
Net unrealized appreciation (depreciation)	$153,269,094
Undistributed ordinary income	2,905,288
Undistributed long-term capital gain	9,914,525
Capital loss carryforwards	(10,171,567)
Other temporary differences	(166,349)

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, 2012, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(4,835,046)
12/31/17	(5,336,521)
Total	$(10,171,567)

The availability of $4,835,046 of the capital loss carryforwards, which were acquired on August 17, 2012 in connection with the MFS Growth Portfolio merger, may be limited in a given year.

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$—	$925,433
Service Class	—	9,441
Total	$—	$934,874

(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, 2012 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, 2012, the fee was $59,850, which equated to 0.0089% 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, 2012, these costs amounted to $2,325.

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, 2012 was equivalent to an annual effective rate of 0.0156% 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $5,201 and are included in "Miscellaneous" expense in 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 $2,070, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short-term obligations, aggregated $369,883,423 and $331,047,733, respectively. Purchases exclude the value of securities acquired in connection with the MFS Growth Portfolio and SC WMC Large Cap Growth Fund mergers. (See Note 8.)

(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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	4,032,529	$110,039,913	2,705,438	$67,872,176
Service Class	2,536,052	68,492,337	1,506,623	36,837,421
	6,568,581	$178,532,250	4,212,061	$104,709,597
Shares issued in connection with acquisition of MFS Growth Portfolio				
Initial Class	5,123,763	$144,080,230		
Service Class	491,709	13,561,334		
	5,615,472	$157,641,564		
Shares issued in connection with acquisition of SC WMC Large Cap Growth Fund				
Initial Class	11,289,645	$321,190,385		
Service Class	556,484	15,514,779		
	11,846,129	$336,705,164		
Shares issued to shareholders in reinvestment of distributions				
Initial Class	—	$—	38,916	$925,433
Service Class	—	—	404	9,441
	—	$—	39,320	$934,874
Shares reacquired				
Initial Class	(4,281,886)	$(118,022,809)	(4,355,037)	$(108,841,435)
Service Class	(1,186,136)	(31,939,186)	(931,109)	(22,561,863)
	(5,468,022)	$(149,961,995)	(5,286,146)	$(131,403,298)
Net change				
Initial Class	16,164,051	$457,287,719	(1,610,683)	$(40,043,826)
Service Class	2,398,109	65,629,264	575,918	14,284,999
	18,562,160	$522,916,983	(1,034,765)	$(25,758,827)

The fund is one of several mutual funds in which the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying MFS funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 16%, 5%, and 5%, respectively, of the value of outstanding voting shares of the fund.

(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, 2012, the fund's commitment fee and interest expense were $4,021 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	13,485,319	177,041,230	(178,609,193)	11,917,356

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$18,645	$11,917,356

(8) Acquisitions

At close of business on August 17, 2012, the fund with net assets of approximately $629,077,130, acquired all of the assets and liabilities of MFS Growth Portfolio, a series of MFS Variable Insurance Trust. The purpose of the transaction was to provide shareholders of the MFS Growth Portfolio the opportunity to participate in a larger combined portfolio with an identical investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 5,615,472 shares of the fund (valued at approximately $157,641,564) for all of the assets and liabilities of MFS Growth Portfolio. MFS Growth Portfolio then distributed the shares of the fund that MFS Growth Portfolio received from the fund to its shareholders. MFS Growth Portfolio's investments on that date were valued at approximately $158,214,214 with a cost basis of approximately $127,245,941. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from MFS Growth Portfolio were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Because 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 MFS Growth Portfolio that have been included in the fund's Statement of Operations since August 17, 2012.

At close of business on December 7, 2012 the fund with net assets of approximately $781,080,976, acquired all of the assets and liabilities of SC WMC Large Cap Growth Fund, a series of Sun Capital Advisers Trust. The purpose of the transaction was to provide shareholders of the SC WMC Large Cap Growth Fund the opportunity to participate in a larger combined portfolio with a similar investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 11,846,129 shares of the fund (valued at approximately $336,705,164) for all of the assets and liabilities of SC WMC Large Cap Growth Fund. SC WMC Large Cap Growth Fund then distributed the shares of the fund that SC WMC Large Cap Growth Fund received from the fund to its shareholders. SC WMC Large Cap Growth Fund's investments on that date were valued at approximately $328,346,705 with a cost basis of approximately $315,494,167. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from SC WMC Large Cap Growth Fund were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Because 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 SC WMC Large Cap Growth Fund that have been included in the fund's Statement of Operations since December 7, 2012.

Assuming the acquisitions had been completed on January 1, 2012, the fund's pro forma results of operations for the year ended December 31, 2012 are as follows:

Net investment income	$4,457,579
Net realized and unrealized gain (loss) on investments and foreign currency	$142,948,488
Change in net assets from operations	$147,406,067

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, 2012, 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, 2012, 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, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 2nd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may 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, if any. 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 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, 2012.

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" 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" section of *mfs.com*.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS®

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.

MFS®
SM

ANNUAL REPORT
December 31, 2012

MFS® RESEARCH SERIES

MFS® Variable Insurance Trust

VFR-ANN

MFS® RESEARCH 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:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

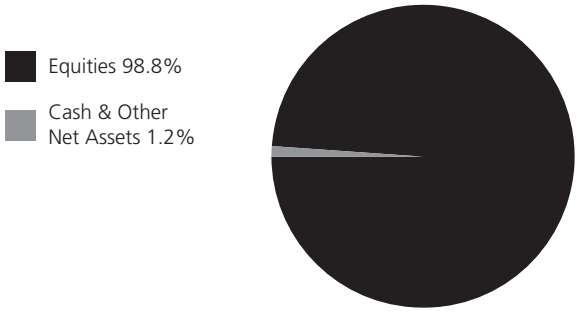
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Global equity sectors

Technology	17.8%
Financial Services	15.8%
Capital Goods	14.9%
Energy	14.2%
Health Care	11.9%
Consumer Cyclicals	11.4%
Consumer Staples	8.3%
Telecommunications/Cable Telelvision	4.5%

Top ten holdings

Apple, Inc.	4.8%
Exxon Mobil Corp.	4.0%
Danaher Corp.	2.3%
JPMorgan Chase & Co.	2.1%
Pfizer, Inc.	2.0%
Google, Inc., "A"	2.0%
Johnson & Johnson	1.9%
Oracle Corp.	1.5%
Visa, Inc., "A"	1.5%
Philip Morris International, Inc.	1.5%

Percentages are based on net assets as of 12/31/12.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS Research Series ("fund") provided a total return of 17.27%, while Service Class shares of the fund provided a total return of 16.90%. These compare with a return of 16.00% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Contributors to Performance

Strong stock selection in the *technology* sector was a primary factor that contributed to performance relative to the S&P 500 Index. Holdings of software giant Apple, specialized payment products and services provider FleetCor Technologies, and on-line auctioneer eBay benefited relative results as all three stocks outperformed the benchmark over the period. Shares of Apple traded higher throughout most of the period due to continued strong demand for its iPhone and iPad products as well as favorable rulings for the firm's patent infringement lawsuit against Samsung allowing the company to solidify its market share in the smartphone and tablet markets. Shares of FleetCor Technologies traded higher due to favorable acquisition activity and fuel spreads positively affecting earnings. Avoiding shares of semiconductor company Intel, and the fund's short position in computer maker Dell [(h)], also supported relative results.

Stock selection in the *health care* sector positively affected relative returns. Holdings of biotech firm Gilead Sciences boosted relative performance. The company's shares traded higher during the period, bolstered by strong sales of its HIV-related products and favorable testing results of its Hepatitis C drug.

Stock selection in the *energy* sector also supported relative results. However, there were no individual stocks within this sector that were among the fund's top relative contributors for the period.

Elsewhere, holding shares of news and entertainment company News Corp. and global payments firms, Visa and Discover Financial Services, also strengthened relative returns. The fund's timing in the ownership of fast food giant McDonald's also helped as the stock posted weak performance for the year.

Detractors from Performance

Stock selection in the *financial services* sector held back relative performance. Not holding shares of Bank of America, and the fund's timing in the ownership of Citigroup and Wells Fargo, hindered relative performance as all three banks turned in strong performance during the period.

In other sectors, holdings of computer products and services provider Hewlett-Packard, oil and gas exploration and production company Occidental Petroleum, logistics firm Expeditors International of Washington, global energy and petrochemicals company Royal Dutch Shell [(b)(h)] (Netherlands), and mining equipment manufacturer Joy Global hurt relative returns. Shares of Hewlett-Packard traded lower as the company continued to work through its restructuring efforts. Shares of Occidental Petroleum came under

pressure as investors appeared to have been concerned about management's plans to increase capital expenditures and how that will impact the bottom-line. The timing of the fund's ownership in shares of home improvement chain Home Depot [(h)] and internet retailer Amazon.com also weighed on relative results.

Respectfully,

Joseph MacDougall
Portfolio Manager

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

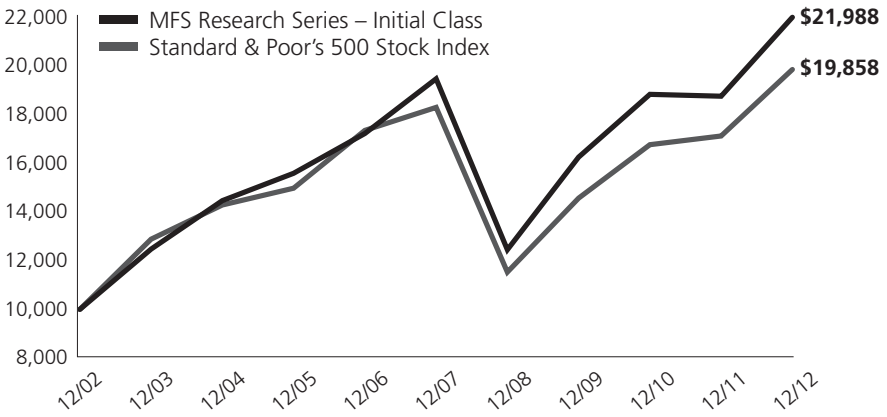
The views expressed in this report are those of the portfolio manager only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or other 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	17.27%	2.45%	8.20%
Service Class	5/01/00	16.90%	2.19%	7.92%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	16.00%	1.66%	7.10%

(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, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.88%	$1,000.00	$1,076.42	$4.59
	Hypothetical (h)	0.88%	$1,000.00	$1,020.71	$4.47
Service Class	Actual	1.11%	$1,000.00	$1,074.63	$5.79
	Hypothetical (h)	1.11%	$1,000.00	$1,019.56	$5.63

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 up to 0.01% of investment related expenses from short sale dividend and interest expenses.

PORTFOLIO OF INVESTMENTS – 12/31/12

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 – 98.3%		
Aerospace – 2.9%		
Honeywell International, Inc.	122,670	$ 7,785,865
Precision Castparts Corp.	44,720	8,470,862
United Technologies Corp.	60,420	4,955,044
		$ 21,211,771
Alcoholic Beverages – 0.3%		
Diageo PLC	77,371	$ 2,252,465
Apparel Manufacturers – 1.8%		
Guess?, Inc.	125,990	$ 3,091,795
Li & Fung Ltd.	1,040,000	1,868,362
NIKE, Inc., "B"	76,580	3,951,528
VF Corp.	26,490	3,999,195
		$ 12,910,880
Automotive – 1.2%		
Delphi Automotive PLC (a)	137,260	$ 5,250,195
General Motors Co. (a)	125,960	3,631,427
		$ 8,881,622
Biotechnology – 1.7%		
Celgene Corp. (a)	62,380	$ 4,910,554
Gilead Sciences, Inc. (a)	71,250	5,233,313
ViroPharma, Inc. (a)	88,060	2,004,246
		$ 12,148,113
Broadcasting – 2.1%		
News Corp., "A"	360,860	$ 9,216,364
Walt Disney Co.	125,360	6,241,674
		$ 15,458,038
Brokerage & Asset Managers – 1.3%		
BlackRock, Inc.	23,791	$ 4,917,838
Franklin Resources, Inc.	33,730	4,239,861
		$ 9,157,699
Business Services – 1.5%		
Accenture PLC, "A"	93,260	$ 6,201,790
FleetCor Technologies, Inc. (a)	92,800	4,978,720
		$ 11,180,510
Cable TV – 1.8%		
Charter Communications, Inc., "A" (a)	10,800	$ 823,392
Comcast Corp., "Special A"	218,230	7,845,368
Time Warner Cable, Inc.	42,550	4,135,435
		$ 12,804,195
Chemicals – 1.0%		
3M Co.	21,720	$ 2,016,702
Celanese Corp.	119,110	5,303,968
		$ 7,320,670
Computer Software – 4.2%		
Autodesk, Inc. (a)	54,140	$ 1,913,849
Check Point Software Technologies Ltd. (a)	65,640	3,127,090

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Computer Software – continued		
Citrix Systems, Inc. (a)	74,010	$ 4,866,158
Microsoft Corp.	24,860	664,508
Oracle Corp.	334,030	11,129,880
Salesforce.com, Inc. (a)	37,720	6,340,732
TIBCO Software, Inc. (a)	98,740	2,173,267
		$ 30,215,484
Computer Software – Systems – 6.5%		
Apple, Inc. (s)	65,000	$ 34,646,950
EMC Corp. (a)	303,580	7,680,574
Hewlett-Packard Co.	332,060	4,731,855
		$ 47,059,379
Construction – 1.0%		
Stanley Black & Decker, Inc.	93,790	$ 6,937,646
Consumer Products – 1.8%		
Colgate-Palmolive Co.	71,100	$ 7,432,794
International Flavors & Fragrances, Inc.	81,600	5,429,664
		$ 12,862,458
Consumer Services – 0.5%		
Priceline.com, Inc. (a)	5,880	$ 3,652,656
Containers – 0.4%		
Packaging Corp. of America	68,140	$ 2,621,346
Electrical Equipment – 2.8%		
Danaher Corp.	302,970	$ 16,936,023
W.W. Grainger, Inc.	18,660	3,776,224
		$ 20,712,247
Electronics – 1.8%		
Altera Corp.	134,970	$ 4,648,367
ASML Holding N.V.	11,445	737,172
JDS Uniphase Corp. (a)	199,940	2,707,188
Microchip Technology, Inc.	149,700	4,878,723
		$ 12,971,450
Energy – Independent – 3.7%		
Cabot Oil & Gas Corp.	97,840	$ 4,866,562
EOG Resources, Inc.	36,810	4,446,280
EQT Corp.	60,800	3,585,984
Noble Energy, Inc.	34,200	3,479,508
Occidental Petroleum Corp.	84,360	6,462,820
Pioneer Natural Resources Co.	40,240	4,289,182
		$ 27,130,336
Energy – Integrated – 4.0%		
Exxon Mobil Corp. (s)	340,040	$ 29,430,462
Engineering – Construction – 0.7%		
Fluor Corp.	87,140	$ 5,118,604

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Food & Beverages – 4.1%		
Coca-Cola Co.	273,840	$ 9,926,700
Coca-Cola Enterprises, Inc.	131,390	4,169,005
General Mills, Inc.	104,520	4,223,653
Groupe Danone	37,267	2,462,217
Mead Johnson Nutrition Co., "A"	40,740	2,684,359
Mondelez International, Inc.	239,980	6,112,290
		$ 29,578,224
Food & Drug Stores – 0.7%		
CVS Caremark Corp.	107,460	$ 5,195,691
Gaming & Lodging – 0.3%		
Las Vegas Sands Corp.	22,320	$ 1,030,291
Sands China Ltd.	282,400	1,264,971
		$ 2,295,262
General Merchandise – 2.0%		
Hudson's Bay Co.	105,400	$ 1,771,678
Kohl's Corp.	60,230	2,588,685
Target Corp.	171,260	10,133,454
		$ 14,493,817
Health Maintenance Organizations – 0.8%		
UnitedHealth Group, Inc.	107,430	$ 5,827,003
Insurance – 3.1%		
ACE Ltd.	102,040	$ 8,142,792
American International Group, Inc. (a)	170,050	6,002,765
Everest Re Group Ltd.	32,940	3,621,753
MetLife, Inc.	144,390	4,756,207
		$ 22,523,517
Internet – 3.1%		
eBay, Inc. (a)	132,280	$ 6,748,926
Google, Inc., "A" (a)	20,090	14,251,243
Rackspace Hosting, Inc. (a)	22,350	1,659,934
		$ 22,660,103
Machinery & Tools – 2.1%		
Eaton Corp. PLC	84,800	$ 4,596,160
Joy Global, Inc.	86,140	5,494,009
Roper Industries, Inc.	45,490	5,071,225
		$ 15,161,394
Major Banks – 5.5%		
Goldman Sachs Group, Inc.	39,820	$ 5,079,439
JPMorgan Chase & Co. (s)	339,390	14,922,978
PNC Financial Services Group, Inc.	97,390	5,678,811
State Street Corp.	105,770	4,972,248
Wells Fargo & Co.	272,070	9,299,353
		$ 39,952,829
Medical & Health Technology & Services – 1.8%		
AmerisourceBergen Corp.	108,910	$ 4,702,734
Cerner Corp. (a)	30,630	2,378,113
Express Scripts Holding Co. (a)	107,790	5,820,660
		$ 12,901,507

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Medical Equipment – 2.3%		
Abbott Laboratories (a)(w)	45,200	$ 1,419,280
Covidien PLC	104,640	6,041,914
St. Jude Medical, Inc.	114,390	4,134,055
Thermo Fisher Scientific, Inc.	82,840	5,283,535
		$ 16,878,784
Natural Gas – Distribution – 0.6%		
Spectra Energy Corp.	162,220	$ 4,441,584
Natural Gas – Pipeline – 0.4%		
Kinder Morgan, Inc.	93,278	$ 3,295,512
Network & Telecom – 0.7%		
Finisar Corp. (a)	110,690	$ 1,804,247
Fortinet, Inc. (a)	144,130	3,036,819
		$ 4,841,066
Oil Services – 2.3%		
Cameron International Corp. (a)	99,820	$ 5,635,837
Dresser-Rand Group, Inc. (a)	77,090	4,327,832
FMC Technologies, Inc. (a)	49,700	2,128,651
Schlumberger Ltd.	67,530	4,679,154
		$ 16,771,474
Other Banks & Diversified Financials – 5.3%		
American Express Co.	102,340	$ 5,882,503
Citigroup, Inc.	230,410	9,115,020
Discover Financial Services	119,270	4,597,858
Fifth Third Bancorp	260,240	3,953,046
SunTrust Banks, Inc.	141,470	4,010,674
Visa, Inc., "A"	71,590	10,851,612
		$ 38,410,713
Pharmaceuticals – 5.3%		
Eli Lilly & Co.	71,550	$ 3,528,846
Johnson & Johnson	200,000	14,020,000
Merck & Co., Inc.	51,790	2,120,282
Perrigo Co.	22,720	2,363,562
Pfizer, Inc.	585,020	14,672,302
Valeant Pharmaceuticals International, Inc. (a)	36,120	2,158,892
		$ 38,863,884
Railroad & Shipping – 0.9%		
Union Pacific Corp.	50,310	$ 6,324,973
Real Estate – 0.6%		
Vornado Realty Trust, REIT	53,310	$ 4,269,065
Restaurants – 1.5%		
McDonald's Corp.	79,630	$ 7,024,162
Starbucks Corp.	75,150	4,029,543
		$ 11,053,705
Specialty Chemicals – 0.9%		
Airgas, Inc.	68,380	$ 6,242,410

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Stores – 2.5%		
Amazon.com, Inc. (a)	20,440	$ 5,133,302
AutoZone, Inc. (a)	10,880	3,856,198
Bed Bath & Beyond, Inc. (a)	61,560	3,441,819
Tiffany & Co.	60,600	3,474,804
Urban Outfitters, Inc. (a)	63,930	2,516,285
		$ 18,422,408
Telecommunications – Wireless – 0.7%		
American Tower Corp., REIT	36,900	$ 2,851,263
SBA Communications Corp. (a)	17,060	1,211,601
Vodafone Group PLC, ADR	56,130	1,413,915
		$ 5,476,779
Telephone Services – 2.0%		
AT&T, Inc.	190,530	$ 6,422,766
Frontier Communications Corp.	244,540	1,046,631
Verizon Communications, Inc.	167,090	7,229,984
		$ 14,699,381
Tobacco – 2.1%		
Lorillard, Inc.	39,150	$ 4,567,630
Philip Morris International, Inc.	128,880	10,779,523
		$ 15,347,153
Trucking – 1.0%		
Expeditors International of Washington, Inc.	179,140	$ 7,084,987
Utilities – Electric Power – 2.7%		
AES Corp.	195,930	$ 2,096,451
American Electric Power Co., Inc.	80,270	3,425,924
CMS Energy Corp.	243,500	5,936,530
Duke Energy Corp.	35,030	2,234,914
Edison International	131,050	5,922,150
		$ 19,615,969
Total Common Stocks (Identified Cost, $676,810,977)		**$714,667,225**
CONVERTIBLE PREFERRED STOCKS – 0.5%		
Utilities – Electric Power – 0.5%		
PPL Corp., 9.5% (Identified Cost, $3,227,740)	59,946	$ 3,135,775

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
Natural Gas – Pipeline – 0.0%				
Kinder Morgan, Inc. (1 share for 1 warrant) (a) (Identified Cost, $29,358)	$40	2/15/12	15,411	$ 58,254
MONEY MARKET FUNDS – 1.1%				
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)			8,219,431	$ 8,219,431
Total Investments (Identified Cost, $688,287,506)				**$726,080,685**
OTHER ASSETS, LESS LIABILITIES – 0.1%				**792,856**
Net Assets – 100.0%				**$726,873,541**

(a) Non-income producing security.

(s) Security or a portion of the security was pledged to cover collateral requirements for securities sold short. At December 31, 2012, the fund had no short sales outstanding.

(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.

(w) When-issued security. At December 31, 2012, the fund had sufficient cash and/or securities at least equal to the value of the when-issued security.

At December 31, 2012, the fund had cash collateral of $3,536 and other liquid securities with an aggregate value of $568,658 to cover any commitments for securities sold short. Cash collateral is comprised of "Deposits with brokers" in the Statement of Assets and Liabilities. At December 31, 2012, the fund had no short sales outstanding.

The following abbreviations are used in this report and are defined:

ADR American Depositary 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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $680,068,075)	$717,861,254	
Underlying affiliated funds, at cost and value	8,219,431	
Total investments, at value (identified cost, $688,287,506)	$726,080,685	
Cash	27,141	
Deposits with brokers	3,536	
Receivables for		
Investments sold	2,051,899	
Fund shares sold	223,184	
Interest and dividends	598,046	
Other assets	5,863	
Total assets		$728,990,354
Liabilities		
Payables for		
Fund shares reacquired	$541,446	
When-issued investments purchased	1,383,150	
Payable to affiliates		
Investment adviser	60,136	
Shareholder servicing costs	776	
Distribution and/or service fees	7,203	
Payable for independent Trustees' compensation	17	
Accrued expenses and other liabilities	124,085	
Total liabilities		$2,116,813
Net assets		$726,873,541
Net assets consist of		
Paid-in capital	$703,453,384	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	37,793,380	
Accumulated net realized gain (loss) on investments and foreign currency	(16,679,743)	
Undistributed net investment income	2,306,520	
Net assets		$726,873,541
Shares of beneficial interest outstanding		33,354,798

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$460,833,935	21,096,100	$21.84
Service Class	266,039,606	12,258,698	21.70

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 12/31/12

Net investment income		
Income		
Dividends	$4,383,427	
Interest	6,448	
Dividends from underlying affiliated funds	4,064	
Foreign taxes withheld	(14,754)	
Total investment income		$4,379,185
Expenses		
Management fee	$1,695,072	
Distribution and/or service fees	96,515	
Shareholder servicing costs	20,966	
Administrative services fee	41,867	
Independent Trustees' compensation	5,654	
Custodian fee	30,940	
Shareholder communications	60,474	
Audit and tax fees	53,651	
Legal fees	26,526	
Dividend and interest expense on securities sold short	20,000	
Miscellaneous	20,425	
Total expenses		$2,072,090
Fees paid indirectly	(11)	
Reduction of expenses by investment adviser	(670)	
Net expenses		$2,071,409
Net investment income		$2,307,776
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$18,646,650	
Written options	8,538	
Securities sold short	(145,401)	
Foreign currency	(276)	
Net realized gain (loss) on investments and foreign currency		$18,509,511
Change in unrealized appreciation (depreciation)		
Investments	$15,912,962	
Written options	63,775	
Securities sold short	59,060	
Translation of assets and liabilities in foreign currencies	213	
Net unrealized gain (loss) on investments and foreign currency translation		$16,036,010
Net realized and unrealized gain (loss) on investments and foreign currency		$34,545,521
Change in net assets from operations		$36,853,297

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	2012	2011
From operations		
Net investment income	$2,307,776	$1,480,417
Net realized gain (loss) on investments and foreign currency	18,509,511	10,557,510
Net unrealized gain (loss) on investments and foreign currency translation	16,036,010	(12,321,464)
Change in net assets from operations	$36,853,297	$(283,537)
Distributions declared to shareholders		
From net investment income	$(1,473,011)	$(1,601,688)
Change in net assets from fund share transactions	$510,586,595	$(19,927,763)
Total change in net assets	$545,966,881	$(21,812,988)
Net assets		
At beginning of period	180,906,660	202,719,648
At end of period (including undistributed net investment income of $2,306,520 and $1,472,031, respectively)	$726,873,541	$180,906,660

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$18.78	$19.04	$16.57	$12.90	$20.28
Income (loss) from investment operations					
Net investment income (d)	$0.22	$0.15	$0.15	$0.15	$0.18
Net realized and unrealized gain (loss) on investments and foreign currency	3.01	(0.24)	2.47	3.72	(7.47)
Total from investment operations	$3.23	$(0.09)	$2.62	$3.87	$(7.29)
Less distributions declared to shareholders					
From net investment income	$(0.17)	$(0.17)	$(0.15)	$(0.20)	$(0.09)
Net asset value, end of period (x)	$21.84	$18.78	$19.04	$16.57	$12.90
Total return (%) (k)(r)(s)(x)	17.22	(0.45)	15.90	30.54	(36.09)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.88	0.88	0.89	0.90	0.88
Expenses after expense reductions (f)	0.88	0.88	0.89	0.90	0.88
Net investment income	1.06	0.79	0.86	1.05	1.04
Portfolio turnover	83	70	71	107	123
Net assets at end of period (000 omitted)	$460,834	$160,892	$182,895	$180,229	$149,517
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	0.87	0.86	0.89	0.90	N/A

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$18.67	$18.93	$16.48	$12.82	$20.16
Income (loss) from investment operations					
Net investment income (d)	$0.18	$0.10	$0.10	$0.11	$0.13
Net realized and unrealized gain (loss) on investments and foreign currency	2.97	(0.24)	2.47	3.71	(7.42)
Total from investment operations	$3.15	$(0.14)	$2.57	$3.82	$(7.29)
Less distributions declared to shareholders					
From net investment income	$(0.12)	$(0.12)	$(0.12)	$(0.16)	$(0.05)
Net asset value, end of period (x)	$21.70	$18.67	$18.93	$16.48	$12.82
Total return (%) (k)(r)(s)(x)	16.90	(0.69)	15.64	30.20	(36.25)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.11	1.13	1.14	1.15	1.14
Expenses after expense reductions (f)	1.11	1.13	1.14	1.15	1.13
Net investment income	0.82	0.55	0.61	0.80	0.78
Portfolio turnover	83	70	71	107	123
Net assets at end of period (000 omitted)	$266,040	$20,015	$19,825	$17,196	$12,951
Supplemental Ratios (%):					
Ratio of expenses to average net assets after expense reductions excluding short sale dividend and interest expense (f)	1.11	1.11	1.14	1.15	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 this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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. The following is a summary of the levels used as of December 31, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$700,804,492	$—	$—	$700,804,492
Canada	3,930,570	—	—	3,930,570
United Kingdom	1,413,915	2,252,465	—	3,666,380
Hong Kong	—	3,133,333	—	3,133,333
Israel	3,127,090	—	—	3,127,090
France	—	2,462,217	—	2,462,217
Netherlands	737,172	—	—	737,172
Mutual Funds	8,219,431	—	—	8,219,431
Total Investments	$718,232,670	$7,848,015	$—	$726,080,685

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $5,595,550 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

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. At December 31, 2012, the fund did not have any outstanding derivative instruments.

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, 2012 as reported in the Statement of Operations:

Risk	Investments (Purchased Options)	Written Options
Equity	$(151,242)	$8,538

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, 2012 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 contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements 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 in the Statement of Assets and Liabilities as "Deposits with brokers." 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 in 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.

Written Options

	Number of contracts	Premiums received
Outstanding, beginning of period	67	$23,427
Options written	114	10,211
Options closed	(48)	(7,597)
Options exercised	(102)	(23,641)
Options expired	(31)	(2,400)
Outstanding, end of period	—	$—

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 hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against an anticipated decline in the value of portfolio securities or currency or decrease the fund's exposure to an underlying instrument.

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 purchased. 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.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. 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, 2012, this expense amounted to $20,000. 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, 2012, 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 in 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. At December 31, 2012, there were no securities on loan or collateral outstanding.

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. Some securities may be purchased on a "when-issued" or "forward delivery" basis, which means that the securities will be delivered to the fund at a future date, usually beyond customary settlement time. 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.

The fund purchased or sold debt securities on a when-issued or delayed delivery basis, or in a "To Be Announced" (TBA) or "forward commitment" transaction with delivery or payment to occur at a later date beyond the normal settlement period. TBA securities resulting from these transactions are included in the Portfolio of Investments. At the time a fund enters into a commitment to purchase or sell a security, the transaction is recorded and the value of the security acquired is reflected in the fund's net asset value. The price of such security and the date that the security will be delivered and paid for are fixed at the time the transaction is negotiated. The value of the security may vary with market fluctuations. No interest accrues to the fund until payment takes place. At the time that a fund enters into this type of transaction, the fund is required to have sufficient cash and/or liquid securities to cover its commitments. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic or other factors. Additionally, losses may arise due to declines in the value of the securities prior to settlement date.

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, 2012, is shown as a reduction of total expenses in 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. 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:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$1,473,011	$1,601,688

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$688,479,879
Gross appreciation	45,119,883
Gross depreciation	(7,519,077)
Net unrealized appreciation (depreciation)	$37,600,806
Undistributed ordinary income	2,760,030
Undistributed long-term capital gain	398,673
Capital loss carryforwards	(17,267,993)
Other temporary differences	(71,359)

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, 2012, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(17,267,993)

The availability of $10,944,648 of the capital loss carryforwards of MFS Research Series may be limited in a given year due to the acquisition of SC Davis Venture Value Fund on December 7, 2012.

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$1,340,066	$1,473,743
Service Class	132,945	127,945
Total	$1,473,011	$1,601,688

(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, 2012 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, 2012, the fee was $19,686, which equated to 0.0087% 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, 2012, these costs amounted to $1,280.

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, 2012 was equivalent to an annual effective rate of 0.0185% 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $1,595 and are included in "Miscellaneous" expense in 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 $670, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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, short sales, and short-term obligations, aggregated $268,654,763 and $165,563,109, respectively. Purchases exclude the value of securities acquired in connection with the SC Davis Venture Value Fund. (See Note 8.)

(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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	6,498,659	$139,065,054	1,101,108	$20,631,224
Service Class	532,555	11,233,338	194,431	3,679,825
	7,031,214	$150,298,392	1,295,539	$24,311,049
Shares issued in connection with acquisition of SC Davis Venture Value Fund				
Initial Class	7,909,441	$170,764,822		
Service Class	10,939,229	234,646,460		
	18,848,670	$405,411,282		
Shares issued to shareholders in reinvestment of distributions				
Initial Class	63,601	$1,340,066	82,194	$1,473,743
Service Class	6,346	132,945	7,172	127,945
	69,947	$1,473,011	89,366	$1,601,688
Shares reacquired				
Initial Class	(1,941,319)	$(40,506,604)	(2,224,124)	$(42,513,132)
Service Class	(291,546)	(6,089,486)	(177,010)	(3,327,368)
	(2,232,865)	$(46,596,090)	(2,401,134)	$(45,840,500)
Net change				
Initial Class	12,530,382	$270,663,338	(1,040,822)	$(20,408,165)
Service Class	11,186,584	239,923,257	24,593	480,402
	23,716,966	$510,586,595	(1,016,229)	$(19,927,763)

The fund is one of several mutual funds in which the MFS funds-of-funds may invest. The MFS funds-of-funds do not invest in the underlying MFS funds for the purpose of exercising management or control. At the end of the period, the MFS Moderate Allocation Portfolio, the MFS Growth Allocation Portfolio, and the MFS Conservative Allocation Portfolio were the owners of record of approximately 22%, 8%, and 8%, respectively, of the value of outstanding voting shares of the fund.

(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, 2012, the fund's commitment fee and interest expense were $1,225 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	63	100,289,599	(92,070,231)	8,219,431

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$4,064	$8,219,431

(8) Acquisitions

At close of business on December 7, 2012, the fund with net assets of approximately $313,994,783, acquired all of the assets and liabilities of SC Davis Venture Value Fund, a series of Sun Capital Advisers Trust. The purpose of the transaction was to provide shareholders of the SC Davis Venture Value Fund the opportunity to participate in a larger combined portfolio with a similar investment objective and similar investment policies and strategies. The acquisition was accomplished by a tax-free exchange of approximately 18,848,670 shares of the fund (valued at approximately $405,411,282) for all of the assets and liabilities of SC Davis Venture Value Fund. SC Davis Venture Value Fund then distributed the shares of the fund that SC Davis Venture Value Fund received from the fund to its shareholders. SC Davis Venture Value Fund's investments on that date were valued at approximately $397,521,486 with a cost basis of approximately $385,723,569. For financial reporting purposes, assets received and shares issued by the fund were recorded at fair value; however, the cost basis of the investments received from SC Davis Venture Value Fund were carried forward to align ongoing reporting of the fund's realized and unrealized gains and losses with amounts distributable to shareholders for tax purposes. Because 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 SC Davis Venture Value Fund that have been included in the fund's Statement of Operations since December 7, 2012.

Assuming the acquisition had been completed on January 1, 2012, the fund's pro forma results of operations for the year ended December 31, 2012 are as follows:

Net investment income	$6,113,494
Net realized and unrealized gain (loss) on investments and foreign currency	113,070,857
Change in net assets from operations	$119,184,351

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, 2012, 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, 2012, 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, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 2nd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may 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.

Board Review of Investment Advisory Agreement – continued

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 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, if any. 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 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, 2012.

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" 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" 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®

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.

MFS®
SM

ANNUAL REPORT
December 31, 2012

MFS® UTILITIES SERIES

MFS® Variable Insurance Trust

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:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

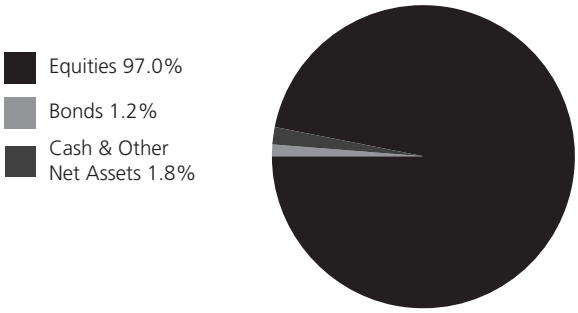
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

Comcast Corp., "Special A"	3.7%
CMS Energy Corp.	3.3%
Kinder Morgan, Inc.	3.3%
Virgin Media, Inc.	3.3%
Energias de Portugal S.A.	2.7%
Edison International	2.7%
NRG Energy, Inc.	2.3%
Calpine Corp.	2.3%
Time Warner Cable, Inc.	2.2%
Williams Cos., Inc.	2.2%

Top five industries (i)

Utilities – Electric Power	47.9%
Cable TV	13.0%
Natural Gas – Pipeline	9.2%
Telephone Services	8.2%
Natural Gas – Distribution	6.8%

Issuer country weightings (i)(x)

United States	69.4%
Brazil	6.3%
Portugal	4.6%
Spain	3.4%
United Kingdom	2.7%
Germany	1.4%
France	1.4%
Netherlands	1.2%
Italy	1.2%
Other Countries	8.4%

(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, if any. 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.

(x) Represents the portfolio's exposure to issuer countries as a percentage of a portfolio's net assets.

Percentages are based on net assets as of 12/31/12.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS Utilities Series ("fund") provided a total return of 13.48%, while Service Class shares of the fund provided a total return of 13.21%. These compare with a return of 16.00% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index, and a return of 1.29% for the fund's other benchmark, the Standard & Poor's 500 Utilities Index ("S&P Utilities Index").

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Detractors from Performance

Security selection and an underweight position in the *natural gas distribution* industry dampened relative performance relative to the S&P Utilities Index. An underweight position in natural gas supplier Sempra Energy negatively impacted relative results as the stock posted strong returns for the reporting period. Despite there being an oversupply of liquefied natural gas in the U.S., Sempra began to earn commercial shipping contracts to export natural gas overseas, creating the potential to finally reduce the oversupply and allow prices to increase.

Elsewhere, underweight positions in electric power companies, NextEra Energy and American Electric Power, and in diversified energy company DTE Energy weakened relative results as all three stocks outperformed the benchmark during the period. NextEra traded higher throughout the period as the company experienced steady income growth. Other top relative detractors for the period included the fund's holdings of cellular communications services firm Cellcom Israel (Israel), wireless communications company NII Holdings [(h)], electric power company Companhia Paranaense de Energia (Brazil), wireless and telecommunications provider Tim Participacoes S.A. (Brazil), natural gas supplier Williams Partners, and telecommunications services firm Bezeq-The Israeli Telecommunication Corp.

Contributors to Performance

The fund's exposure to the *cable TV* industry, which is not represented in the S&P Utilities Index, was a positive factor for relative performance. The fund's holdings of media and communications services company Virgin Media and cable providers, Comcast, Time Warner, and Kabel Deutschland (Germany), supported relative results as all four stocks generated strong performance over the period. Shares of Virgin Media traded higher during the latter half of the year on the back of strong earnings due to higher-than-expected net subscriptions in its cable segment.

The combination of an underweight position and strong stock selection in the *electric power* industry contributed to relative performance. An underweight position in electric power generation holding company, Exelon, and not holding shares of poor-performing retail electric company Southern Company, aided relative returns. Exelon's stock price declined during the year as management announced in November that if power prices did not increase $3-$6 in the next six months they would have to reevaluate its dividend. This risk to the stock's dividend yield appeared to have negatively impacted its price performance.

The fund's exposure to the *natural gas pipeline* industry, which is not represented in the S&P Utilities Index, also benefited relative results. The fund's holdings of natural gas pipelines operators Williams Co., Kinder Morgan Energy Partners, and El Paso Corp. [(h)] bolstered relative performance. Shares of Williams Co. traded higher as colder temperatures during the middle of the period appeared to have drawn investors to the company's shares. Additionally, industry discussions over efforts to export natural gas were encouraging as gas prices remained depressed due to ample supply. El Paso Corp. was spun-off from El Paso Pipeline Partners and was acquired by Kinder Morgan Energy Partners in May. After the acquisition, the El Paso Corp. stock ceased to exist. The fund

continued to hold shares of El Paso Pipeline Partners at the end of the year. Shares of El Paso Corp. performed well as investors appeared to view the acquisition as a positive event for the stock while shares of El Paso Pipeline Partners did not perform as well in comparison.

Elsewhere, the fund's holding of strong-performing wireless company SBA Communications also supported relative results.

Respectfully,

Robert Persons	Maura Shaughnessy
Portfolio Manager	Portfolio Manager

(h) Security was not held in the portfolio at period end.

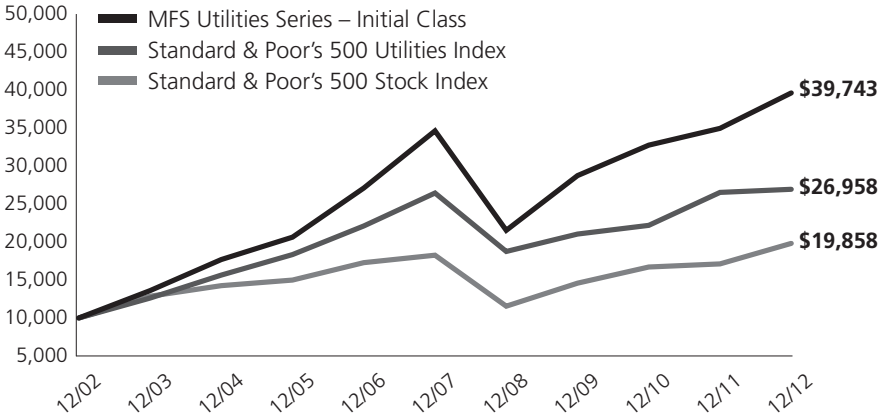
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	1/03/95	13.48%	2.75%	14.80%
Service Class	5/01/00	13.21%	2.49%	14.51%

Comparative benchmarks

Standard & Poor's 500 Stock Index (f)	16.00%	1.66%	7.10%
Standard & Poor's 500 Utilities Index (f)	1.29%	0.36%	10.43%

(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.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.81%	$1,000.00	$1,081.75	$4.24
	Hypothetical (h)	0.81%	$1,000.00	$1,021.06	$4.12
Service Class	Actual	1.06%	$1,000.00	$1,080.47	$5.54
	Hypothetical (h)	1.06%	$1,000.00	$1,019.81	$5.38

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/12

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 – 91.8%		
Broadcasting – 0.1%		
News Corp., "A"	26,860	$ 686,004
Cable TV – 12.8%		
Astro Malaysia Holdings Bhd.	7,100,500	$ 6,965,827
Charter Communications, Inc., "A" (a)	55,420	4,225,221
Comcast Corp., "Special A"	1,360,745	48,918,783
Kabel Deutschland Holding AG	133,684	9,996,667
Liberty Global, Inc., "A" (a)	147,994	9,322,142
Time Warner Cable, Inc.	302,313	29,381,801
Virgin Media, Inc.	1,170,261	43,007,092
Ziggo N.V.	507,076	16,388,164
		$ 168,205,697
Energy – Independent – 4.2%		
Cabot Oil & Gas Corp.	126,581	$ 6,296,139
Energen Corp.	160,456	7,234,961
EQT Corp.	322,029	18,993,270
Noble Energy, Inc.	63,250	6,435,055
QEP Resources, Inc.	403,520	12,214,550
WPX Energy, Inc. (a)	289,733	4,311,227
		$ 55,485,202
Natural Gas – Distribution – 6.8%		
AGL Energy Ltd.	174,870	$ 2,808,188
AGL Resources, Inc.	51,311	2,050,901
Atmos Energy Corp.	39,024	1,370,523
China Resources Gas Group Ltd.	272,000	562,580
Gas Natural SDG S.A.	38,140	697,424
GDF SUEZ	708,262	14,560,616
NiSource, Inc.	688,786	17,143,884
ONEOK, Inc.	261,196	11,166,129
Sempra Energy	228,932	16,240,436
Spectra Energy Corp.	819,067	22,426,055
		$ 89,026,736
Natural Gas – Pipeline – 9.2%		
APA Group	265,078	$ 1,530,108
Cheniere Energy, Inc. (a)	98,147	1,843,201
El Paso Pipeline Partners LP	54,435	2,012,462
Enagas S.A.	857,931	18,358,921
Enbridge, Inc.	143,280	6,196,748
Kinder Morgan, Inc.	1,224,314	43,255,014
TransCanada Corp.	55,890	2,641,950
Williams Cos., Inc.	864,372	28,299,539
Williams Partners LP	335,809	16,340,466
		$ 120,478,409
Telecommunications – Wireless – 5.6%		
American Tower Corp., REIT	136,408	$ 10,540,246
Cellcom Israel Ltd.	429,747	3,558,305
Mobile TeleSystems OJSC, ADR	753,201	14,047,199
SBA Communications Corp. (a)	131,398	9,331,886

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Telecommunications – Wireless – continued		
Telefonica Deutschland Holding AG (a)	437,490	$ 3,334,284
TIM Participacoes S.A., ADR	729,322	14,455,162
Turkcell Iletisim Hizmetleri A.S. (a)	948,980	6,144,073
Vodafone Group PLC	4,923,492	12,381,923
		$ 73,793,078
Telephone Services – 8.2%		
Bezeq – The Israel Telecommunication Corp. Ltd.	8,808,161	$ 10,171,840
BT Group PLC	1,016,110	3,830,222
CenturyLink, Inc.	239,122	9,354,453
China Unicom (Hong Kong) Ltd.	1,090,000	1,767,450
Empresa Nacional de Telecomunicaciones S.A.	264,306	5,465,489
Frontier Communications Corp. (l)	1,086,493	4,650,190
Portugal Telecom, SGPS, S.A.	574,495	2,873,777
PT XL Axiata Tbk	10,007,000	5,942,182
TDC A.S.	2,132,980	15,109,693
Telecom Italia S.p.A.	20,701,924	16,381,486
Telefonica Brasil S.A., ADR	436,397	10,499,712
Verizon Communications, Inc.	329,510	14,257,898
Windstream Corp. (l)	860,850	7,127,838
		$ 107,432,230
Utilities – Electric Power – 43.5%		
AES Corp.	2,120,684	$ 22,691,319
AES Gener S.A.	694,880	448,482
Alliant Energy Corp.	14,460	634,939
American Electric Power Co., Inc.	446,257	19,046,249
Calpine Corp. (a)	1,682,992	30,512,645
CenterPoint Energy, Inc.	674,684	12,987,667
CEZ A.S.	259,751	9,292,292
Cheung Kong Infrastructure Holdings Ltd.	29,000	178,147
China Hydroelectric Corp., ADR (a)	119,119	204,885
China Longyuan Power Group	5,269,000	3,701,330
Cleco Corp.	15,810	632,558
CLP Holdings Ltd.	824,500	6,923,550
CMS Energy Corp.	1,797,029	43,811,567
Companhia Energetica de Minas Gerais, IPS	1,077,225	11,699,553
Companhia Paranaense de Energia, ADR	252,317	3,873,066
Companhia Paranaense de Energia, IPS	407,700	6,280,912
Dominion Resources, Inc.	51,790	2,682,722
DTE Energy Co.	52,930	3,178,447
Duke Energy Corp.	306,860	19,577,668
E.On Russia JSC	20,766,243	1,777,424
Edison International	783,948	35,426,610
EDP Renovaveis S.A. (a)	4,080,944	21,762,192
Enel OGK-5 OAO (a)	5,446,165	288,777
Energias de Portugal S.A.	11,898,982	35,766,995
Energias do Brasil S.A.	1,701,600	10,460,205
Exelon Corp.	486,183	14,459,082

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Utilities – Electric Power – continued		
FirstEnergy Corp.	484,450	$ 20,230,632
Great Plains Energy, Inc.	375,666	7,629,776
Iberdrola S.A.	1,973,403	11,004,456
ITC Holdings Corp.	189,604	14,582,444
Light S.A.	678,310	7,444,724
National Grid PLC	454,118	5,201,662
NextEra Energy, Inc.	263,202	18,210,946
Northeast Utilities	333,463	13,031,734
NRG Energy, Inc.	1,332,515	30,634,510
NV Energy, Inc.	343,264	6,226,809
OGE Energy Corp.	395,345	22,261,877
PG&E Corp.	232,560	9,344,261
Portland General Electric Co.	117,880	3,225,197
PPL Corp.	584,606	16,737,270
Public Service Enterprise Group, Inc.	820,521	25,107,943
Red Electrica de Espana	300,383	14,841,193
RWE AG	129,782	5,357,755
SSE PLC	514,244	11,884,736
Terna Participacoes S.A., IEU	304,500	3,242,051
Tractebel Energia S.A.	191,800	3,124,068
Xcel Energy, Inc.	168,240	4,493,690
		$ 572,117,017
Utilities – Water – 1.4%		
Aguas Andinas S.A.	6,831,776	$ 4,874,540
Companhia de Saneamento Basico do Estado de Sao Paulo	135,300	5,676,943
Companhia de Saneamento de Minas Gerais – Copasa MG	251,000	5,397,776
SUEZ Environnement	260,660	3,142,972
		$ 19,092,231
Total Common Stocks (Identified Cost, $1,160,630,906)		**$1,206,316,604**
CONVERTIBLE PREFERRED STOCKS – 3.7%		
Utilities – Electric Power – 3.7%		
NextEra Energy, Inc., 8.375%	181,450	$ 9,083,387
NextEra Energy, Inc., 7%	234,402	12,423,306
PPL Corp., 9.5%	259,773	13,588,726
PPL Corp., 8.75%	259,139	13,923,538
Total Convertible Preferred Stocks (Identified Cost, $49,363,423)		**$ 49,018,957**

Issuer	Shares/Par	Value ($)
BONDS – 1.2%		
Asset-Backed & Securitized – 0.0%		
Falcon Franchise Loan LLC, FRN, 6.014%, 2023 (i)(z)	$ 65,652	$ 7,386
Energy – Independent – 0.6%		
EP Energy LLC, 9.375%, 2020	$ 7,070,000	$ 7,971,425
Utilities – Electric Power – 0.6%		
GenOn Energy, Inc., 9.875%, 2020	$ 4,455,000	$ 5,145,525
Viridian Group FundCo II, Ltd., 11.125%, 2017 (z)	2,195,000	2,282,800
		$ 7,428,325
Total Bonds (Identified Cost, $13,702,223)		**$ 15,407,136**
CONVERTIBLE BONDS – 1.5%		
Cable TV – 0.8%		
Virgin Media, Inc., 6.5%, 2016	$ 4,796,559	$ 9,871,918
Telecommunications – Wireless – 0.7%		
SBA Communications Corp., 4%, 2014	$ 4,174,807	$ 9,870,809
Total Convertible Bonds (Identified Cost, $10,609,651)		**$ 19,742,727**
MONEY MARKET FUNDS – 2.0%		
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)	26,523,815	$ 26,523,815
COLLATERAL FOR SECURITIES LOANED – 0.6%		
Navigator Securities Lending Prime Portfolio, 0.28%, at Cost and Net Asset Value (j)	7,326,970	$ 7,326,970
Total Investments (Identified Cost, $1,268,156,988)		**$1,324,336,209**
OTHER ASSETS, LESS LIABILITIES – (0.8)%		**(10,455,438)**
Net Assets – 100.0%		**$1,313,880,771**

(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 fund 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.

Portfolio of Investments – continued

(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, 6.014%, 2023	1/18/02	$2,858	$7,386
Viridian Group FundCo II, Ltd., 11.125%, 2017	3/01/12	2,132,122	2,282,800
Total Restricted Securities			$2,290,186
% of Net assets			0.2%

The following abbreviations are used in this report and are defined:

ADR American Depositary Receipt
FRN Floating Rate Note. Interest rate resets periodically and may not be the rate reported at period end.
IEU International Equity Unit
IPS International Preference Stock
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
GBP British Pound

Derivative Contracts at 12/31/12

Forward Foreign Currency Exchange Contracts at 12/31/12

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Asset Derivatives							
BUY	EUR	Credit Suisse Group	3,775,445	1/11/13	$ 4,909,890	$ 4,983,741	$ 73,851
BUY	EUR	Deutsche Bank AG	3,128,103	1/11/13	4,082,324	4,129,224	46,900
BUY	EUR	JPMorgan Chase Bank N.A	869,959	1/11/13	1,114,771	1,148,381	33,610
BUY	EUR	Merrill Lynch International Bank	852,187	1/11/13	1,107,929	1,124,922	16,993
BUY	EUR	UBS AG	5,508,968	1/11/13	7,154,202	7,272,063	117,861
SELL	EUR	Credit Suisse Group	791,641	1/11/13	1,047,610	1,044,998	2,612
SELL	EUR	Deutsche Bank AG	187,873	1/11/13	248,813	248,001	812
SELL	EUR	JPMorgan Chase Bank N.A	37,464	1/11/13	49,456	49,455	1
SELL	EUR	UBS AG	186,110	1/11/13	246,271	245,673	598
BUY	GBP	Barclays Bank PLC	1,822,606	1/11/13	2,929,700	2,960,668	30,968
BUY	GBP	Credit Suisse Group	2,127,762	1/11/13	3,393,205	3,456,368	63,163
BUY	GBP	Deutsche Bank AG	1,996,958	1/11/13	3,200,889	3,243,888	42,999
BUY	GBP	Goldman Sachs International	446,437	1/11/13	720,031	725,198	5,167
BUY	GBP	JPMorgan Chase Bank N.A	505,298	1/11/13	813,283	820,814	7,531
BUY	GBP	UBS AG	317,859	1/11/13	512,318	516,335	4,017
							$ 447,083
Liability Derivatives							
BUY	EUR	UBS AG	2,550,735	1/11/13	$ 3,377,222	$ 3,367,075	$ (10,147)
SELL	EUR	Credit Suisse Group	847,997	1/11/13	1,101,202	1,119,391	(18,189)
SELL	EUR	Deutsche Bank AG	3,877,397	1/11/13	4,999,961	5,118,322	(118,361)
SELL	EUR	JPMorgan Chase Bank N.A	3,737,239	1/11/13	4,816,240	4,933,308	(117,068)
SELL	EUR	Merrill Lynch International Bank	109,502	1/11/13	141,741	144,547	(2,806)
SELL	EUR	UBS AG	84,827,178	1/11/13-3/18/13	111,000,963	112,040,599	(1,039,636)
BUY	GBP	UBS AG	507,125	1/11/13	824,853	823,782	(1,071)
SELL	GBP	Barclays Bank PLC	20,548,583	1/11/13	32,854,650	33,379,425	(524,775)
SELL	GBP	Credit Suisse Group	512,140	1/11/13	814,472	831,929	(17,457)
SELL	GBP	Deutsche Bank AG	20,018,177	1/11/13	31,997,254	32,517,825	(520,571)
							$(2,370,081)

At December 31, 2012, the fund had cash collateral of $500,000 to cover any commitments for certain 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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $1,241,633,173)	$1,297,812,394	
Underlying affiliated funds, at cost and value	26,523,815	
Total investments, at value, including $7,091,654 of securities on loan (identified cost, $1,268,156,988)	$1,324,336,209	
Restricted cash	500,000	
Receivables for		
Forward foreign currency exchange contracts	447,083	
Investments sold	5,105,170	
Fund shares sold	348,505	
Interest and dividends	5,098,273	
Other assets	8,917	
Total assets		$1,335,844,157
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$2,370,081	
Investments purchased	8,395,554	
Fund shares reacquired	2,565,111	
Collateral for securities loaned, at value	7,326,970	
Payable to affiliates		
Investment adviser	107,472	
Shareholder servicing costs	1,349	
Distribution and/or service fees	22,772	
Payable for independent Trustees' compensation	902	
Accrued expenses and other liabilities	1,173,175	
Total liabilities		$21,963,386
Net assets		$1,313,880,771
Net assets consist of		
Paid-in capital	$1,204,340,635	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies (net of $402,502 deferred country tax)	53,865,286	
Accumulated net realized gain (loss) on investments and foreign currency	20,899,438	
Undistributed net investment income	34,775,412	
Net assets		$1,313,880,771
Shares of beneficial interest outstanding		47,963,322

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$476,684,876	17,263,647	$27.61
Service Class	837,195,895	30,699,675	27.27

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 12/31/12

Net investment income		
Income		
Dividends	$54,125,952	
Interest	1,983,434	
Dividends from underlying affiliated funds	50,961	
Foreign taxes withheld	(3,196,315)	
Total investment income		$52,964,032
Expenses		
Management fee	$10,258,334	
Distribution and/or service fees	2,252,074	
Shareholder servicing costs	130,932	
Administrative services fee	210,630	
Independent Trustees' compensation	39,046	
Custodian fee	394,906	
Shareholder communications	188,396	
Audit and tax fees	55,527	
Legal fees	15,493	
Miscellaneous	96,832	
Total expenses		$13,642,170
Fees paid indirectly	(535)	
Reduction of expenses by investment adviser	(5,231)	
Net expenses		$13,636,404
Net investment income		$39,327,628
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments (net of $551,035 country tax)	$142,864,136	
Foreign currency	1,471,239	
Net realized gain (loss) on investments and foreign currency		$144,335,375
Change in unrealized appreciation (depreciation)		
Investments (net of $402,502 increase in deferred country tax)	$16,689,864	
Translation of assets and liabilities in foreign currencies	(8,831,692)	
Net unrealized gain (loss) on investments and foreign currency translation		$7,858,172
Net realized and unrealized gain (loss) on investments and foreign currency		$152,193,547
Change in net assets from operations		$191,521,175

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	2012	2011
From operations		
Net investment income	$39,327,628	$68,837,745
Net realized gain (loss) on investments and foreign currency	144,335,375	131,137,099
Net unrealized gain (loss) on investments and foreign currency translation	7,858,172	(78,973,517)
Change in net assets from operations	$191,521,175	$121,001,327
Distributions declared to shareholders		
From net investment income	$(83,800,084)	$(60,160,403)
Change in net assets from fund share transactions	$(784,544,229)	$52,904,945
Total change in net assets	$(676,823,138)	$113,745,869
Net assets		
At beginning of period	1,990,703,909	1,876,958,040
At end of period (including undistributed net investment income of $34,775,412 and $77,201,799, respectively)	$1,313,880,771	$1,990,703,909

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$26.08	$25.27	$22.92	$18.21	$34.48
Income (loss) from investment operations					
Net investment income (d)	$0.84	$0.97	$0.79	$0.80	$0.73
Net realized and unrealized gain (loss) on investments and foreign currency	2.57	0.70	2.29	4.90	(11.97)
Total from investment operations	$3.41	$1.67	$3.08	$5.70	$(11.24)
Less distributions declared to shareholders					
From net investment income	$(1.88)	$(0.86)	$(0.73)	$(0.99)	$(0.44)
From net realized gain on investments	—	—	—	—	(4.59)
Total distributions declared to shareholders	$(1.88)	$(0.86)	$(0.73)	$(0.99)	$(5.03)
Net asset value, end of period (x)	$27.61	$26.08	$25.27	$22.92	$18.21
Total return (%) (k)(r)(s)(x)	13.40	6.78	13.81	33.44	(37.77)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.82	0.80	0.81	0.83	0.84
Expenses after expense reductions (f)	0.82	0.80	0.81	0.83	0.81
Net investment income	3.11	3.71	3.47	4.11	2.76
Portfolio turnover	51	53	56	70	68
Net assets at end of period (000 omitted)	$476,685	$532,447	$541,653	$564,822	$495,297

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$25.73	$24.95	$22.65	$17.98	$34.11
Income (loss) from investment operations					
Net investment income (d)	$0.71	$0.89	$0.73	$0.73	$0.66
Net realized and unrealized gain (loss) on investments and foreign currency	2.59	0.70	2.25	4.86	(11.82)
Total from investment operations	$3.30	$1.59	$2.98	$5.59	$(11.16)
Less distributions declared to shareholders					
From net investment income	$(1.76)	$(0.81)	$(0.68)	$(0.92)	$(0.38)
From net realized gain on investments	—	—	—	—	(4.59)
Total distributions declared to shareholders	$(1.76)	$(0.81)	$(0.68)	$(0.92)	$(4.97)
Net asset value, end of period (x)	$27.27	$25.73	$24.95	$22.65	$17.98
Total return (%) (k)(r)(s)(x)	13.13	6.51	13.51	33.09	(37.91)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.07	1.05	1.06	1.08	1.09
Expenses after expense reductions (f)	1.07	1.05	1.06	1.07	1.06
Net investment income	2.66	3.45	3.23	3.83	2.54
Portfolio turnover	51	53	56	70	68
Net assets at end of period (000 omitted)	$837,196	$1,458,257	$1,335,305	$1,209,765	$992,502

(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 this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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. 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, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$854,814,882	$—	$—	$854,814,882
Brazil	35,194,059	46,960,114	—	82,154,173
Portugal	—	60,402,964	—	60,402,964
Spain	—	44,901,994	—	44,901,994
United Kingdom	—	33,298,543	—	33,298,543
Germany	3,334,284	15,354,422	—	18,688,706
France	14,560,616	3,142,972	—	17,703,588
Netherlands	—	16,388,164	—	16,388,164
Italy	—	16,381,486	—	16,381,486
Other Countries	69,626,462	40,974,599	—	110,601,061
U.S. Corporate Bonds	—	32,859,677	—	32,859,677
Commercial Mortgage-Backed Securities	—	7,386	—	7,386
Foreign Bonds	—	2,282,800	—	2,282,800
Mutual Funds	33,850,785	—	—	33,850,785
Total Investments	$1,011,381,088	$312,955,121	$—	$1,324,336,209
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$(1,922,998)	$—	$(1,922,998)

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $138,123,970 would have been considered level 1 investments at the beginning of the period. Of the level 1 investments presented above, equity investments amounting to $14,560,616 would have been considered level 2 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

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.

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, 2012 as reported in the Statement of Assets and Liabilities:

		Fair Value	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Foreign Exchange	Forward Foreign Currency Exchange	$447,083	$(2,370,081)

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, 2012 as reported in the Statement of Operations:

Risk	**Foreign Currency**
Foreign Exchange	$1,737,417

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, 2012 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**
Foreign Exchange	$(8,899,778)

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 contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements 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 in 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.

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. Collateral for securities loaned is held at carrying value, which approximates fair value. If the collateral for securities loaned was carried at fair value, its fair value would be considered level 2 under the fair value hierarchy. 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 in 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, 2012, is shown as a reduction of total expenses in 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. 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, derivative transactions, and partnership adjustments.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$83,800,084	$60,160,403

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$1,274,330,808
Gross appreciation	152,109,293
Gross depreciation	(102,103,892)
Net unrealized appreciation (depreciation)	$ 50,005,401
Undistributed ordinary income	32,856,673
Undistributed long-term capital gain	27,624,293
Other temporary differences	(946,231)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$32,043,181	$17,376,268
Service Class	51,756,903	42,784,135
Total	$83,800,084	$60,160,403

(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, 2012 was equivalent to an annual effective rate of 0.74% 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, 2012, the fee was $128,612, which equated to 0.0092% 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, 2012, these costs amounted to $2,320.

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, 2012 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $13,026 and are included in "Miscellaneous" expense in 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 $5,231, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 in-kind transactions and short-term obligations aggregated $701,338,598 and $757,317,800, 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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,205,463	$32,393,893	1,930,246	$51,018,561
Service Class	5,668,595	150,451,311	7,808,390	201,808,348
	6,874,058	$182,845,204	9,738,636	$252,826,909
Shares issued to shareholders in reinvestment of distributions				
Initial Class	1,213,297	$32,043,181	697,562	$17,376,268
Service Class	1,982,264	51,756,903	1,739,192	42,784,135
	3,195,561	$83,800,084	2,436,754	$60,160,403
Shares reacquired				
Initial Class	(5,573,608)	$(151,398,917)	(3,642,984)	$(95,642,985)
Service Class	(33,627,625)	(899,790,600)	(6,387,884)	(164,439,382)
	(39,201,233)	$(1,051,189,517)	(10,030,868)	$(260,082,367)
Net change				
Initial Class	(3,154,848)	$(86,961,843)	(1,015,176)	$(27,248,156)
Service Class	(25,976,766)	(697,582,386)	3,159,698	80,153,101
	(29,131,614)	$(784,544,229)	2,144,522	$52,904,945

(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, 2012, the fund's commitment fee and interest expense were $8,981 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	60,086,370	340,549,389	(374,111,944)	26,523,815

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$50,961	$26,523,815

(8) Redemption In-Kind

On February 17, 2012 and May 1, 2012, the fund recorded redemption proceeds for a distribution in-kind of portfolio securities that were valued at $759,585,448 and $34,871,450 respectively. The redeeming shareholder generally receives a pro rata share of the securities held by the fund. The distribution of such securities generated a realized gain of $115,210,080 and $4,716,697, respectively, for the fund on those dates.

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, 2012, 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, 2012, 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, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 3rd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may 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.

Board Review of Investment Advisory Agreement – continued

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 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, if any. 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 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, 2012.

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" 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" section of *mfs.com*.

FEDERAL TAX INFORMATION (unaudited)

The following information is provided pursuant to provisions of the Internal Revenue Code.

For corporate shareholders, 40.22% 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®

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.

MFS®
SM

ANNUAL REPORT
December 31, 2012

MFS® INVESTORS TRUST SERIES

MFS® Variable Insurance Trust

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:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

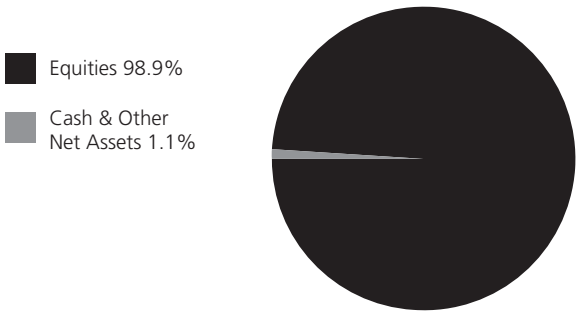
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure



Top ten holdings

Apple, Inc.	3.8%
Danaher Corp.	2.6%
JPMorgan Chase & Co.	2.6%
Pfizer, Inc.	2.5%
Exxon Mobil Corp.	2.4%
Johnson & Johnson	2.3%
Walt Disney Co.	2.2%
Google, Inc., "A"	2.0%
EMC Corp.	2.0%
ACE Ltd.	1.8%

Equity sectors

Financial Services	17.4%
Technology	14.1%
Health Care	12.9%
Energy	10.4%
Consumer Staples	10.3%
Industrial Goods & Services	8.9%
Retailing	5.9%
Utilities & Communications	5.2%
Leisure	4.4%
Basic Materials	2.7%
Autos & Housing	2.5%
Transportation	2.2%
Special Products & Services	2.0%

Percentages are based on net assets as of 12/31/12.
The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS Investors Trust Series ("fund") provided a total return of 19.18%, while Service Class shares of the fund provided a total return of 18.83%. These compare with a return of 16.00% over the same period for the fund's benchmark, the Standard & Poor's 500 Stock Index ("S&P 500 Index").

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Contributors to Performance

The combination of strong stock selection and an overweight position in the *financial services* sector was a positive factor for relative returns. The fund's overweight positions in investment banking firm Goldman Sachs Group, global payments technology company Visa, Inc., and global financial services firm JPMorgan Chase aided relative results. Shares of Visa appreciated steadily throughout the reporting period due to increased payment volume, an expanded share repurchase program, and increased market share in the Asia-Pacific and Latin America regions.

Security selection in both the *health care* and *consumer staples* sectors contributed to relative results. Within *health care*, the fund's holdings of biotech firm Gilead Sciences and life sciences supply company Thermo Fisher Scientific bolstered relative returns. Shares of Gilead Sciences significantly appreciated during the year after the firm reported robust financial results led by strong sales of HIV-treatment products. Within *consumer staples*, the fund's position in Dutch brewer Heineken [(b)] benefited relative performance. Shares of Heineken rose as the firm reached an agreement to purchase Fraser & Neave's stake in their joint venture, Asia Pacific Breweries, effectively consolidating ownership under Heineken. Adding Singapore-based Asia Pacific Breweries, whose flagship brand is Tiger Beer, to its portfolio is a key element in Heineken's growth strategy in the Asia region.

The combination of strong stock selection and an overweight position in the *autos & housing* sector supported relative results. The fund's overweight position in paint and coatings manufacturer Sherwin-Williams strengthened relative performance.

Elsewhere, holding shares of media conglomerate Walt Disney, and the fund's avoidance of poor-performing semiconductor company Intel and computer products and services provider Hewlett-Packard Co., contributed to relative performance.

Detractors from Performance

Weak stock selection in the *retailing* sector negatively impacted relative results. The fund's overweight position in shares of discount department store Kohl's, and not holding shares of strong-performing home improvement chain Home Depot and internet retailer Amazon.com, hurt relative returns. During the reporting period, shares of Home Depot benefited from increased growth in existing home sales and continued momentum in the company's home maintenance and repair divisions.

Stocks in other sectors that held back relative returns included semiconductor manufacturer Microchip Technology, oil and gas exploration and production company Occidental Petroleum, and Israeli-headquartered security software provider Check Point Software Technologies [(b)]. Not owning shares of financial services firm Citigroup and online auctioneer eBay, and the timing of ownership in shares of pharmaceutical and medical products maker Abbott Laboratories [(h)], also weakened relative results.

The fund's cash and/or cash equivalents position was another detractor from relative performance. The fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Respectfully,

T. Kevin Beatty	Ted Maloney
Portfolio Manager	Portfolio Manager

Note to Contract Owners: Effective April 1, 2012, Ted Maloney replaced Nicole Zatlyn as a co-manager of the fund.

(b) Security is not a benchmark constituent.

(h) Security was not held in the portfolio at period end.

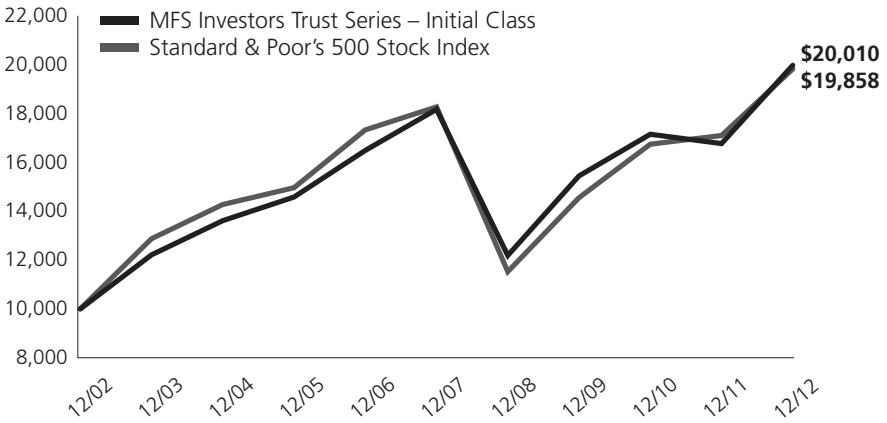
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	10/09/95	19.18%	1.92%	7.18%
Service Class	5/01/00	18.83%	1.67%	6.91%

Comparative benchmark

Standard & Poor's 500 Stock Index (f)	16.00%	1.66%	7.10%

(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, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.82%	$1,000.00	$1,094.80	$4.32
	Hypothetical (h)	0.82%	$1,000.00	$1,021.01	$4.17
Service Class	Actual	1.07%	$1,000.00	$1,093.21	$5.63
	Hypothetical (h)	1.07%	$1,000.00	$1,019.76	$5.43

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/12

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 – 4.7%		
Honeywell International, Inc.	154,280	$ 9,792,152
Precision Castparts Corp.	43,460	8,232,193
United Technologies Corp.	124,750	10,230,748
		$ 28,255,093
Alcoholic Beverages – 2.2%		
Diageo PLC	235,223	$ 6,847,935
Heineken N.V.	92,733	6,185,562
		$ 13,033,497
Apparel Manufacturers – 2.9%		
LVMH Moet Hennessy Louis Vuitton S.A.	34,223	$ 6,377,359
NIKE, Inc., "B"	105,400	5,438,640
VF Corp.	35,910	5,421,333
		$ 17,237,332
Automotive – 1.1%		
Bayerische Motoren Werke AG	37,835	$ 3,648,883
Delphi Automotive PLC (a)	77,720	2,972,790
		$ 6,621,673
Biotechnology – 1.6%		
Celgene Corp. (a)	58,230	$ 4,583,866
Gilead Sciences, Inc. (a)	66,570	4,889,567
		$ 9,473,433
Broadcasting – 2.2%		
Walt Disney Co.	259,560	$ 12,923,492
Brokerage & Asset Managers – 2.9%		
BlackRock, Inc.	49,258	$ 10,182,121
Franklin Resources, Inc.	56,030	7,042,971
		$ 17,225,092
Business Services – 2.0%		
Accenture PLC, "A"	101,650	$ 6,759,725
Cognizant Technology Solutions Corp., "A" (a)	69,460	5,143,513
		$ 11,903,238
Cable TV – 1.2%		
Comcast Corp., "A"	187,600	$ 7,012,488
Chemicals – 0.7%		
Celanese Corp.	96,930	$ 4,316,293
Computer Software – 3.1%		
Check Point Software Technologies Ltd. (a)	105,160	$ 5,009,822
Citrix Systems, Inc. (a)	40,980	2,694,435
Oracle Corp.	323,380	10,775,022
		$ 18,479,279
Computer Software – Systems – 5.8%		
Apple, Inc.	42,270	$ 22,531,178
EMC Corp. (a)	468,000	11,840,400
		$ 34,371,578

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Construction – 1.4%		
Sherwin-Williams Co.	17,810	$ 2,739,534
Stanley Black & Decker, Inc.	74,300	5,495,971
		$ 8,235,505
Consumer Products – 3.7%		
Colgate-Palmolive Co.	58,370	$ 6,102,000
Procter & Gamble Co.	153,790	10,440,803
Reckitt Benckiser Group PLC	88,784	5,561,761
		$ 22,104,564
Electrical Equipment – 3.3%		
Danaher Corp.	282,590	$ 15,796,781
W.W. Grainger, Inc.	19,860	4,019,068
		$ 19,815,849
Electronics – 3.0%		
Altera Corp.	207,760	$ 7,155,254
ASML Holding N.V.	30,695	1,977,065
Microchip Technology, Inc.	276,950	9,025,801
		$ 18,158,120
Energy – Independent – 2.6%		
EOG Resources, Inc.	67,050	$ 8,098,969
Occidental Petroleum Corp.	98,920	7,578,261
		$ 15,677,230
Energy – Integrated – 4.1%		
Chevron Corp.	91,320	$ 9,875,345
Exxon Mobil Corp.	167,590	14,504,915
		$ 24,380,260
Engineering – Construction – 0.9%		
Fluor Corp.	92,510	$ 5,434,037
Food & Beverages – 2.9%		
General Mills, Inc.	99,010	$ 4,000,994
Groupe Danone	130,753	8,638,802
Mondelez International, Inc.	179,210	4,564,479
		$ 17,204,275
General Merchandise – 2.4%		
Kohl's Corp.	133,980	$ 5,758,460
Target Corp.	144,700	8,561,899
		$ 14,320,359
Insurance – 1.8%		
ACE Ltd.	135,540	$ 10,816,092
Internet – 2.2%		
Facebook, Inc., "A" (a)	39,990	$ 1,064,934
Google, Inc., "A" (a)	17,240	12,229,539
		$ 13,294,473

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Major Banks – 8.1%		
Bank of America Corp.	509,270	$ 5,907,532
Bank of New York Mellon Corp.	121,823	3,130,851
Goldman Sachs Group, Inc.	82,440	10,516,046
JPMorgan Chase & Co.	356,190	15,661,674
State Street Corp.	58,760	2,762,308
Wells Fargo & Co.	306,240	10,467,283
		$ 48,445,694
Medical Equipment – 5.9%		
Baxter International, Inc.	67,570	$ 4,504,216
Covidien PLC	171,440	9,898,946
Medtronic, Inc.	103,990	4,265,670
St. Jude Medical, Inc.	218,290	7,889,001
Thermo Fisher Scientific, Inc.	137,300	8,756,994
		$ 35,314,827
Oil Services – 3.7%		
Cameron International Corp. (a)	98,020	$ 5,534,209
Dresser-Rand Group, Inc. (a)	120,830	6,783,396
National Oilwell Varco, Inc.	77,400	5,290,290
Schlumberger Ltd.	64,660	4,480,291
		$ 22,088,186
Other Banks & Diversified Financials – 4.6%		
American Express Co.	161,940	$ 9,308,311
MasterCard, Inc., "A"	15,490	7,609,927
Visa, Inc., "A"	67,860	10,286,219
		$ 27,204,457
Pharmaceuticals – 5.4%		
Johnson & Johnson	191,696	$ 13,437,890
Pfizer, Inc.	585,840	14,692,867
Valeant Pharmaceuticals International, Inc. (a)	67,880	4,057,188
		$ 32,187,945
Railroad & Shipping – 1.2%		
Canadian National Railway Co.	79,910	$ 7,272,609
Restaurants – 1.0%		
McDonald's Corp.	69,040	$ 6,090,018
Specialty Chemicals – 2.0%		
Linde AG	34,033	$ 5,934,996
Praxair, Inc.	54,440	5,958,458
		$ 11,893,454
Specialty Stores – 0.6%		
Hennes & Mauritz AB, "B"	104,240	$ 3,622,271
Telecommunications – Wireless – 1.3%		
American Tower Corp., REIT	98,260	$ 7,592,550
Telephone Services – 0.8%		
AT&T, Inc.	136,780	$ 4,610,854
Tobacco – 1.5%		
Philip Morris International, Inc.	110,920	$ 9,277,349
Trucking – 1.0%		
United Parcel Service, Inc., "B"	81,570	$ 6,014,156
Utilities – Electric Power – 3.1%		
Alliant Energy Corp.	93,950	$ 4,125,344
American Electric Power Co., Inc.	139,150	5,938,922
CMS Energy Corp.	169,220	4,125,584
Wisconsin Energy Corp.	116,520	4,293,762
		$ 18,483,612
Total Common Stocks (Identified Cost, $488,361,533)		**$590,391,234**
MONEY MARKET FUNDS – 0.9%		
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)	5,740,723	$ 5,740,723
Total Investments (Identified Cost, $494,102,256)		**$596,131,957**
OTHER ASSETS, LESS LIABILITIES – 0.2%		**969,199**
Net Assets – 100.0%		**$597,101,156**

(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:

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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $488,361,533)	$590,391,234	
Underlying affiliated funds, at cost and value	5,740,723	
Total investments, at value (identified cost, $494,102,256)	$596,131,957	
Cash	3,683	
Receivables for		
Investments sold	6,199,735	
Fund shares sold	705,544	
Interest and dividends	289,036	
Other assets	4,927	
Total assets		$603,334,882
Liabilities		
Payables for		
Investments purchased	$5,058,162	
Fund shares reacquired	1,028,270	
Payable to affiliates		
Investment adviser	49,546	
Shareholder servicing costs	618	
Distribution and/or service fees	3,834	
Payable for independent Trustees' compensation	470	
Accrued expenses and other liabilities	92,826	
Total liabilities		$6,233,726
Net assets		$597,101,156
Net assets consist of		
Paid-in capital	$493,791,899	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	102,031,142	
Accumulated net realized gain (loss) on investments and foreign currency	(5,225,998)	
Undistributed net investment income	6,504,113	
Net assets		$597,101,156
Shares of beneficial interest outstanding		26,084,127

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$455,295,096	19,858,130	$22.93
Service Class	141,806,060	6,225,997	22.78

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 12/31/12

Net investment income		
Income		
Dividends	$11,677,666	
Interest	73,992	
Dividends from underlying affiliated funds	7,203	
Foreign taxes withheld	(184,071)	
Total investment income		$11,574,790
Expenses		
Management fee	$4,382,985	
Distribution and/or service fees	265,267	
Shareholder servicing costs	54,289	
Administrative services fee	93,709	
Independent Trustees' compensation	18,634	
Custodian fee	64,492	
Shareholder communications	99,271	
Audit and tax fees	51,401	
Legal fees	6,924	
Miscellaneous	31,237	
Total expenses		$5,068,209
Reduction of expenses by investment adviser	(2,060)	
Net expenses		$5,066,149
Net investment income		$6,508,641
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$40,702,558	
Foreign currency	(3,545)	
Net realized gain (loss) on investments and foreign currency		$40,699,013
Change in unrealized appreciation (depreciation)		
Investments	$54,987,685	
Translation of assets and liabilities in foreign currencies	2,876	
Net unrealized gain (loss) on investments and foreign currency translation		$54,990,561
Net realized and unrealized gain (loss) on investments and foreign currency		$95,689,574
Change in net assets from operations		$102,198,215

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	2012	2011
From operations		
Net investment income	$6,508,641	$5,031,290
Net realized gain (loss) on investments and foreign currency	40,699,013	23,627,753
Net unrealized gain (loss) on investments and foreign currency translation	54,990,561	(39,378,834)
Change in net assets from operations	$102,198,215	$(10,719,791)
Distributions declared to shareholders		
From net investment income	$(5,015,022)	$(5,466,481)
Change in net assets from fund share transactions	$(64,974,502)	$(84,509,302)
Total change in net assets	$32,208,691	$(100,695,574)
Net assets		
At beginning of period	564,892,465	665,588,039
At end of period (including undistributed net investment income of $6,504,113 and $5,014,039, respectively)	$597,101,156	$564,892,465

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$19.41	$20.04	$18.24	$14.64	$23.52
Income (loss) from investment operations					
Net investment income (d)	$0.25	$0.17	$0.16	$0.19	$0.24
Net realized and unrealized gain (loss) on investments and foreign currency	3.46	(0.61)	1.86	3.67	(7.54)
Total from investment operations	$3.71	$(0.44)	$2.02	$3.86	$(7.30)
Less distributions declared to shareholders					
From net investment income	$(0.19)	$(0.19)	$(0.22)	$(0.26)	$(0.17)
From net realized gain on investments	—	—	—	—	(1.41)
Total distributions declared to shareholders	$(0.19)	$(0.19)	$(0.22)	$(0.26)	$(1.58)
Net asset value, end of period (x)	$22.93	$19.41	$20.04	$18.24	$14.64
Total return (%) (k)(r)(s)(x)	19.18	(2.18)	11.10	26.90	(33.08)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.82	0.82	0.83	0.86	0.84
Expenses after expense reductions (f)	0.82	0.82	0.83	0.86	0.84
Net investment income	1.15	0.84	0.87	1.25	1.25
Portfolio turnover	28	22	22	34	29
Net assets at end of period (000 omitted)	$455,295	$486,500	$603,279	$636,809	$560,356

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$19.31	$19.95	$18.16	$14.56	$23.39
Income (loss) from investment operations					
Net investment income (d)	$0.20	$0.12	$0.11	$0.15	$0.19
Net realized and unrealized gain (loss) on investments and foreign currency	3.43	(0.61)	1.86	3.65	(7.51)
Total from investment operations	$3.63	$(0.49)	$1.97	$3.80	$(7.32)
Less distributions declared to shareholders					
From net investment income	$(0.16)	$(0.15)	$(0.18)	$(0.20)	$(0.10)
From net realized gain on investments	—	—	—	—	(1.41)
Total distributions declared to shareholders	$(0.16)	$(0.15)	$(0.18)	$(0.20)	$(1.51)
Net asset value, end of period (x)	$22.78	$19.31	$19.95	$18.16	$14.56
Total return (%) (k)(r)(s)(x)	18.83	(2.42)	10.88	26.56	(33.25)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.07	1.07	1.08	1.11	1.09
Expenses after expense reductions (f)	1.07	1.07	1.08	1.11	1.09
Net investment income	0.93	0.60	0.63	0.99	1.00
Portfolio turnover	28	22	22	34	29
Net assets at end of period (000 omitted)	$141,806	$78,392	$62,309	$46,267	$38,259

(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 this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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. 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, 2012 in valuing the fund's assets or liabilities:

Investments at Value	Level 1	Level 2	Level 3	Total
Equity Securities:				
United States	$525,256,980	$—	$—	$525,256,980
France	—	15,016,162	—	15,016,162
United Kingdom	—	12,409,696	—	12,409,696
Canada	11,329,797	—	—	11,329,797
Germany	—	9,583,879	—	9,583,879
Netherlands	1,977,065	6,185,562	—	8,162,627
Israel	5,009,822	—	—	5,009,822
Sweden	—	3,622,271	—	3,622,271
Mutual Funds	5,740,723	—	—	5,740,723
Total Investments	$549,314,387	$46,817,570	$—	$596,131,957

For further information regarding security characteristics, see the Portfolio of Investments.

Of the level 2 investments presented above, equity investments amounting to $21,421,733 would have been considered level 1 investments at the beginning of the period. The primary reason for changes in the classifications between levels 1 and 2 occurs when foreign equity securities are fair valued using other observable market-based inputs in place of the closing exchange price due to events occurring after the close of the exchange or market on which the investment is principally traded. The fund's foreign equity securities may often be valued at fair value. The fund's policy is to recognize transfers between the levels as of the end of the period.

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. At December 31, 2012, there were no securities on loan or collateral outstanding.

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, 2012, 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. 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:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$5,015,022	$5,466,481

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$494,806,947
Gross appreciation	114,636,831
Gross depreciation	(13,311,821)
Net unrealized appreciation (depreciation)	101,325,010
Undistributed ordinary income	6,504,113
Capital loss carryforwards	(4,521,307)
Other temporary differences	1,441

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, 2012, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/17	$(4,521,307)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$4,202,375	$4,901,513
Service Class	812,647	564,968
Total	$5,015,022	$5,466,481

(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 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, 2014. For the year ended December 31, 2012, 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, 2012 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, 2012, the fee was $53,230, which equated to 0.0091% 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, 2012, these costs amounted to $1,059.

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, 2012 was equivalent to an annual effective rate of 0.0160% 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $4,918 and are

included in "Miscellaneous" expense in 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 $2,060, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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 short-term obligations, aggregated $161,583,276 and $226,972,293, 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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	1,072,356	$23,443,603	956,445	$17,827,008
Service Class	3,048,806	66,280,256	1,634,433	32,550,264
	4,121,162	$89,723,859	2,590,878	$50,377,272
Shares issued to shareholders in reinvestment of distributions				
Initial Class	191,452	$4,202,375	258,655	$4,901,513
Service Class	37,226	812,647	29,956	564,968
	228,678	$5,015,022	288,611	$5,466,481
Shares reacquired				
Initial Class	(6,464,022)	$(139,811,290)	(6,254,861)	$(125,918,742)
Service Class	(920,519)	(19,902,093)	(727,691)	(14,434,313)
	(7,384,541)	$(159,713,383)	(6,982,552)	$(140,353,055)
Net change				
Initial Class	(5,200,214)	$(112,165,312)	(5,039,761)	$(103,190,221)
Service Class	2,165,513	47,190,810	936,698	18,680,919
	(3,034,701)	$(64,974,502)	(4,103,063)	$(84,509,302)

(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, 2012, the fund's commitment fee and interest expense were $3,765 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	3,692,509	105,367,748	(103,319,534)	5,740,723

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$7,203	$5,740,723

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, 2012, 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, 2012, 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 Investors Trust Series as of December 31, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

Portfolio Managers
T. Kevin Beatty
Edward Maloney

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 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 3rd quintile for the one-year period and the 1st quintile for the five-year period ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

The Trustees expressed 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 assigning a new portfolio manager for the Fund in 2012. 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, 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, if any. 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 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 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, 2012.

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" 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" 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®

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.

MFS®
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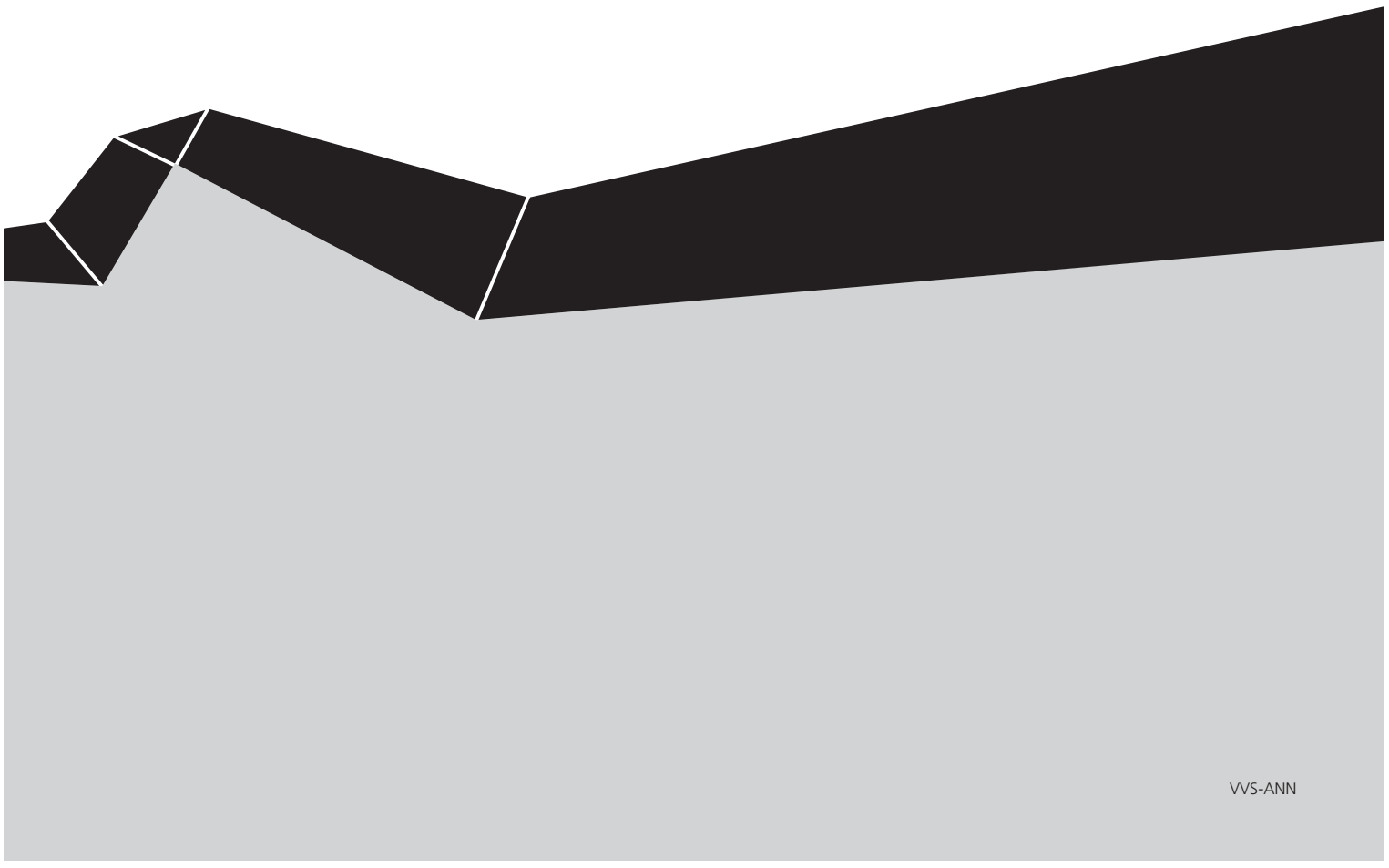
ANNUAL REPORT
December 31, 2012

MFS® CORE EQUITY SERIES

MFS® Variable Insurance Trust



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MFS® CORE EQUITY SERIES

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MFS® privacy notice 30

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:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

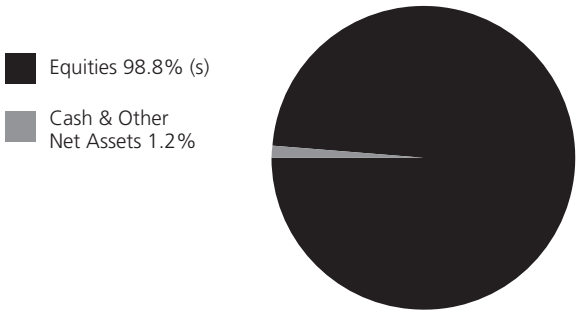
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top ten holdings (i)

Exxon Mobil Corp.	5.0%
Apple, Inc.	4.2%
Pfizer, Inc.	2.2%
ACE Ltd.	2.1%
Philip Morris International, Inc.	1.6%
JPMorgan Chase & Co.	1.5%
Google, Inc., "A"	1.4%
Visa, Inc., "A"	1.2%
Verizon Communications, Inc.	1.2%
Oracle Corp.	1.2%

Equity sectors (i)

Financial Services	17.7%
Technology (s)	15.7%
Health Care	10.7%
Energy	9.8%
Industrial Goods & Services	7.8%
Consumer Staples	7.4%
Utilities & Communications	6.7%
Leisure	6.3%
Retailing	6.0%
Basic Materials	3.8%
Special Products & Services	2.5%
Autos & Housing	2.3%
Transportation	2.1%

(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) Includes securities sold short.

Percentages are based on net assets as of 12/31/12.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS Core Equity Series ("fund") provided a total return of 16.23%, while Service Class shares of the fund provided a total return of 15.95%. These compare with a return of 16.42% over the same period for the fund's benchmark, the Russell 3000 Index.

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Detractors from Performance

Security selection in the *financial services* sector detracted from performance relative to the Russell 3000 Index. Not owning shares of strong-performing financial services firm Bank of America, as well as timing of ownership in shares of global bank Citigroup, held back relative results. Shares of Bank of America traded higher as the company reported earnings results that beat analysts' expectations which appeared to have demonstrated the effectiveness of the bank's cost-cutting efforts. The fund's holdings of financial services company EuroDekania Management Ltd. [b] also hurt relative returns.

Stock selection in the *basic materials* sector hindered relative performance during the quarter. There were no individual holdings within this sector that were among the fund's top relative detractors for the period.

Elsewhere, holding shares of computer products and service provider Hewlett-Packard Co., higher education company DeVry [h], mining equipment manufacturer Joy Global, Israeli-headquartered security software provider Check Point Software Technologies [b], semiconductor manufacturer Microchip Technology, and integrated oil and gas company Exxon Mobil weakened relative returns. Shares of Check Point Software Technologies traded lower as stronger competitive forces in its industry and a challenging global economic landscape weighed on the firm's profitability.

The fund's cash and/or cash equivalents position was also a detractor from relative performance. The fund strives to be fully invested and generally holds cash to buy new holdings and to provide liquidity. In a period when equity markets rose, as measured by the fund's benchmark, holding cash hurt performance versus the benchmark, which has no cash position.

Contributors to Performance

Stock selection in the *technology* sector was a positive factor for relative performance. Within this sector, the fund's holdings of computer and personal electronics maker Apple and information technology infrastructure management provider SolarWinds aided relative results as both stocks outperformed the benchmark. Shares of Apple traded higher throughout most of the period due to continued strong demand for its iPhone and iPad products as well as favorable rulings for the firm's patent infringement lawsuit against Samsung allowing the company to solidify its market share in the smartphone and tablet markets. The fund's avoidance of poor-performing semiconductor company Intel also helped relative results.

Security selection in the *leisure* sector contributed to relative performance, led by the fund's holdings of media and entertainment company News Corp. and credit ratings and data analytics provider Moody's.

Elsewhere, the fund's overweight positions in specialized payment products and services provider FleetCor Technologies, auto parts manufacturer Delphi Automotive, biotech firm Gilead Sciences, global payments technology company Visa, Inc., and global financial services firm JPMorgan Chase strengthened relative returns. Visa's shares traded higher over the period as consumer spending improved relative to prior years, allowing the company to consistently beat earnings expectations throughout the year.

Respectfully,

Joseph MacDougall
Portfolio Manager

(b) Security is not a benchmark constituent.
(h) Security was not held in the portfolio 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	8/14/96	16.23%	1.67%	7.19%
Service Class	5/01/00	15.95%	1.43%	6.92%

Comparative benchmark

Russell 3000 Index (f)	16.42%	2.04%	7.68%

(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.

EXPENSE TABLE

Fund Expenses Borne by the Contract Holders During the Period, July 1, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.90%	$1,000.00	$1,076.60	$4.70
	Hypothetical (h)	0.90%	$1,000.00	$1,020.61	$4.57
Service Class	Actual	1.15%	$1,000.00	$1,075.68	$6.00
	Hypothetical (h)	1.15%	$1,000.00	$1,019.36	$5.84

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/12

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 – 98.8%		
Aerospace – 3.1%		
Embraer S.A., ADR	3,280	$ 93,506
Honeywell International, Inc.	9,420	597,887
Lockheed Martin Corp.	1,840	169,814
Precision Castparts Corp.	2,230	422,407
United Technologies Corp.	6,200	508,462
		$ 1,792,076
Apparel Manufacturers – 1.3%		
Guess?, Inc.	8,160	$ 200,246
NIKE, Inc., "B"	5,760	297,216
VF Corp.	1,520	229,474
		$ 726,936
Automotive – 1.5%		
Delphi Automotive PLC (a)	14,970	$ 572,603
General Motors Co. (a)	9,660	278,498
		$ 851,101
Biotechnology – 1.9%		
Biogen Idec, Inc. (a)	1,690	$ 247,872
Celgene Corp. (a)	4,020	316,454
Gilead Sciences, Inc. (a)	4,210	309,225
ViroPharma, Inc. (a)	9,660	219,862
		$ 1,093,413
Broadcasting – 2.0%		
Interpublic Group of Companies, Inc.	7,640	$ 84,193
News Corp., "A"	22,370	571,330
Walt Disney Co.	9,780	486,946
		$ 1,142,469
Brokerage & Asset Managers – 1.1%		
BlackRock, Inc.	974	$ 201,336
Franklin Resources, Inc.	800	100,560
FXCM, Inc. "A"	6,850	68,980
GFI Group, Inc.	14,030	45,457
NASDAQ OMX Group, Inc.	7,672	191,877
		$ 608,210
Business Services – 1.7%		
Accenture PLC, "A"	3,550	$ 236,075
Automatic Data Processing, Inc.	4,680	266,807
FleetCor Technologies, Inc. (a)	6,040	324,046
Performant Financial Corp. (a)	13,530	136,653
		$ 963,581
Cable TV – 1.3%		
Comcast Corp., "Special A"	11,040	$ 396,888
Time Warner Cable, Inc.	3,520	342,109
		$ 738,997

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Chemicals – 0.9%		
Celanese Corp.	7,270	$ 323,733
PPG Industries, Inc.	1,230	166,481
		$ 490,214
Computer Software – 4.6%		
Autodesk, Inc. (a)	4,040	$ 142,814
Check Point Software Technologies Ltd. (a)	9,180	437,335
Citrix Systems, Inc. (a)	5,530	363,598
Microsoft Corp.	2,680	71,636
Nuance Communications, Inc. (a)	6,410	143,071
Oracle Corp.	20,000	666,400
Salesforce.com, Inc. (a)	2,980	500,938
SolarWinds, Inc. (a)	3,160	165,742
TIBCO Software, Inc. (a)	5,540	121,935
		$ 2,613,469
Computer Software – Systems – 6.2%		
Apple, Inc. (s)	4,500	$ 2,398,635
EMC Corp. (a)	20,560	520,168
FleetMatics Group PLC (a)	3,520	88,563
Hewlett-Packard Co.	21,980	313,215
International Business Machines Corp.	300	57,465
Verifone Systems, Inc. (a)	5,590	165,911
		$ 3,543,957
Construction – 0.8%		
Eagle Materials, Inc.	1,470	$ 85,995
Stanley Black & Decker, Inc.	5,150	380,946
		$ 466,941
Consumer Products – 2.0%		
Colgate-Palmolive Co.	5,880	$ 614,695
International Flavors & Fragrances, Inc.	3,660	243,536
Newell Rubbermaid, Inc.	12,290	273,698
		$ 1,131,929
Consumer Services – 0.8%		
Grand Canyon Education, Inc. (a)	2,840	$ 66,655
Priceline.com, Inc. (a)	590	366,508
		$ 433,163
Containers – 1.2%		
Packaging Corp. of America	6,200	$ 238,514
Silgan Holdings, Inc.	10,210	424,634
		$ 663,148
Electrical Equipment – 1.9%		
AMETEK, Inc.	6,585	$ 247,398
Danaher Corp.	10,460	584,714
Sensata Technologies Holding B.V. (a)	4,010	130,245
W.W. Grainger, Inc.	620	125,469
		$ 1,087,826

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Electronics – 2.5%		
Altera Corp.	16,100	$ 554,484
ASML Holding N.V.	2,926	188,464
KLA-Tencor Corp.	1,110	53,014
Linear Technology Corp.	5,370	184,191
Microchip Technology, Inc.	13,350	435,077
		$ 1,415,230
Energy – Independent – 3.2%		
Cabot Oil & Gas Corp.	4,550	$ 226,317
Concho Resources, Inc. (a)	1,740	140,174
CONSOL Energy, Inc.	1,510	48,471
EOG Resources, Inc.	1,880	227,085
EQT Corp.	3,670	216,457
Noble Energy, Inc.	3,520	358,125
Occidental Petroleum Corp.	2,490	190,759
Peabody Energy Corp.	1,660	44,173
Pioneer Natural Resources Co.	2,290	244,091
SM Energy Co.	1,904	99,408
		$ 1,795,060
Energy – Integrated – 5.0%		
Exxon Mobil Corp. (s)	32,650	$ 2,825,858
Food & Beverages – 3.1%		
Coca-Cola Co.	16,950	$ 614,438
Coca-Cola Enterprises, Inc.	6,100	193,553
General Mills, Inc.	8,440	341,060
Mead Johnson Nutrition Co., "A"	3,020	198,988
Mondelez International, Inc.	16,350	416,435
		$ 1,764,474
Food & Drug Stores – 1.0%		
CVS Caremark Corp.	9,190	$ 444,337
Kroger Co.	4,290	111,626
		$ 555,963
Gaming & Lodging – 0.6%		
Las Vegas Sands Corp.	5,220	$ 240,955
Wynn Resorts Ltd.	1,010	113,615
		$ 354,570
General Merchandise – 1.1%		
Target Corp.	10,830	$ 640,811
Health Maintenance Organizations – 0.8%		
Aetna, Inc.	8,900	$ 412,070
UnitedHealth Group, Inc.	490	26,578
		$ 438,648
Insurance – 3.9%		
ACE Ltd.	14,940	$ 1,192,212
American International Group, Inc. (a)	11,430	403,479
MetLife, Inc.	13,470	443,702
Validus Holdings Ltd.	4,790	165,638
		$ 2,205,031

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Internet – 2.6%		
eBay, Inc. (a)	3,870	$ 197,447
Google, Inc., "A" (a)	1,140	808,682
Millennial Media, Inc. (a)	8,600	107,758
Rackspace Hosting, Inc. (a)	3,480	258,460
Shutterfly, Inc. (a)	3,940	117,688
		$ 1,490,035
Leisure & Toys – 0.3%		
Activision Blizzard, Inc.	8,240	$ 87,509
Brunswick Corp.	2,520	73,307
		$ 160,816
Machinery & Tools – 2.8%		
Eaton Corp. PLC	7,770	$ 421,134
Joy Global, Inc.	6,180	394,160
Kennametal, Inc.	5,790	231,600
Roper Industries, Inc.	5,150	574,122
		$ 1,621,016
Major Banks – 4.5%		
Goldman Sachs Group, Inc.	2,390	$ 304,868
JPMorgan Chase & Co. (s)	20,030	880,719
PNC Financial Services Group, Inc.	7,490	436,742
State Street Corp.	7,290	342,703
Wells Fargo & Co.	17,110	584,820
		$ 2,549,852
Medical & Health Technology & Services – 1.2%		
AmerisourceBergen Corp.	4,340	$ 187,401
Cerner Corp. (a)	890	69,100
Express Scripts Holding Co. (a)	5,040	272,160
Henry Schein, Inc. (a)	1,140	91,724
Quest Diagnostics, Inc.	890	51,860
		$ 672,245
Medical Equipment – 2.3%		
Cooper Cos., Inc.	3,310	$ 306,109
Covidien PLC	7,590	438,247
Sirona Dental Systems, Inc. (a)	1,440	92,822
St. Jude Medical, Inc.	7,860	284,060
Thermo Fisher Scientific, Inc.	3,210	204,734
		$ 1,325,972
Metals & Mining – 0.6%		
Cliffs Natural Resources, Inc.	2,640	$ 101,798
Lundin Mining Corp. (a)	21,640	111,387
Teck Resources Ltd., "B"	4,289	155,873
		$ 369,058
Natural Gas – Distribution – 0.4%		
Spectra Energy Corp.	9,110	$ 249,432
Natural Gas – Pipeline – 0.3%		
Kinder Morgan, Inc.	4,456	$ 157,430
Network & Telecom – 0.5%		
Fortinet, Inc. (a)	10,730	$ 226,081
Juniper Networks, Inc. (a)	3,840	75,533
		$ 301,614

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Oil Services – 1.6%		
Cameron International Corp. (a)	4,620	$ 260,845
Dresser-Rand Group, Inc. (a)	3,950	221,753
FMC Technologies, Inc. (a)	2,820	120,781
Oil States International, Inc. (a)	820	58,663
Schlumberger Ltd.	2,770	191,933
Transocean, Inc.	1,660	74,119
		$ 928,094
Other Banks & Diversified Financials – 4.6%		
American Express Co.	2,020	$ 116,110
BancorpSouth, Inc.	4,410	64,121
CapitalSource, Inc.	21,350	161,833
CIT Group, Inc. (a)	9,220	356,261
Citigroup, Inc.	10,660	421,710
EuroDekania Ltd. (a)(z)	50,820	65,906
Fifth Third Bancorp	24,110	366,231
PrivateBancorp, Inc.	12,480	191,194
Visa, Inc., "A"	4,600	697,268
Western Union Co.	11,890	161,823
		$ 2,602,457
Pharmaceuticals – 4.5%		
Abbott Laboratories	6,900	$ 451,950
Eli Lilly & Co.	2,800	138,096
Johnson & Johnson	6,930	485,793
Perrigo Co.	960	99,869
Pfizer, Inc.	49,219	1,234,413
Teva Pharmaceutical Industries Ltd., ADR	4,030	150,480
		$ 2,560,601
Printing & Publishing – 0.5%		
Moody's Corp.	5,440	$ 273,741
Railroad & Shipping – 0.9%		
Union Pacific Corp.	4,220	$ 530,538
Real Estate – 3.6%		
Atrium European Real Estate Ltd.	13,250	$ 77,828
BioMed Realty Trust, Inc., REIT	21,790	421,201
Equity Lifestyle Properties, Inc., REIT	2,050	137,945
Mid-America Apartment Communities, Inc., REIT	9,660	625,485
Public Storage, Inc., REIT	2,310	334,858
Tanger Factory Outlet Centers, Inc., REIT	13,900	475,380
		$ 2,072,697
Restaurants – 1.6%		
McDonald's Corp.	7,080	$ 624,527
Starbucks Corp.	5,460	292,765
		$ 917,292
Specialty Chemicals – 1.1%		
Airgas, Inc.	2,040	$ 186,232
Albemarle Corp.	2,690	167,103
Ecolab, Inc.	3,900	280,410
		$ 633,745

Issuer	Shares/Par	Value ($)
COMMON STOCKS – continued		
Specialty Stores – 2.6%		
Amazon.com, Inc. (a)	370	$ 92,922
AutoZone, Inc. (a)	740	262,278
Bed Bath & Beyond, Inc. (a)	4,330	242,090
Children's Place Retail Store, Inc. (a)	3,630	160,773
Express, Inc. (a)	13,790	208,091
rue21, Inc. (a)	6,760	191,916
Tiffany & Co.	3,500	200,690
Urban Outfitters, Inc. (a)	3,660	144,058
		$ 1,502,818
Telecommunications – Wireless – 0.7%		
American Tower Corp., REIT	3,000	$ 231,810
SBA Communications Corp. (a)	1,960	139,199
		$ 371,009
Telephone Services – 2.2%		
AT&T, Inc.	14,530	$ 489,806
Frontier Communications Corp.	25,400	108,712
Verizon Communications, Inc.	15,610	675,445
		$ 1,273,963
Tobacco – 2.3%		
Lorillard, Inc.	3,600	$ 420,012
Philip Morris International, Inc.	10,700	894,948
		$ 1,314,960
Trucking – 1.2%		
Expeditors International of Washington, Inc.	7,220	$ 285,551
Swift Transportation Co. (a)	43,350	395,352
		$ 680,903
Utilities – Electric Power – 2.4%		
AES Corp.	13,040	$ 139,528
American Electric Power Co., Inc.	4,840	206,571
Calpine Corp. (a)	11,170	202,512
CMS Energy Corp.	10,530	256,721
Edison International	3,860	174,433
Great Plains Energy, Inc.	10,110	205,334
PG&E Corp.	4,070	163,533
		$ 1,348,632
Total Common Stocks (Identified Cost, $50,881,148)		**$56,251,995**
CONVERTIBLE PREFERRED STOCKS – 0.7%		
Utilities – Electric Power – 0.7%		
PPL Corp., 9.5%	3,660	$ 191,455
PPL Corp., 8.75%	3,270	175,697
Total Convertible Preferred Stocks (Identified Cost, $352,234)		**$ 367,152**

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.0%				
Natural Gas – Pipeline – 0.0%				
Kinder Morgan, Inc. (1 share for 1 warrant) (Identified Cost, $6,157)(a)	$40	2/15/17	3,232	$ 12,217
CALL OPTIONS PURCHASED – 0.0%				
Internet – 0.0%				
Pandora Media, Inc. – January 2013 @ $13 (Premiums Paid, $3,873)			45	$ 45
MONEY MARKET FUNDS – 0.6%				
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)			353,894	$ 353,894
Total Investments (Identified Cost, $51,597,306)				**$56,985,303**
CALL OPTIONS WRITTEN – (0.1)%				
Computer Software – 0.0%				
Solarwinds Inc. – January 2014 @ $65			(31)	$ (10,230)
Internet – 0.0%				
Rackspace Hosting Inc. – January 2014 @ $90			(34)	$ (17,340)

Issuer	Shares/Par	Value ($)
CALL OPTIONS WRITTEN – continued		
Network & Telecom – 0.0%		
Fortinet Inc. – January 2014 @ $30	(10)	$ (1,250)
Total Call Options Written (Premiums Received, $32,000)		**$ (28,820)**
SECURITIES SOLD SHORT – (0.4)%		
Electronics – (0.2)%		
Xilinx, Inc.	(3,500)	$ (125,650)
Network & Telecom – (0.2)%		
EZchip Semiconductor Ltd., Inc. (a)	(3,200)	$ (105,824)
Total Securities Sold Short (Proceeds Received, $222,407)		**$ (231,474)**
OTHER ASSETS, LESS LIABILITIES – 0.4%		**217,388**
Net Assets – 100.0%		**$56,942,397**

(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.

(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.	6/25/2007	$737,167	$65,906
% of Net assets			0.1%

At December 31, 2012, the fund had cash collateral of $225,823 and other liquid securities with an aggregate value of $577,802 to cover any commitments for securities sold short and certain derivative contracts. Cash collateral is comprised of "Deposits with brokers" in the Statement of Assets and Liabilities.

The following abbreviations are used in this report and are defined:

ADR American Depositary 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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $51,243,412)	$56,631,409	
Underlying affiliated funds, at cost and value	353,894	
Total investments, at value (identified cost, $51,597,306)	$56,985,303	
Deposits with brokers	225,823	
Receivables for		
Investments sold	102,116	
Fund shares sold	7,307	
Interest and dividends	46,307	
Other assets	754	
Total assets		$57,367,610
Liabilities		
Payables for		
Securities sold short, at value (proceeds received, $222,407)	$231,474	
Investments purchased	50,107	
Fund shares reacquired	63,475	
Written options outstanding, at value (premiums received, $32,000)	28,820	
Payable to affiliates		
Investment adviser	3,070	
Shareholder servicing costs	147	
Distribution and/or service fees	93	
Payable for independent Trustees' compensation	49	
Accrued expenses and other liabilities	47,978	
Total liabilities		$425,213
Net assets		$56,942,397
Net assets consist of		
Paid-in capital	$67,562,939	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	5,382,085	
Accumulated net realized gain (loss) on investments and foreign currency	(16,619,069)	
Undistributed net investment income	616,442	
Net assets		$56,942,397
Shares of beneficial interest outstanding		3,221,547

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$53,504,237	3,026,499	$17.68
Service Class	3,438,160	195,048	17.63

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 12/31/12

Net investment income		
Income		
Dividends	$1,161,259	
Interest	1,452	
Dividends from underlying affiliated funds	690	
Foreign taxes withheld	(2,507)	
Total investment income		$1,160,894
Expenses		
Management fee	$444,567	
Distribution and/or service fees	8,763	
Shareholder servicing costs	5,960	
Administrative services fee	18,837	
Independent Trustees' compensation	3,126	
Custodian fee	16,106	
Shareholder communications	34,049	
Audit and tax fees	53,605	
Legal fees	900	
Dividend and interest expense on securities sold short	1,213	
Miscellaneous	12,176	
Total expenses		$599,302
Fees paid indirectly	(4)	
Reduction of expenses by investment adviser	(55,288)	
Net expenses		$544,010
Net investment income		$616,884
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$4,741,535	
Written options	8,527	
Securities sold short	3,888	
Foreign currency	(236)	
Net realized gain (loss) on investments and foreign currency		$4,753,714
Change in unrealized appreciation (depreciation)		
Investments	$3,557,537	
Written options	2,029	
Securities sold short	(9,067)	
Translation of assets and liabilities in foreign currencies	(45)	
Net unrealized gain (loss) on investments and foreign currency translation		$3,550,454
Net realized and unrealized gain (loss) on investments and foreign currency		$8,304,168
Change in net assets from operations		$8,921,052

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	2012	2011
From operations		
Net investment income	$616,884	$447,180
Net realized gain (loss) on investments and foreign currency	4,753,714	3,839,546
Net unrealized gain (loss) on investments and foreign currency translation	3,550,454	(4,723,782)
Change in net assets from operations	$8,921,052	$(437,056)
Distributions declared to shareholders		
From net investment income	$(445,589)	$(586,002)
Change in net assets from fund share transactions	$(9,541,139)	$(8,193,687)
Total change in net assets	$(1,065,676)	$(9,216,745)
Net assets		
At beginning of period	58,008,073	67,224,818
At end of period (including undistributed net investment income of $616,442 and $445,383, respectively)	$56,942,397	$58,008,073

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$15.33	$15.65	$13.49	$10.38	$17.18
Income (loss) from investment operations					
Net investment income (d)	$0.18	$0.11	$0.13	$0.14	$0.16
Net realized and unrealized gain (loss) on investments and foreign currency	2.30	(0.28)	2.18	3.16	(6.85)
Total from investment operations	$2.48	$(0.17)	$2.31	$3.30	$(6.69)
Less distributions declared to shareholders					
From net investment income	$(0.13)	$(0.15)	$(0.15)	$(0.19)	$(0.11)
Net asset value, end of period (x)	$17.68	$15.33	$15.65	$13.49	$10.38
Total return (%) (k)(r)(s)(x)	16.23	(1.02)	17.21	32.43	(39.15)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.00	1.00	1.01	1.01	0.95
Expenses after expense reductions (f)	0.90	0.91	0.91	0.90	0.90
Net investment income	1.05	0.72	0.93	1.20	1.13
Portfolio turnover	64	68	69	90	109
Net assets at end of period (000 omitted)	$53,504	$54,471	$62,602	$61,856	$54,049
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	0.90	N/A

See Notes to Financial Statements

Financial Highlights – continued

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$15.28	$15.59	$13.45	$10.32	$17.07
Income (loss) from investment operations					
Net investment income (d)	$0.14	$0.07	$0.09	$0.11	$0.12
Net realized and unrealized gain (loss) on investments and foreign currency	2.29	(0.27)	2.17	3.17	(6.81)
Total from investment operations	$2.43	$(0.20)	$2.26	$3.28	$(6.69)
Less distributions declared to shareholders					
From net investment income	$(0.08)	$(0.11)	$(0.12)	$(0.15)	$(0.06)
Net asset value, end of period (x)	$17.63	$15.28	$15.59	$13.45	$10.32
Total return (%) (k)(r)(s)(x)	15.95	(1.28)	16.86	32.24	(39.32)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.25	1.25	1.26	1.26	1.20
Expenses after expense reductions (f)	1.15	1.16	1.16	1.15	1.15
Net investment income	0.81	0.47	0.67	0.95	0.87
Portfolio turnover	64	68	69	90	109
Net assets at end of period (000 omitted)	$3,438	$3,537	$4,623	$4,783	$4,571
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	1.15	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.

(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 this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities:				
United States	$55,350,577	$45	$—	$55,350,622
Israel	587,815	—	—	587,815
Canada	267,261	—	—	267,261
Netherlands	188,464	—	—	188,464
Brazil	93,513	—	—	93,513
Austria	77,828	—	—	77,828
United Kingdom	—	—	65,906	65,906
Mutual Funds	353,894	—	—	353,894
Total Investments	$56,919,352	$45	$65,906	$56,985,303
Short Sales	$(231,474)	$—	$—	$(231,474)
Other Financial Instruments				
Written Options	$(28,820)	$—	$—	$(28,820)

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 12/31/11	$127,787
Change in unrealized appreciation (depreciation)	(61,881)
Balance as of 12/31/12	$65,906

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2012 is $(61,881).

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, 2012 as reported in the Statement of Assets and Liabilities:

		Fair Value (a)	
Risk	**Derivative Contracts**	**Asset Derivatives**	**Liability Derivatives**
Equity	Purchased Equity Options	$45	$—
Equity	Written Equity Options	—	(28,820)
Total		$45	$(28,820)

(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, 2012 as reported in the Statement of Operations:

Risk	**Investments (Purchased Options)**	**Written Options**
Equity	$15,759	$8,527

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, 2012 as reported in the Statement of Operations:

Risk	**Investments (Purchased Options)**	**Written Options**
Equity	$(3,828)	$2,029

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 contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements 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 in the Statement of Assets and Liabilities as "Deposits with brokers." 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 in 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.

Written Options

	Number of contracts	Premiums received
Outstanding, beginning of period	16	$1,711
Options written	193	44,215
Options closed	(87)	(10,260)
Options expired	(47)	(3,666)
Outstanding, end of period	75	$32,000

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 hedge against an anticipated increase in the dollar cost of securities or currency to be acquired or increase the fund's exposure to an underlying instrument. Purchasing put options may hedge against an anticipated decline in the value of portfolio securities or currency or decrease the fund's exposure to an underlying instrument.

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 purchased. 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.

Whether or not the option is exercised, the fund's maximum risk of loss from purchasing an option is the amount of premium paid. All option contracts involve credit risk if the counterparty to the option contract fails to perform. 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, 2012, this expense amounted to $1,213. 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 in 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. At December 31, 2012, there were no securities on loan or collateral outstanding.

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, 2012, is shown as a reduction of total expenses in 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period. 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.

During the year ended December 31, 2012, there were no significant adjustments due to differences between book and tax accounting.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$445,589	$586,002

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$51,607,762
Gross appreciation	7,827,149
Gross depreciation	(2,449,608)
Net unrealized appreciation (depreciation)	$5,377,541
Undistributed ordinary income	616,442
Capital loss carryforwards	(16,594,917)
Other temporary differences	(19,608)

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, 2012, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

Pre-enactment losses:	
12/31/16	$(7,590,612)
12/31/17	(9,004,305)
Total	$(16,594,917)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$428,757	$560,229
Service Class	16,832	25,773
Total	$445,589	$586,002

(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, 2012 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, 2014. For the year ended December 31, 2012, this reduction amounted to $55,074 and is reflected as a reduction of total expenses in the Statement 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, 2012, the fee was $5,424, which equated to 0.0091% 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, 2012, these costs amounted to $536.

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, 2012 was equivalent to an annual effective rate of 0.0318% 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $501 and are included in "Miscellaneous" expense in 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 $214, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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, short sales, and short-term obligations, aggregated $37,380,747 and $46,431,870, 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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	320,287	$5,394,125	432,255	$6,792,348
Service Class	11,414	193,883	22,622	357,190
	331,701	$5,588,008	454,877	$7,149,538
Shares issued to shareholders in reinvestment of distributions				
Initial Class	25,236	$428,757	38,215	$560,229
Service Class	992	16,832	1,762	25,773
	26,228	$445,589	39,977	$586,002
Shares reacquired				
Initial Class	(872,197)	$(14,755,256)	(917,874)	$(14,513,082)
Service Class	(48,838)	(819,480)	(89,506)	(1,416,145)
	(921,035)	$(15,574,736)	(1,007,380)	$(15,929,227)
Net change				
Initial Class	(526,674)	$(8,932,374)	(447,404)	$(7,160,505)
Service Class	(36,432)	(608,765)	(65,122)	(1,033,182)
	(563,106)	$(9,541,139)	(512,526)	$(8,193,687)

(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, 2012, the fund's commitment fee and interest expense were $385 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	284,156	14,541,988	(14,472,250)	353,894

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$690	$353,894

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, 2012, 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, 2012, 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, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 2nd quintile for each of the one- and five-year periods ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may 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 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 approximately at the Lipper expense group median.

The Trustees also considered the advisory fees charged by MFS to institutional accounts, if any. 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 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, 2012.

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" 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" 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®

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.

MFS®
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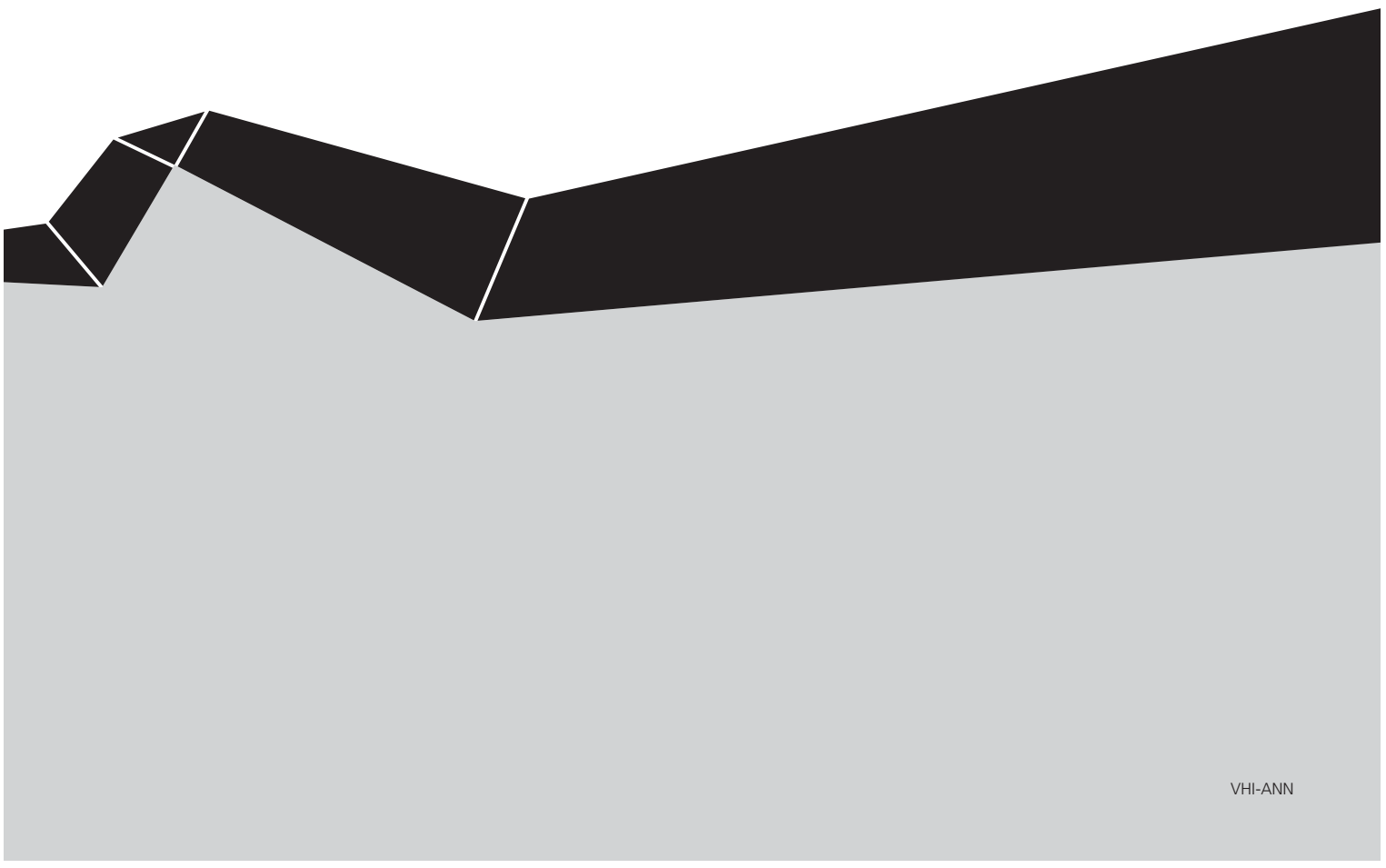
ANNUAL REPORT
December 31, 2012

MFS® HIGH INCOME SERIES

MFS® Variable Insurance Trust



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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:

The global market outlook for 2013 is one of cautious optimism. While we are seeing some positive economic trends in the United States, Europe and China, the overall environment remains challenging. In the United States, the recent fiscal cliff agreement was received positively by investors, even though it mostly addressed pressing taxation issues and did not resolve additional concerns, including the need for spending cuts and a large-scale reduction of the federal debt. These issues will be front and center again in the spring. Despite the ongoing uncertainty, economic tailwinds are gathering strength as the U.S. housing and job markets are improving and consumer confidence is rising.

Overseas, the debt crisis continues to weigh heavily on eurozone markets, with even Germany — long an economic stalwart — experiencing some contraction. These ongoing challenges could be a drag on global market performance this year. In Asia, manufacturing activity has accelerated in emerging markets such as China and India, and we are seeing signs of stabilized loan growth in China, a leading indicator of that country's economic health. In contrast, Japan's economy is contracting sharply under deflationary pressures. Nevertheless, Japanese markets have responded favorably to early actions by the new government, which appears determined to act aggressively, along with the Bank of Japan, to stimulate growth.

As always, managing risk in the face of uncertainty remains a top priority for investors. At MFS®, our uniquely collaborative investment process revolves around global research and our disciplined risk management approach. Our global team of investment professionals shares ideas and evaluates opportunities across continents, investment disciplines and asset classes — all with a goal of building better insights, and ultimately better results, for our clients.

We remain mindful of the many economic challenges investors face today, and believe it is more important than ever to maintain a long-term view, employ time-tested principles, such as asset allocation and diversification, and work closely with investment advisors to identify and pursue the most suitable opportunities.

Respectfully,

Robert J. Manning

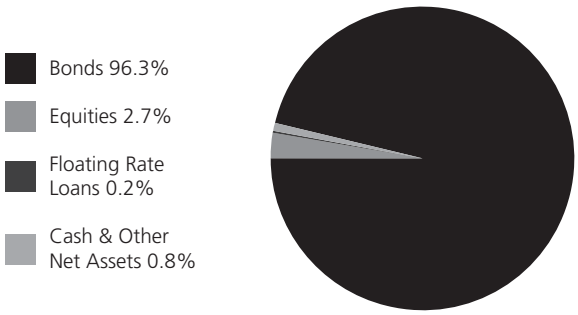
Robert J. Manning
Chairman and Chief Executive Officer
MFS Investment Management®

February 15, 2013

The opinions expressed in this letter are subject to change, may not be relied upon for investment advice, and no forecasts can be guaranteed.

PORTFOLIO COMPOSITION

Portfolio structure (i)



Top five industries (i)

Energy – Independent	8.4%
Broadcasting	6.1%
Medical & Health Technology & Services	5.6%
Utilities – Electric Power	4.3%
Telecommunications – Wireless	4.1%

Composition including fixed income credit quality (a)(i)

A	0.3%
BBB	6.4%
BB	31.8%
B	43.3%
CCC	14.4%
CC	0.1%
C	0.1%
D	0.1%
Not Rated (o)	0.0%
Non-Fixed Income	2.7%
Cash & Other	0.8%

Portfolio facts (i)

Average Duration (d)	3.8
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). Securities rated BBB or higher are considered investment grade. All ratings are subject to change. Not Rated includes fixed income securities, including fixed income futures contracts, 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, if any. 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.

(o) Less than 0.1%

Percentages are based on net assets as of 12/31/12.

The portfolio is actively managed and current holdings may be different.

MANAGEMENT REVIEW

Summary of Results

For the twelve months ended December 31, 2012, Initial Class shares of the MFS High Income Series ("fund") provided a total return of 14.69%, while Service Class shares of the fund provided a return of 14.43%. These compare with a return of 15.78% over the same period for the fund's benchmark, the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index.

Market Environment

The beginning of the period was characterized by a risk-on sentiment as a result of additional liquidity measures by the Federal Reserve Bank ("Fed") and the European Central Bank ("ECB") as well as a commensurate improvement in macroeconomic conditions. During this time, global equity valuations rose, credit spreads contracted, and high-quality sovereign yields increased modestly.

During the middle of the period, however, conditions worsened, driven by broadly weaker global macroeconomic indicators, as well as renewed concerns over the eurozone's capacity and determination to address its ongoing crisis. Despite this deterioration, broad market sentiment remained relatively resilient as equity markets generally maintained gains and credit spreads did not indicate deterioration.

However, this renewed weakness in the fundamentals precipitated a further round of monetary easing by both the Fed (through a third round of quantitative easing) and the ECB (through a new bond purchase facility) in the second half of the period, which soon instilled additional confidence in risk markets. Nonetheless, towards the end of the period, weaker equity earnings reports and declining forward guidance caused market sentiment to soften. In addition, as we moved toward year end, the fiscal cliff negotiations between the Republicans in the U.S. Congress and President Obama were a particular source of market attention, where uncertainty surrounding the fiscal negotiations continued right up to the end-of-year deadline.

Detractors from Performance

Relative to the Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index, the fund's lesser exposure to "BB" (r) and "B" rated securities detracted from performance as lower-quality issues appeared to have benefited from strong investor demand due to a liquidity-fueled rally during the reporting period.

The portion of the fund's return derived from yield, which was less than that of the benchmark, weighed on relative results. The fund's lesser exposure to the *telecom* sector also hindered relative performance as this market segment performed well during the reporting period.

Bond selection was another negative factor for relative results. Among individual securities, debt holdings of oil and natural gas exploration and production company OGX Petroleo, oil and natural gas property company ATP Oil & Gas (h), and Spanish language radio and television station owner and operator LBI Media were among the fund's top relative detractors for the reporting period.

Contributors to Performance

The fund's greater exposure to the *finance* sector contributed to relative results as this sector posted strong returns for the reporting period. A greater exposure to "BBB" rated securities further supported positive relative results.

Top individual contributors during the reporting period included the fund's debt holdings of insurance firm American International Group, financial services firm Royal Bank of Scotland, UK-based bank Santander UK, cement producer CEMEX, and investment bank LBG Capital.

Respectfully,

William Adams	David Cole
Portfolio Manager	Portfolio Manager

(h) Security was not held in the portfolio at period end.

(r) Bonds rated "BBB", "Baa", or higher are considered investment grade; bonds rated "BB", "Ba", or below are considered non-investment grade. The sources for bond quality ratings are 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.

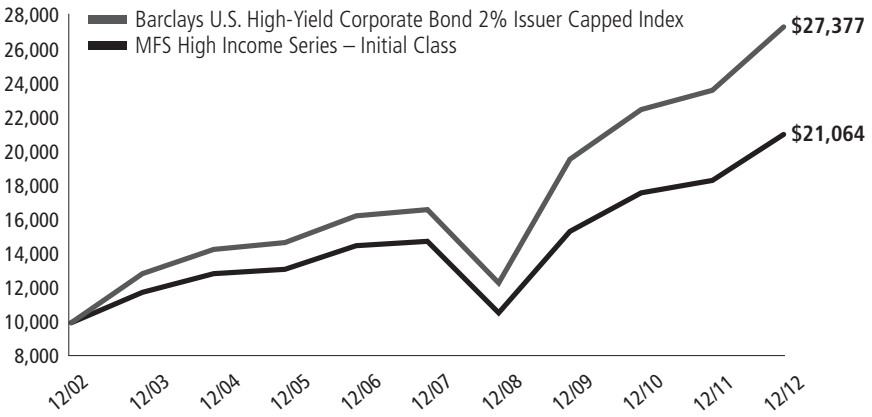
The views expressed in this report are those of the portfolio managers only through the end of the period of the report as stated on the cover and do not necessarily reflect the views of MFS or any other person in the MFS organization. These views are subject to change at any time based on market or 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 12/31/12

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 12/31/12

Average annual total returns

Share Class	Class inception date	1-yr	5-yr	10-yr
Initial Class	7/26/95	14.69%	7.35%	7.73%
Service Class	5/01/00	14.43%	7.09%	7.47%

Comparative benchmark

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index (f)	15.78%	10.45%	10.60%

(f) Source: FactSet Research Systems Inc.

Benchmark Definition

Barclays U.S. High-Yield Corporate Bond 2% Issuer Capped Index – a component of the Barclays 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 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, 2012 through December 31, 2012

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, 2012 through December 31, 2012.

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 7/01/12	Ending Account Value 12/31/12	Expenses Paid During Period (p) 7/01/12-12/31/12
Initial Class	Actual	0.81%	$1,000.00	$1,074.36	$4.22
	Hypothetical (h)	0.81%	$1,000.00	$1,021.06	$4.12
Service Class	Actual	1.06%	$1,000.00	$1,072.80	$5.52
	Hypothetical (h)	1.06%	$1,000.00	$1,019.81	$5.38

(h) 5% class return per year before expenses.

(p) Expenses paid are equal to each class's 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 – 12/31/12

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 – 94.5%		
Aerospace – 2.1%		
Bombardier, Inc., 7.5%, 2018 (n)	$ 1,370,000	$ 1,525,838
Bombardier, Inc., 7.75%, 2020 (n)	740,000	839,900
CPI International, Inc., 8%, 2018	1,040,000	1,015,300
Heckler & Koch GmbH, 9.5%, 2018 (z)	EUR 386,000	440,718
Huntington Ingalls Industries, Inc., 7.125%, 2021	$ 1,570,000	1,707,335
Kratos Defense & Security Solutions, Inc., 10%, 2017	1,280,000	1,404,800
		$ 6,933,891
Apparel Manufacturers – 1.1%		
Hanesbrands, Inc., 8%, 2016	$ 115,000	$ 126,213
Hanesbrands, Inc., 6.375%, 2020	535,000	588,500
Jones Group, Inc., 6.875%, 2019	790,000	821,600
Levi Strauss & Co., 6.875%, 2022	165,000	176,963
PVH Corp., 7.375%, 2020	1,135,000	1,272,619
PVH Corp., 4.5%, 2022	600,000	606,000
		$ 3,591,895
Asset-Backed & Securitized – 0.4%		
Arbor Realty Mortgage Securities, CDO, FRN, 2.618%, 2038 (z)	$ 568,229	$ 170,469
Citigroup Commercial Mortgage Trust, FRN, 5.702%, 2049	985,952	187,075
Crest Ltd., CDO, 7%, 2040 (a)(p)	1,006,567	50,328
CWCapital Cobalt Ltd., CDO, 6.23%, 2045 (a)(p)(z)	1,201,143	12,011
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.614%, 2050 (z)	525,913	1,315
First Union National Bank Commercial Mortgage Trust, 6.75%, 2032	548,467	274,288
G-Force LLC, CDO, "A2", 4.83%, 2036 (z)	511,350	513,906
JPMorgan Chase Commercial Mortgage Securities Corp., "C", FRN, 6.001%, 2051	750,000	224,906
		$ 1,434,298
Automotive – 3.5%		
Accuride Corp., 9.5%, 2018	$ 1,130,000	$ 1,090,450
Allison Transmission, Inc., 7.125%, 2019 (n)	1,480,000	1,579,900
Continental Rubber of America Corp., 4.5%, 2019 (n)	235,000	240,498
Ford Motor Co., 7.45%, 2031	320,000	406,400
Ford Motor Credit Co. LLC, 12%, 2015	1,926,000	2,364,165
Ford Motor Credit Co. LLC, 8.125%, 2020	395,000	506,144
General Motors Financial Co., Inc., 4.75%, 2017 (n)	435,000	457,398
General Motors Financial Co., Inc., 6.75%, 2018	905,000	1,038,201
Goodyear Tire & Rubber Co., 8.25%, 2020	230,000	252,425
Goodyear Tire & Rubber Co., 7%, 2022	425,000	455,813
Jaguar Land Rover PLC, 7.75%, 2018 (n)	200,000	218,000

Issuer	Shares/Par	Value ($)
BONDS – continued		
Automotive – continued		
Jaguar Land Rover PLC, 8.125%, 2021 (n)	$1,935,000	$ 2,128,500
Lear Corp., 8.125%, 2020	562,000	633,655
		$ 11,371,549
Broadcasting – 5.8%		
Allbritton Communications Co., 8%, 2018	$ 490,000	$ 531,650
AMC Networks, Inc., 7.75%, 2021	896,000	1,025,920
Clear Channel Communications, Inc., 9%, 2021	908,000	810,390
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 (n)	235,000	241,463
Clear Channel Worldwide Holdings, Inc., 6.5%, 2022 (n)	635,000	658,813
Clear Channel Worldwide Holdings, Inc., "A", 7.625%, 2020	50,000	49,875
Clear Channel Worldwide Holdings, Inc., "B", 7.625%, 2020	535,000	539,013
Hughes Network Systems LLC, 7.625%, 2021	645,000	733,688
IAC/InterActiveCorp, 4.75%, 2022 (z)	135,000	134,325
Inmarsat Finance PLC, 7.375%, 2017 (n)	860,000	924,500
Intelsat Bermuda Ltd., 11.25%, 2017	1,735,000	1,834,763
Intelsat Bermuda Ltd., 11.5%, 2017 (p)	1,480,000	1,572,500
Intelsat Jackson Holdings Ltd., 6.625%, 2022 (n)	785,000	810,513
LBI Media, Inc., 13.5% to 2015, 11.5% to 2020 (p)(z)	410,000	172,200
Liberty Media Corp., 8.5%, 2029	1,375,000	1,488,438
Local TV Finance LLC, 9.25%, 2015 (p)(z)	812,946	822,092
Nexstar Broadcasting Group, Inc., 8.875%, 2017	430,000	471,925
Nexstar Broadcasting Group, Inc., 6.875%, 2020 (n)	130,000	133,413
Sinclair Broadcast Group, Inc., 9.25%, 2017 (n)	585,000	643,500
Sinclair Broadcast Group, Inc., 8.375%, 2018	175,000	195,563
SIRIUS XM Radio, Inc., 8.75%, 2015 (n)	595,000	673,838
SIRIUS XM Radio, Inc., 7.625%, 2018 (n)	1,165,000	1,298,975
SIRIUS XM Radio, Inc., 5.25%, 2022 (n)	150,000	151,500
Starz LLC/Starz Finance Corp., 5%, 2019 (n)	370,000	379,250
Townsquare Radio LLC, 9%, 2019 (z)	410,000	449,975
Univision Communications, Inc., 6.875%, 2019 (n)	595,000	618,800
Univision Communications, Inc., 7.875%, 2020 (n)	820,000	887,650
Univision Communications, Inc., 8.5%, 2021 (n)	675,000	696,938
		$ 18,951,470
Brokerage & Asset Managers – 0.3%		
E*TRADE Financial Corp., 6.375%, 2019	$1,100,000	$ 1,127,500

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Building – 2.8%		
Boise Cascade LLC/Finance Corp., 6.375%, 2020 (n)	$ 430,000	$ 442,900
Building Materials Holding Corp., 6.875%, 2018 (n)	815,000	880,200
Building Materials Holding Corp., 7%, 2020 (n)	480,000	523,200
Building Materials Holding Corp., 6.75%, 2021 (n)	445,000	491,725
CEMEX S.A.B. de C.V., 9.25%, 2020	815,000	884,275
HD Supply, Inc., 13.5%, 2015	615,000	630,375
HD Supply, Inc., 8.125%, 2019 (n)	470,000	535,800
HD Supply, Inc., 11.5%, 2020 (n)	375,000	422,344
Masonite International Corp., 8.25%, 2021 (n)	960,000	1,027,200
Nortek, Inc., 8.5%, 2021	1,300,000	1,443,000
Roofing Supply Group LLC/Roofing Supply Finance, Inc., 10%, 2020 (n)	320,000	358,400
USG Corp., 6.3%, 2016	822,000	850,770
USG Corp., 7.875%, 2020 (n)	490,000	545,125
		$ 9,035,314
Business Services – 1.7%		
Ceridian Corp., 12.25%, 2015 (p)	$ 350,000	$ 350,875
Ceridian Corp., 8.875%, 2019 (n)	200,000	217,000
Fidelity National Information Services, Inc., 7.625%, 2017	425,000	462,188
Fidelity National Information Services, Inc., 5%, 2022	670,000	718,575
iGate Corp., 9%, 2016	1,072,000	1,161,780
Iron Mountain, Inc., 8.375%, 2021	1,170,000	1,298,700
Legend Acquisition Sub, Inc., 10.75%, 2020 (n)	610,000	552,050
Lender Processing Services, Inc., 5.75%, 2023	530,000	549,875
SunGard Data Systems, Inc., 7.375%, 2018	315,000	337,444
		$ 5,648,487
Cable TV – 3.6%		
Bresnan Broadband Holdings LLC, 8%, 2018 (n)	$ 270,000	$ 291,600
CCO Holdings LLC, 7.875%, 2018	1,135,000	1,221,544
CCO Holdings LLC, 8.125%, 2020	1,640,000	1,836,800
CCO Holdings LLC, 7.375%, 2020	385,000	427,350
CCO Holdings LLC, 5.125%, 2023	340,000	339,150
Cequel Communications Holdings, 6.375%, 2020 (z)	270,000	281,138
DISH DBS Corp., 6.75%, 2021	530,000	604,200
DISH DBS Corp., 5%, 2023 (z)	565,000	565,000
EchoStar Corp., 7.125%, 2016	825,000	924,000
Telenet Finance Luxembourg, 6.375%, 2020 (n)	EUR 270,000	381,334
Unitymedia Hessen GmbH & Co., 5.5%, 2023 (z)	$ 205,000	211,663
UPC Holding B.V., 9.875%, 2018 (n)	685,000	774,050
UPCB Finance III Ltd., 6.625%, 2020 (n)	$ 1,472,000	$ 1,576,880
Virgin Media Finance PLC, 8.375%, 2019	81,000	91,935
Virgin Media Finance PLC, 4.875%, 2022	200,000	204,500
Virgin Media Finance PLC, 5.25%, 2022	1,020,000	1,081,200
Ziggo Bond Co. B.V., 8%, 2018 (n)	EUR 700,000	1,016,362
		$ 11,828,706
Chemicals – 2.2%		
Celanese U.S. Holdings LLC, 6.625%, 2018	$ 835,000	$ 918,500
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 8.875%, 2018	1,025,000	1,053,188
Hexion U.S. Finance Corp./Hexion Nova Scotia Finance, 9%, 2020	270,000	246,375
Huntsman International LLC, 8.625%, 2021	1,105,000	1,262,463
INEOS Finance PLC, 8.375%, 2019 (n)	660,000	711,150
INEOS Group Holdings PLC, 8.5%, 2016 (n)	880,000	875,600
LyondellBasell Industries N.V., 5%, 2019	455,000	502,775
LyondellBasell Industries N.V., 6%, 2021	805,000	943,863
Momentive Performance Materials, Inc., 11.5%, 2016	249,000	145,665
Polypore International, Inc., 7.5%, 2017	455,000	495,950
		$ 7,155,529
Computer Software – 1.4%		
Infor U.S., Inc., 11.5%, 2018	$ 1,100,000	$ 1,287,000
Nuance Communications, Inc., 5.375%, 2020 (n)	770,000	804,650
Seagate HDD Cayman, 6.875%, 2020	600,000	638,250
Syniverse Holdings, Inc., 9.125%, 2019	1,200,000	1,281,000
TransUnion Holding Co., Inc., 9.625%, 2018	410,000	433,575
TransUnion LLC/TransUnion Financing Corp., 11.375%, 2018	195,000	227,175
		$ 4,671,650
Computer Software – Systems – 0.9%		
Audatex North America, Inc., 6.75%, 2018 (n)	$ 645,000	$ 690,150
CDW LLC/CDW Finance Corp., 12.535%, 2017	633,000	676,519
CDW LLC/CDW Finance Corp., 8.5%, 2019	920,000	995,900
DuPont Fabros Technology, Inc., REIT, 8.5%, 2017	560,000	611,800
		$ 2,974,369
Conglomerates – 1.3%		
Amsted Industries, Inc., 8.125%, 2018 (n)	$ 1,710,000	$ 1,829,700
Dynacast International LLC, 9.25%, 2019	745,000	797,150
Griffon Corp., 7.125%, 2018	1,280,000	1,356,800
Silver II Borrower SCA/Silver II US Holdings, 7.75%, 2020 (z)	395,000	408,825
		$ 4,392,475

Issuer	Shares/Par	Value ($)
BONDS – continued		
Consumer Products – 1.1%		
Easton-Bell Sports, Inc., 9.75%, 2016	$ 890,000	$ 956,839
Elizabeth Arden, Inc., 7.375%, 2021	910,000	1,016,925
FGI Operating Co./FGI Finance, Inc., 7.875%, 2020 (n)	85,000	87,550
Jarden Corp., 7.5%, 2020	770,000	845,075
Libbey Glass, Inc., 6.875%, 2020	320,000	344,000
Prestige Brands, Inc., 8.125%, 2020	95,000	105,688
Spectrum Brands Escrow Corp., 6.375%, 2020 (n)	295,000	309,750
Spectrum Brands Escrow Corp., 6.625%, 2022 (z)	75,000	80,438
		$ 3,746,265
Consumer Services – 0.8%		
QVC, Inc., 7.375%, 2020 (n)	$ 705,000	$ 784,409
Service Corp. International, 6.75%, 2015	565,000	621,500
Service Corp. International, 7%, 2017	1,015,000	1,167,250
		$ 2,573,159
Containers – 2.0%		
Ardagh Packaging Finance PLC, 7.375%, 2017 (n)	$ 755,000	$ 820,119
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	970,000	1,052,450
Ardagh Packaging Finance PLC, 9.125%, 2020 (n)	200,000	218,000
Ball Corp., 5%, 2022	521,000	557,470
Berry Plastics Group, Inc., 9.5%, 2018	330,000	363,000
Greif, Inc., 6.75%, 2017	1,070,000	1,193,050
Greif, Inc., 7.75%, 2019	155,000	179,025
Reynolds Group, 7.125%, 2019	695,000	747,125
Reynolds Group, 9.875%, 2019	330,000	353,100
Reynolds Group, 5.75%, 2020 (n)	505,000	521,413
Reynolds Group, 8.25%, 2021	615,000	624,225
		$ 6,628,977
Defense Electronics – 0.6%		
Ducommun, Inc., 9.75%, 2018	$ 945,000	$ 1,015,875
MOOG, Inc., 7.25%, 2018	745,000	783,181
		$ 1,799,056
Electrical Equipment – 0.2%		
Avaya, Inc., 9.75%, 2015	$ 615,000	$ 547,350
Avaya, Inc., 7%, 2019 (n)	250,000	233,750
		$ 781,100
Electronics – 0.9%		
Freescale Semiconductor, Inc., 9.25%, 2018 (n)	$1,220,000	$ 1,332,850
Nokia Corp., 5.375%, 2019	335,000	319,088
Nokia Corp., 6.625%, 2039	220,000	197,450
NXP B.V., 9.75%, 2018 (n)	100,000	115,875
Sensata Technologies B.V., 6.5%, 2019 (n)	960,000	1,022,400
		$ 2,987,663

Issuer	Shares/Par	Value ($)
BONDS – continued		
Energy – Independent – 8.2%		
BreitBurn Energy Partners LP, 8.625%, 2020	$ 445,000	$ 485,050
BreitBurn Energy Partners LP, 7.875%, 2022 (n)	960,000	996,000
Carrizo Oil & Gas, Inc., 8.625%, 2018	385,000	415,800
Chaparral Energy, Inc., 7.625%, 2022	505,000	530,250
Chesapeake Energy Corp., 6.875%, 2020	790,000	856,163
Concho Resources, Inc., 8.625%, 2017	625,000	680,469
Concho Resources, Inc., 6.5%, 2022	770,000	847,000
Continental Resources, Inc., 8.25%, 2019	925,000	1,036,000
Denbury Resources, Inc., 8.25%, 2020	1,270,000	1,428,750
Energy XXI Gulf Coast, Inc., 9.25%, 2017	1,425,000	1,628,063
EP Energy LLC, 9.375%, 2020	1,990,000	2,243,725
EPL Oil & Gas, Inc., 8.25%, 2018 (n)	525,000	539,438
EXCO Resources, Inc., 7.5%, 2018	485,000	470,450
Harvest Operations Corp., 6.875%, 2017	1,245,000	1,381,950
Hilcorp Energy I/Hilcorp Finance Co., 8%, 2020 (n)	350,000	383,250
Laredo Petroleum, Inc., 9.5%, 2019	615,000	687,263
LINN Energy LLC, 6.5%, 2019	445,000	449,450
LINN Energy LLC, 8.625%, 2020	710,000	773,900
LINN Energy LLC, 7.75%, 2021	546,000	581,490
MEG Energy Corp., 6.5%, 2021 (n)	300,000	315,750
Newfield Exploration Co., 6.875%, 2020	905,000	968,350
OGX Petroleo e Gas Participacoes S.A., 8.5%, 2018 (n)	302,000	271,800
Plains Exploration & Production Co., 8.625%, 2019	905,000	1,029,438
Plains Exploration & Production Co., 6.5%, 2020	340,000	376,550
Plains Exploration & Production Co., 6.75%, 2022	695,000	780,138
QEP Resources, Inc., 6.875%, 2021	1,265,000	1,457,913
Range Resources Corp., 8%, 2019	1,045,000	1,157,338
Range Resources Corp., 5%, 2022	300,000	313,500
Samson Investment Co., 9.75%, 2020 (n)	520,000	549,900
SandRidge Energy, Inc., 8%, 2018 (n)	1,595,000	1,690,700
SM Energy Co., 6.5%, 2021	890,000	952,300
Whiting Petroleum Corp., 6.5%, 2018	590,000	634,250
		$ 26,912,388
Energy – Integrated – 0.1%		
Pacific Rubiales Energy Corp., 7.25%, 2021 (n)	$ 304,000	$ 351,120
Engineering – Construction – 0.2%		
BakerCorp International, Inc., 8.25%, 2019	$ 800,000	$ 800,000
Entertainment – 1.3%		
AMC Entertainment, Inc., 8.75%, 2019	$ 440,000	$ 487,300
AMC Entertainment, Inc., 9.75%, 2020	725,000	837,375
Cedar Fair LP, 9.125%, 2018	595,000	669,375
Cinemark USA, Inc., 8.625%, 2019	760,000	841,700
Cinemark USA, Inc., 5.125%, 2022 (z)	180,000	182,250
NAI Entertainment Holdings LLC, 8.25%, 2017 (n)	405,000	446,006

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Entertainment – continued		
Six Flags Entertainment Corp., 5.25%, 2021 (z)	$ 695,000	$ 695,000
		$ 4,159,006
Financial Institutions – 5.3%		
Ally Financial, Inc., 5.5%, 2017	$2,150,000	$ 2,299,990
CIT Group, Inc., 5.25%, 2014 (n)	795,000	822,825
CIT Group, Inc., 5.25%, 2018	680,000	727,600
CIT Group, Inc., 6.625%, 2018 (n)	1,419,000	1,603,470
CIT Group, Inc., 5.5%, 2019 (n)	1,086,000	1,183,740
Credit Acceptance Corp., 9.125%, 2017	815,000	890,388
GMAC, Inc., 8%, 2031	175,000	221,594
Icahn Enterprises LP, 8%, 2018	1,075,000	1,154,281
International Lease Finance Corp., 4.875%, 2015	415,000	429,558
International Lease Finance Corp., 8.625%, 2015	420,000	471,975
International Lease Finance Corp., 7.125%, 2018 (n)	928,000	1,076,480
Nationstar Mortgage LLC/Capital Corp., 10.875%, 2015	1,105,000	1,182,350
Nationstar Mortgage LLC/Capital Corp., 9.625%, 2019 (n)	350,000	393,750
Nationstar Mortgage LLC/Capital Corp., 7.875%, 2020 (n)	290,000	305,950
PHH Corp., 9.25%, 2016	865,000	1,009,888
PHH Corp., 7.375%, 2019	570,000	632,700
SLM Corp., 8.45%, 2018	525,000	614,250
SLM Corp., 8%, 2020	1,805,000	2,062,213
SLM Corp., 7.25%, 2022	210,000	231,525
		$ 17,314,527
Food & Beverages – 1.0%		
ARAMARK Corp., 8.5%, 2015	$ 355,000	$ 356,779
B&G Foods, Inc., 7.625%, 2018	969,000	1,041,675
Constellation Brands, Inc., 7.25%, 2016	240,000	277,200
JBS USA LLC/JBS USA Finance, 8.25%, 2020 (n)	245,000	259,700
Pinnacle Foods Finance LLC, 8.25%, 2017	275,000	292,875
TreeHouse Foods, Inc., 7.75%, 2018	850,000	922,250
		$ 3,150,479
Forest & Paper Products – 1.3%		
Ainsworth Lumber Co. Ltd., 7.5%, 2017 (n)	$ 105,000	$ 109,988
Boise, Inc., 8%, 2020	665,000	734,825
Georgia-Pacific Corp., 8%, 2024	91,000	127,233
Graphic Packaging Holding Co., 7.875%, 2018	415,000	458,575
Millar Western Forest Products Ltd., 8.5%, 2021	200,000	181,000
Sappi Papier Holding GmbH, 7.75%, 2017 (n)	320,000	348,800
Smurfit Kappa Group PLC, 4.875%, 2018 (n)	290,000	295,800

Issuer	Shares/Par	Value ($)
BONDS – continued		
Forest & Paper Products – continued		
Smurfit Kappa Group PLC, 7.75%, 2019 (n)	EUR 715,000	$ 1,043,804
Tembec Industries, Inc., 11.25%, 2018	$ 480,000	508,800
Xerium Technologies, Inc., 8.875%, 2018	368,000	331,200
		$ 4,140,025
Gaming & Lodging – 3.6%		
Boyd Gaming Corp., 9%, 2020 (z)	$ 350,000	$ 344,750
Caesars Entertainment Operating Co., Inc., 8.5%, 2020	1,010,000	1,002,425
Choice Hotels International, Inc., 5.75%, 2022	150,000	166,125
CityCenter Holdings LLC, 10.75%, 2017 (p)	345,000	374,325
FelCor Lodging LP, 5.625%, 2023 (z)	135,000	134,325
Fontainebleau Las Vegas Holdings LLC, 10.25%, 2015 (a)(d)(n)	1,190,000	744
GWR Operating Partnership LLP, 10.875%, 2017	470,000	534,625
Host Hotels & Resorts, Inc., REIT, 5.25%, 2022	495,000	542,025
Isle of Capri Casinos, Inc., 8.875%, 2020	785,000	855,650
MGM Mirage, 6.625%, 2015	360,000	386,100
MGM Resorts International, 11.375%, 2018	1,100,000	1,331,000
MGM Resorts International, 6.625%, 2021	360,000	360,000
Penn National Gaming, Inc., 8.75%, 2019	1,450,000	1,653,000
Pinnacle Entertainment, Inc., 8.75%, 2020	415,000	448,200
Rivers Pittsburgh Borrower LP/Rivers Pittsburgh Finance Corp., 9.5%, 2019 (n)	160,000	173,600
Seven Seas Cruises S. DE R.L., 9.125%, 2019	1,180,000	1,247,850
Viking Cruises Ltd., 8.5%, 2022 (n)	565,000	610,200
Wyndham Worldwide Corp., 7.375%, 2020	535,000	643,991
Wynn Las Vegas LLC, 7.75%, 2020	820,000	934,800
		$ 11,743,735
Industrial – 1.0%		
Dematic S.A., 7.75%, 2020 (z)	$ 620,000	$ 620,000
Hyva Global B.V., 8.625%, 2016 (n)	695,000	660,250
Mueller Water Products, Inc., 8.75%, 2020	779,000	888,060
Rexel S.A., 6.125%, 2019 (n)	545,000	572,250
SPL Logistics Escrow LLC, 8.875%, 2020 (n)	445,000	471,700
		$ 3,212,260
Insurance – 1.5%		
American International Group, Inc., 8.25%, 2018	$ 890,000	$ 1,169,359
American International Group, Inc., 8.175% to 2038, FRN to 2068	2,405,000	3,132,513

Issuer	Shares/Par	Value ($)
BONDS – continued		
Insurance – continued		
MetLife, Inc., 9.25% to 2038, FRN to 2068 (n)	$ 500,000	$ 690,000
		$ 4,991,872
Insurance – Health – 0.1%		
AMERIGROUP Corp., 7.5%, 2019	$ 361,000	$ 433,200
Insurance – Property & Casualty – 0.9%		
Liberty Mutual Group, Inc., 10.75% to 2038, FRN to 2088 (n)	$1,075,000	$ 1,601,750
XL Group PLC, 6.5% to 2017, FRN to 2049	1,470,000	1,374,450
		$ 2,976,200
Machinery & Tools – 2.1%		
Ashtead Capital, Inc., 6.5%, 2022 (n)	$ 235,000	$ 254,975
Case New Holland, Inc., 7.875%, 2017	1,390,000	1,643,675
CNH America LLC, 7.25%, 2016	545,000	613,125
CNH Capital LLC, 3.875%, 2015 (n)	180,000	185,625
CNH Capital LLC, 6.25%, 2016	255,000	281,138
H&E Equipment Services LLC, 7%, 2022 (n)	605,000	644,325
NESCO LLC/NESCO Holdings Corp., 11.75%, 2017 (n)	960,000	1,032,000
RSC Equipment Rental, Inc., 8.25%, 2021	930,000	1,048,575
UR Financing Escrow Corp., 5.75%, 2018 (n)	455,000	490,263
UR Financing Escrow Corp., 7.625%, 2022 (n)	454,000	507,345
		$ 6,701,046
Major Banks – 1.2%		
Bank of America Corp., 5.65%, 2018	$ 930,000	$ 1,082,002
Barclays Bank PLC, 7.625%, 2022	660,000	659,175
Royal Bank of Scotland Group PLC, 6.99% to 2017, FRN to 2049 (n)	530,000	500,850
Royal Bank of Scotland Group PLC, 7.648% to 2031, FRN to 2049	1,580,000	1,595,800
		$ 3,837,827
Medical & Health Technology & Services – 5.5%		
AmSurg Corp., 5.625%, 2020 (n)	$ 220,000	$ 228,800
Biomet, Inc., 6.5%, 2020 (n)	805,000	855,313
CDRT Holding Corp., 9.25%, 2017 (p)(z)	205,000	209,100
Davita, Inc., 6.375%, 2018	1,550,000	1,662,375
Davita, Inc., 6.625%, 2020	1,170,000	1,272,375
Fresenius Medical Care AG & Co. KGaA, 9%, 2015 (n)	865,000	996,913
Fresenius Medical Care Capital Trust III, 5.625%, 2019 (n)	735,000	789,206
HCA, Inc., 8.5%, 2019	2,170,000	2,419,550
HCA, Inc., 7.5%, 2022	1,215,000	1,391,175
HCA, Inc., 5.875%, 2022	675,000	734,063
HealthSouth Corp., 8.125%, 2020	1,385,000	1,525,231
Hologic, Inc., 6.25%, 2020 (n)	295,000	317,863
IASIS Healthcare LLC/IASIS Capital Corp., 8.375%, 2019	1,185,000	1,119,825
Physio-Control International, Inc., 9.875%, 2019 (n)	595,000	653,013
Select Medical Corp., 7.625%, 2015	$ 131,000	$ 131,164
Teleflex, Inc., 6.875%, 2019	545,000	588,600
Tenet Healthcare Corp., 9.25%, 2015	575,000	645,438
Tenet Healthcare Corp., 8%, 2020	370,000	398,444
Universal Health Services, Inc., 7%, 2018	715,000	788,288
Universal Hospital Services, Inc., 7.625%, 2020 (n)	765,000	806,119
Universal Hospital Services, Inc., FRN, 3.902%, 2015	310,000	308,644
Vanguard Health Systems, Inc., 0%, 2016	4,000	3,000
		$ 17,844,499
Metals & Mining – 1.7%		
Arch Coal, Inc., 7.25%, 2020	$ 670,000	$ 621,425
Cloud Peak Energy, Inc., 8.25%, 2017	1,505,000	1,610,350
Cloud Peak Energy, Inc., 8.5%, 2019	280,000	307,300
Consol Energy, Inc., 8%, 2017	595,000	644,088
Consol Energy, Inc., 8.25%, 2020	335,000	362,638
First Quantum Minerals Ltd., 7.25%, 2019 (n)	389,000	392,890
Fortescue Metals Group Ltd., 8.25%, 2019 (n)	675,000	718,875
Peabody Energy Corp., 6%, 2018	420,000	446,250
Peabody Energy Corp., 6.25%, 2021	420,000	446,250
		$ 5,550,066
Natural Gas – Distribution – 0.4%		
AmeriGas Finance LLC, 6.75%, 2020	$ 715,000	$ 784,713
Ferrellgas LP/Ferrellgas Finance Corp., 6.5%, 2021	540,000	534,600
		$ 1,319,313
Natural Gas – Pipeline – 3.2%		
Access Midstream Partners Co., 4.875%, 2023	$ 340,000	$ 345,100
Atlas Pipeline Partners LP, 8.75%, 2018	1,165,000	1,240,725
Crosstex Energy, Inc., 8.875%, 2018	1,435,000	1,549,800
El Paso Corp., 7%, 2017	985,000	1,125,203
El Paso Corp., 7.75%, 2032	1,415,000	1,662,615
Energy Transfer Equity LP, 7.5%, 2020	1,150,000	1,328,250
Enterprise Products Partners LP, 8.375% to 2016, FRN to 2066	750,000	855,938
Enterprise Products Partners LP, 7.034% to 2018, FRN to 2068	391,000	447,695
Inergy Midstream LP, 6%, 2020 (n)	580,000	598,850
MarkWest Energy Partners LP, 5.5%, 2023	630,000	683,550
Rockies Express Pipeline LLC, 5.625%, 2020 (n)	461,000	452,933
		$ 10,290,659
Network & Telecom – 1.8%		
Centurylink, Inc., 7.65%, 2042	$ 865,000	$ 904,020
Cincinnati Bell, Inc., 8.25%, 2017	315,000	339,413
Citizens Communications Co., 9%, 2031	650,000	715,000
Eileme 2 AB, 11.625%, 2020 (n)	686,000	799,190

Portfolio of Investments – continued

Issuer	Shares/Par	Value ($)
BONDS – continued		
Network & Telecom – continued		
Frontier Communications Corp., 8.125%, 2018	$ 835,000	$ 960,250
Qwest Communications International, Inc., 7.125%, 2018 (n)	695,000	725,165
TW Telecom Holdings, Inc., 5.375%, 2022 (n)	365,000	382,338
Windstream Corp., 8.125%, 2018	215,000	234,888
Windstream Corp., 7.75%, 2020	695,000	750,600
		$ 5,810,864
Oil Services – 1.4%		
Bristow Group, Inc., 6.25%, 2022	$ 370,000	$ 395,900
Chesapeake Energy Corp., 6.625%, 2019 (n)	325,000	306,313
Dresser-Rand Group, Inc., 6.5%, 2021	415,000	439,900
Edgen Murray Corp., 8.75%, 2020 (n)	755,000	762,550
Pioneer Energy Services Corp., 9.875%, 2018	635,000	690,563
Shale-Inland Holdings LLC/Finance Co., 8.75%, 2019 (n)	785,000	822,288
Unit Corp., 6.625%, 2021 (n)	410,000	420,763
Unit Corp., 6.625%, 2021	640,000	656,800
		$ 4,495,077
Other Banks & Diversified Financials – 1.6%		
Groupe BPCE S.A., 12.5% to 2019, FRN to 2049 (n)	$ 830,000	$ 961,912
LBG Capital No. 1 PLC, 7.875%, 2020 (n)	1,525,000	1,640,589
Santander UK PLC, 8.963% to 2030, FRN to 2049	1,965,000	2,227,819
UBS AG, 7.625%, 2022	430,000	474,951
		$ 5,305,271
Pharmaceuticals – 0.6%		
Capsugel FinanceCo. SCA, 9.875%, 2019 (n)	EUR 385,000	$ 571,704
Valeant Pharmaceuticals International, Inc., 7%, 2020 (n)	$ 840,000	913,500
Valeant Pharmaceuticals International, Inc., 7.25%, 2022 (n)	520,000	568,100
		$ 2,053,304
Pollution Control – 0.3%		
Heckmann Corp., 9.875%, 2018	$ 215,000	$ 220,375
Heckmann Corp., 9.875%, 2018	670,000	691,775
		$ 912,150
Precious Metals & Minerals – 0.4%		
Eldorado Gold Corp., 6.125%, 2020 (z)	$ 545,000	$ 554,538
IAMGOLD Corp., 6.75%, 2020 (n)	662,000	645,450
		$ 1,199,988
Printing & Publishing – 0.5%		
American Media, Inc., 13.5%, 2018 (z)	$ 94,618	$ 83,264
Nielsen Finance LLC, 7.75%, 2018	885,000	988,988
Printing & Publishing – continued		
Nielsen Finance LLC, 4.5%, 2020 (n)	$ 435,000	$ 432,825
		$ 1,505,077
Railroad & Shipping – 0.2%		
Kansas City Southern de Mexico S.A. de C.V., 6.125%, 2021	$ 455,000	$ 514,150
Real Estate – 1.3%		
CB Richard Ellis Group, Inc., 11.625%, 2017	$ 335,000	$ 368,500
CNL Lifestyle Properties, Inc., REIT, 7.25%, 2019	465,000	444,075
Entertainment Properties Trust, REIT, 7.75%, 2020	1,015,000	1,173,065
Entertainment Properties Trust, REIT, 5.75%, 2022	185,000	191,828
Kennedy Wilson, Inc., 8.75%, 2019	390,000	415,350
MPT Operating Partnership LP, REIT, 6.875%, 2021	780,000	846,300
MPT Operating Partnership LP, REIT, 6.375%, 2022	630,000	661,500
		$ 4,100,618
Retailers – 2.3%		
Academy Ltd., 9.25%, 2019 (n)	$ 470,000	$ 521,700
Burlington Coat Factory Warehouse Corp., 10%, 2019	915,000	988,200
J. Crew Group, Inc., 8.125%, 2019	750,000	793,125
Limited Brands, Inc., 6.9%, 2017	760,000	872,100
Limited Brands, Inc., 7%, 2020	300,000	345,000
Limited Brands, Inc., 6.95%, 2033	415,000	422,263
Pantry, Inc., 8.375%, 2020 (n)	370,000	386,650
Rite Aid Corp., 9.25%, 2020	615,000	654,975
Sally Beauty Holdings, Inc., 6.875%, 2019	420,000	464,100
Toys "R" Us Property Co. II LLC, 8.5%, 2017	355,000	376,300
Toys "R" Us, Inc., 10.75%, 2017	1,060,000	1,142,150
Yankee Acquisition Corp., 8.5%, 2015	6,000	6,030
YCC Holdings LLC/Yankee Finance, Inc., 10.25%, 2016 (p)	445,000	459,507
		$ 7,432,100
Specialty Chemicals – 0.1%		
Koppers, Inc., 7.875%, 2019	$ 365,000	$ 401,500
Specialty Stores – 0.4%		
Gymboree Corp., 9.125%, 2018	$ 380,000	$ 338,200
Michaels Stores, Inc., 11.375%, 2016	440,000	459,800
Michaels Stores, Inc., 7.75%, 2018	510,000	559,725
		$ 1,357,725
Supermarkets – 0.1%		
SUPERVALU, Inc., 7.5%, 2014	$ 168,000	$ 162,960
Telecommunications – Wireless – 4.1%		
Clearwire Corp., 12%, 2015 (n)	$ 900,000	$ 967,500
Cricket Communications, Inc., 7.75%, 2016	275,000	291,156
Cricket Communications, Inc., 7.75%, 2020	775,000	790,500
Crown Castle International Corp., 7.125%, 2019	1,315,000	1,453,075

Issuer	Shares/Par	Value ($)
BONDS – continued		
Telecommunications – Wireless – continued		
Crown Castle International Corp., 5.25%, 2023 (n)	$ 455,000	$ 486,850
Digicel Group Ltd., 12%, 2014 (n)	200,000	217,500
Digicel Group Ltd., 8.25%, 2017 (n)	655,000	700,850
Digicel Group Ltd., 10.5%, 2018 (n)	930,000	1,023,000
MetroPCS Wireless, Inc., 7.875%, 2018	710,000	768,575
Sprint Capital Corp., 6.875%, 2028	950,000	988,000
Sprint Nextel Corp., 6%, 2016	1,050,000	1,141,875
Sprint Nextel Corp., 8.375%, 2017	825,000	959,063
Sprint Nextel Corp., 9%, 2018 (n)	440,000	543,400
Sprint Nextel Corp., 6%, 2022	1,020,000	1,048,050
Wind Acquisition Finance S.A., 11.75%, 2017 (n)	1,215,000	1,272,713
Wind Acquisition Finance S.A., 7.25%, 2018 (n)	650,000	658,125
		$ 13,310,232
Telephone Services – 0.6%		
Cogent Communications Group, Inc., 8.375%, 2018 (n)	$ 470,000	$ 515,825
Level 3 Financing, Inc., 9.375%, 2019	550,000	614,625
Level 3 Financing, Inc., 7%, 2020 (n)	225,000	235,125
Level 3 Financing, Inc., 8.625%, 2020	415,000	460,650
Sable International Finance Ltd., 8.75%, 2020 (n)	200,000	229,000
		$ 2,055,225
Transportation – 0.2%		
Navios South American Logistics, Inc., 9.25%, 2019	$ 779,000	$ 764,394
Transportation – Services – 3.1%		
ACL I Corp., 10.625%, 2016 (p)	$1,093,827	$ 1,056,724
Aguila American Resources Ltd., 7.875%, 2018 (n)	890,000	943,400
Avis Budget Car Rental LLC, 8.25%, 2019	625,000	690,625
Avis Budget Car Rental LLC, 9.75%, 2020	365,000	421,575
CEVA Group PLC, 8.375%, 2017 (n)	1,185,000	1,167,225
Commercial Barge Line Co., 12.5%, 2017	1,890,000	2,083,725
HDTFS, Inc., 5.875%, 2020 (n)	170,000	177,650
Navios Maritime Acquisition Corp., 8.625%, 2017	1,065,000	998,438
Navios Maritime Holdings, Inc., 8.875%, 2017	920,000	917,700
Swift Services Holdings, Inc., 10%, 2018	1,465,000	1,607,838
		$ 10,064,900
Utilities – Electric Power – 4.2%		
AES Corp., 8%, 2017	$1,025,000	$ 1,183,875
Atlantic Power Corp., 9%, 2018	36,000	37,620
Calpine Corp., 8%, 2016 (n)	805,000	855,313
Calpine Corp., 7.875%, 2020 (n)	1,089,000	1,222,403
Covanta Holding Corp., 7.25%, 2020	1,165,000	1,283,594
Covanta Holding Corp., 6.375%, 2022	275,000	298,641
DPL, Inc., 7.25%, 2021	405,000	433,350
EDP Finance B.V., 6%, 2018 (n)	1,335,000	1,399,731

Issuer	Shares/Par	Value ($)
BONDS – continued		
Utilities – Electric Power – continued		
Energy Future Holdings Corp., 10%, 2020	$ 780,000	$ 871,650
Energy Future Holdings Corp., 10%, 2020	2,173,000	2,450,058
Energy Future Holdings Corp., 11.75%, 2022 (n)	600,000	666,000
GenOn Energy, Inc., 9.5%, 2018	65,000	76,700
GenOn Energy, Inc., 9.875%, 2020	1,240,000	1,432,200
NRG Energy, Inc., 8.25%, 2020	960,000	1,075,200
Texas Competitive Electric Holdings Co. LLC, 11.5%, 2020 (n)	470,000	367,775
		$ 13,654,110
Total Bonds (Identified Cost, $295,010,364)		**$308,461,220**
FLOATING RATE LOANS (g)(r) – 0.2%		
Financial Institutions – 0.1%		
Springleaf Financial Funding Co., Term Loan, 5.5%, 2017	$ 452,233	$ 449,266
Utilities – Electric Power – 0.1%		
Dynegy Midwest Generation LLC, Term Loan, 9.25%, 2016	$ 104,904	$ 108,786
Dynegy Power LLC, Term Loan, 9.25%, 2016	138,751	144,698
		$ 253,484
Total Floating Rate Loans (Identified Cost, $690,738)		**$ 702,750**
COMMON STOCKS – 0.1%		
Automotive – 0.0%		
Accuride Corp. (a)	24,851	$ 79,772
Broadcasting – 0.0%		
New Young Broadcasting Holding Co., Inc. (a)	26	$ 97,500
Printing & Publishing – 0.1%		
American Media Operations, Inc. (a)	24,246	$ 115,169
Total Common Stocks (Identified Cost, $787,912)		**$ 292,441**
CONVERTIBLE PREFERRED STOCKS – 0.2%		
Automotive – 0.2%		
General Motors Co., 4.75% (Identified Cost, $817,080)	$ 16,430	$ 725,054
PREFERRED STOCKS – 0.4%		
Other Banks & Diversified Financials – 0.4%		
Ally Financial, Inc., 7% (z)	511	$ 501,882
GMAC Capital Trust I, 8.125%	28,350	755,528
Total Preferred Stocks (Identified Cost, $1,193,270)		**$ 1,257,410**

Portfolio of Investments – continued

Issuer	Strike Price	First Exercise	Shares/Par	Value ($)
WARRANTS – 0.1%				
Broadcasting – 0.1%				
New Young Broadcasting Holding Co., Inc. (1 share for 1 warrant) (Identified Cost, $217,308) (a)	$0.01	7/14/10	113	$ 423,750
CONVERTIBLE BONDS – 0.3%				
Network & Telecom – 0.3%				
Nortel Networks Corp., 2.125%, 2014 (Identified Cost, $947,481) (a)(d)			$ 960,000	$ 973,200

Issuer/Expiration Date/Strike Price	Numberof Contracts	Value ($)
CALL OPTIONS PURCHASED – 0.1%		
Russell 2000 Index – March 2013 @ $880 (Premiums paid, $249,857)	192	$ 256,320
	Shares/Par	
MONEY MARKET FUNDS – 1.1%		
MFS Institutional Money Market Portfolio, 0.16%, at Cost and Net Asset Value (v)	3,715,610	$ 3,715,610
Total Investments (Identified Cost, $303,629,620)		**$316,807,755**
OTHER ASSETS, LESS LIABILITIES – 3.0%		**9,641,105**
Net Assets – 100.0%		**$326,448,860**

(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 $89,260,518, representing 27.3% of net assets.

(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
Ally Financial, Inc., 7% (Preferred Stock)	4/13/11-4/14/11	$479,063	$501,882
American Media, Inc., 13.5%, 2018	12/22/10	95,852	83,264
Arbor Realty Mortgage Securities, CDO, FRN, 2.618%, 2038	12/20/05	568,229	170,469
Boyd Gaming Corp., 9%, 2020	12/19/12-12/21/12	349,781	344,750
CDRT Holding Corp., 9.25%, 2017	12/12/12-12/13/12	211,084	209,100
CWCapital Cobalt Ltd., CDO, 6.23%, 2045	3/20/06	1,051,079	12,011
CWCapital Cobalt Ltd., CDO, "F", FRN, 1.614%, 2050	4/12/06	526,135	1,315
Cequel Communications Holdings, 6.375%, 2020	12/13/12	278,091	281,138
Cinemark USA, Inc., 5.125%, 2022	12/04/12	180,000	182,250
DISH DBS Corp., 5%, 2023	12/19/12	565,000	565,000
Dematic S.A., 7.75%, 2020	12/13/12	620,000	620,000
Eldorado Gold Corp., 6.125%, 2020	12/10/12-12/12/12	550,990	554,538
FelCor Lodging LP, 5.625%, 2023	12/12/12	135,000	134,325
G-Force LLC, CDO, "A2", 4.83%, 2036	2/14/11	498,072	513,906
Heckler & Koch GmbH, 9.5%, 2018	5/06/11-5/10/11	547,983	440,718
IAC/InterActiveCorp, 4.75%, 2022	12/18/12	135,000	134,325
LBI Media, Inc., 13.5% to 2015, 11.5% to 2020	12/26/12	195,044	172,200
Local TV Finance LLC, 9.25%, 2015	12/10/07-12/06/12	807,596	822,092
Silver II Borrower SCA/Silver II US Holdings, 7.75%, 2020	12/05/12-12/17/12	405,990	408,825

Restricted Securities – continued	Acquisition Date	Cost	Value
Six Flags Entertainment Corp., 5.25%, 2021	12/11/12	$695,000	$695,000
Spectrum Brands Escrow Corp., 6.625%, 2022	11/01/12	75,000	80,438
Townsquare Radio LLC, 9%, 2019	3/30/12	406,226	449,975
Unitymedia Hessen GmbH & Co., 5.5%, 2023	11/30/12	205,000	211,663
Total Restricted Securities			$7,589,184
% of Net assets			2.3%

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 12/31/12

Forward Foreign Currency Exchange Contracts at 12/31/12

Type	Currency	Counterparty	Contracts to Deliver/Receive	Settlement Date Range	In Exchange For	Contracts at Value	Net Unrealized Appreciation (Depreciation)
Liability Derivatives							
SELL	EUR	Deutsche Bank AG	1,304,490	1/11/13	$1,680,877	$1,721,980	$(41,103)
SELL	EUR	UBS AG	1,304,490	1/11/13	1,681,279	1,721,980	(40,701)
							$(81,804)

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 12/31/12

Assets		
Investments –		
Non-affiliated issuers, at value (identified cost, $299,914,010)	$313,092,145	
Underlying affiliated funds, at cost and value	3,715,610	
Total investments, at value (identified cost, $303,629,620)	$316,807,755	
Cash	386,862	
Receivables for		
Investments sold	5,141,050	
Fund shares sold	26,682	
Interest	5,700,833	
Other assets	3,002	
Total assets		$328,066,184
Liabilities		
Payables for		
Forward foreign currency exchange contracts	$81,804	
Investments purchased	569,523	
Fund shares reacquired	875,891	
Payable to affiliates		
Investment adviser	25,590	
Shareholder servicing costs	325	
Distribution and/or service fees	173	
Payable for independent Trustees' compensation	178	
Accrued expenses and other liabilities	63,840	
Total liabilities		$1,617,324
Net assets		$326,448,860
Net assets consist of		
Paid-in capital	$320,248,159	
Unrealized appreciation (depreciation) on investments and translation of assets and liabilities in foreign currencies	13,097,299	
Accumulated net realized gain (loss) on investments and foreign currency	(29,499,869)	
Undistributed net investment income	22,603,271	
Net assets		$326,448,860
Shares of beneficial interest outstanding		37,197,908

	Net assets	Shares outstanding	Net asset value per share
Initial Class	$320,147,300	36,476,488	$8.78
Service Class	6,301,560	721,420	8.73

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 12/31/12

Net investment income		
Income		
Interest	$24,010,756	
Dividends	215,011	
Dividends from underlying affiliated funds	15,469	
Total investment income		$24,241,236
Expenses		
Management fee	$2,284,475	
Distribution and/or service fees	16,472	
Shareholder servicing costs	30,217	
Administrative services fee	56,918	
Independent Trustees' compensation	10,901	
Custodian fee	39,750	
Shareholder communications	38,005	
Audit and tax fees	70,285	
Legal fees	41,878	
Miscellaneous	51,906	
Total expenses		$2,640,807
Fees paid indirectly	(269)	
Reduction of expenses by investment adviser	(1,160)	
Net expenses		$2,639,378
Net investment income		$21,601,858
Realized and unrealized gain (loss) on investments and foreign currency		
Realized gain (loss) (identified cost basis)		
Investments	$808,904	
Foreign currency	159,869	
Net realized gain (loss) on investments and foreign currency		968,773
Change in unrealized appreciation (depreciation)		
Investments	$21,724,671	
Translation of assets and liabilities in foreign currencies	(214,126)	
Net unrealized gain (loss) on investments and foreign currency translation		$21,510,545
Net realized and unrealized gain (loss) on investments and foreign currency		$22,479,318
Change in net assets from operations		$44,081,176

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	2012	2011
From operations		
Net investment income	$21,601,858	$23,913,403
Net realized gain (loss) on investments and foreign currency	968,773	4,671,000
Net unrealized gain (loss) on investments and foreign currency translation	21,510,545	(14,447,125)
Change in net assets from operations	$44,081,176	$14,137,278
Distributions declared to shareholders		
From net investment income	$(25,020,251)	$(28,856,819)
Change in net assets from fund share transactions	$(13,021,145)	$(44,715,689)
Total change in net assets	$6,039,780	$(59,435,230)
Net assets		
At beginning of period	320,409,080	379,844,310
At end of period (including undistributed net investment income of $22,603,271 and $24,740,863, respectively)	$326,448,860	$320,409,080

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				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$8.29	$8.78	$8.25	$6.25	$9.52
Income (loss) from investment operations					
Net investment income (d)	$0.57	$0.61	$0.63	$0.63	$0.71
Net realized and unrealized gain (loss) on investments and foreign currency	0.61	(0.28)	0.53	1.98	(3.18)
Total from investment operations	$1.18	$0.33	$1.16	$2.61	$(2.47)
Less distributions declared to shareholders					
From net investment income	$(0.69)	$(0.82)	$(0.63)	$(0.61)	$(0.80)
Net asset value, end of period (x)	$8.78	$8.29	$8.78	$8.25	$6.25
Total return (%) (k)(r)(s)(x)	14.69	4.10	14.73	45.08	(28.26)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	0.80	0.79	0.80	0.81	0.87
Expenses after expense reductions (f)	0.80	0.79	0.80	0.81	0.82
Net investment income	6.62	7.01	7.55	8.89	8.66
Portfolio turnover	42	59	70	52	60
Net assets at end of period (000 omitted)	$320,147	$313,703	$372,412	$344,186	$203,800

Service Class	Years ended 12/31				
	2012	2011	2010	2009	2008
Net asset value, beginning of period	$8.25	$8.74	$8.22	$6.22	$9.47
Income (loss) from investment operations					
Net investment income (d)	$0.55	$0.59	$0.61	$0.62	$0.69
Net realized and unrealized gain (loss) on investments and foreign currency	0.60	(0.28)	0.53	1.96	(3.17)
Total from investment operations	$1.15	$0.31	$1.14	$2.58	$(2.48)
Less distributions declared to shareholders					
From net investment income	$(0.67)	$(0.80)	$(0.62)	$(0.58)	$(0.77)
Net asset value, end of period (x)	$8.73	$8.25	$8.74	$8.22	$6.22
Total return (%) (k)(r)(s)(x)	14.30	3.85	14.40	44.75	(28.43)
Ratios (%) (to average net assets) and Supplemental data:					
Expenses before expense reductions (f)	1.05	1.04	1.05	1.07	1.12
Expenses after expense reductions (f)	1.05	1.04	1.05	1.06	1.07
Net investment income	6.38	6.77	7.31	8.78	8.40
Portfolio turnover	42	59	70	52	60
Net assets at end of period (000 omitted)	$6,302	$6,706	$7,432	$7,210	$6,442

(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 this reporting period the fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs ("ASU 2011-04"). ASU 2011-04 seeks to improve the comparability of fair value measurements as presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS) by providing common requirements for fair value measurement and disclosure.

In December 2011, the FASB 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. 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. 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, 2012 in valuing the fund's assets or liabilities:

Investments at Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Equity Securities	$1,816,674	$1,023,132	$115,169	$2,954,975
U.S. Corporate Bonds	—	255,246,989	—	255,246,989
Commercial Mortgage-Backed Securities	—	686,268	—	686,268
Asset-Backed Securities (including CDOs)	—	748,030	—	748,030
Foreign Bonds	—	52,753,133	—	52,753,133
Floating Rate Loans	—	702,750	—	702,750
Mutual Funds	3,715,610	—	—	3,715,610
Total Investments	$5,532,284	$311,160,302	$115,169	$316,807,755
Other Financial Instruments				
Forward Foreign Currency Exchange Contracts	$—	$(81,804)	$—	$(81,804)

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 12/31/11	$288,285
Change in unrealized appreciation (depreciation)	(173,116)
Balance as of 12/31/12	$115,169

The net change in unrealized appreciation (depreciation) from investments still held as level 3 at December 31, 2012 is $(173,116).

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 and forward foreign currency exchange contracts. At December 31, 2012, 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, 2012 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	$—	$(81,804)
Equity	Purchased Equity Options	256,320	—
Total		$256,320	$(81,804)

(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, 2012 as reported in the Statement of Operations:

Risk	**Foreign Currency**	**Investments (Purchased Options)**
Foreign Exchange	$165,530	$—
Equity	—	(69,757)
Total	$165,530	$(69,757)

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, 2012 as reported in the Statement of Operations:

Risk	**Translation of Assets and Liabilities in Foreign Currencies**	**Investments (Purchased Options)**
Foreign Exchange	$(216,917)	$—
Equity	—	138,335
Total	$(216,917)	$138,335

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 contracts and exchange-traded options) while collateral terms are contract specific for over-the-counter traded derivatives (i.e., forward foreign currency exchange contracts, swap agreements 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 in 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.

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.

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, 2012, is shown as a reduction of total expenses in 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, when filed, will remain subject to examination by the Internal Revenue Service for a three year period.

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.

The tax character of distributions declared to shareholders for the last two fiscal years is as follows:

	12/31/12	12/31/11
Ordinary income (including any short-term capital gains)	$25,020,251	$28,856,819

The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 12/31/12	
Cost of investments	$305,169,420
Gross appreciation	18,804,267
Gross depreciation	(7,165,932)
Net unrealized appreciation (depreciation)	$11,638,335
Undistributed ordinary income	22,627,917
Capital loss carryforwards	(27,953,606)
Other temporary differences	(111,945)

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, 2012, 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)
Post-enactment losses:	
Long-Term	$(2,124)

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 in the Statements of Changes in Net Assets are presented by class as follows:

	From net investment income	
	Year ended 12/31/12	Year ended 12/31/11
Initial Class	$24,535,958	$28,197,014
Service Class	484,293	659,805
Total	$25,020,251	$28,856,819

(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, 2012 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, 2014. For the year ended December 31, 2012, 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, 2012, the fee was $29,749, which equated to 0.0091% 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, 2012, these costs amounted to $468.

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, 2012 was equivalent to an annual effective rate of 0.0174% 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, 2012, the aggregate fees paid by the fund to Tarantino LLC and Griffin Compliance LLC were $2,914 and are included in "Miscellaneous" expense in 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 $1,160, 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 current income consistent with preservation of capital and liquidity. Income earned on this investment is included in "Dividends from underlying affiliated funds" in 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, aggregated $129,823,832 and $140,482,771, 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 12/31/12		Year ended 12/31/11	
	Shares	Amount	Shares	Amount
Shares sold				
Initial Class	6,196,321	$54,301,955	7,341,306	$62,780,029
Service Class	84,162	724,686	108,386	967,172
	6,280,483	$55,026,641	7,449,692	$63,747,201
Shares issued to shareholders in reinvestment of distributions				
Initial Class	2,927,919	$24,535,958	3,507,091	$28,197,014
Service Class	57,999	484,293	82,373	659,805
	2,985,918	$25,020,251	3,589,464	$28,856,819
Shares reacquired				
Initial Class	(10,507,653)	$(91,048,875)	(15,422,605)	$(135,365,132)
Service Class	(233,988)	(2,019,162)	(228,069)	(1,954,577)
	(10,741,641)	$(93,068,037)	(15,650,674)	$(137,319,709)
Net change				
Initial Class	(1,383,413)	$(12,210,962)	(4,574,208)	$(44,388,089)
Service Class	(91,827)	(810,183)	(37,310)	(327,600)
	(1,475,240)	$(13,021,145)	(4,611,518)	$(44,715,689)

(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, 2012, the fund's commitment fee and interest expense were $2,096 and $0, respectively, and are included in "Miscellaneous" expense in 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 an affiliated issuer:

Underlying Affiliated Fund	Beginning Shares/Par Amount	Acquisitions Shares/Par Amount	Dispositions Shares/Par Amount	Ending Shares/Par Amount
MFS Institutional Money Market Portfolio	10,895,508	102,873,077	(110,052,975)	3,715,610

Underlying Affiliated Fund	Realized Gain (Loss)	Capital Gain Distributions	Dividend Income	Ending Value
MFS Institutional Money Market Portfolio	$—	$—	$15,469	$3,715,610

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, 2012, 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, 2012, 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, 2012, 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, 2013

TRUSTEES AND OFFICERS – IDENTIFICATION AND BACKGROUND

The Trustees and officers of the Trust, as of February 1, 2013, 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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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 49)	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 70)	Trustee and Chair of Trustees	January 2004	Private investor	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 71)	Trustee	January 2006	Consultant – investment company industry regulatory and compliance matters	N/A
Maureen R. Goldfarb (age 57)	Trustee	January 2009	Private investor	N/A
William R. Gutow (age 71)	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 68)	Trustee	December 2004	Private investor; Rouse Properties Inc. (real estate), Director	N/A
John P. Kavanaugh (age 58)	Trustee	January 2009	Private investor	N/A
J. Dale Sherratt (age 74)	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 55)	Trustee	March 2005	Private investor; New Profit, Inc. (venture philanthropy), Executive Partner (until 2010)	The Travelers Companies (insurance), Director
Robert W. Uek (age 71)	Trustee	January 2006	Consultant to investment company industry	N/A
OFFICERS				
John M. Corcoran [k] (age 47)	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 39)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kino Clark [k] (age 44)	Assistant Treasurer	January 2012	Massachusetts Financial Services Company, Vice President	N/A
Thomas H. Connors [k] (age 53)	Assistant Secretary and Assistant Clerk	September 2012	Massachusetts Financial Services Company, Vice President and Senior Counsel; Deutsche Investment Management Americas Inc. (financial service provider), Director and Senior Counsel (until 2012)	N/A
Ethan D. Corey [k] (age 49)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	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]
David L. DiLorenzo [k] (age 44)	Treasurer	July 2005	Massachusetts Financial Services Company, Senior Vice President	N/A
Robyn L. Griffin (age 37)	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)	N/A
Brian E. Langenfeld [k] (age 39)	Assistant Secretary and Assistant Clerk	June 2006	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Susan S. Newton [k] (age 62)	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 42)	Assistant Secretary and Assistant Clerk	July 2005	Massachusetts Financial Services Company, Vice President and Senior Counsel	N/A
Kasey L. Phillips [k] (age 42)	Assistant Treasurer	September 2012	Massachusetts Financial Services Company, Vice President; Wells Fargo Funds Management, LLC, Senior Vice President, Fund Treasurer (until 2012)	N/A
Mark N. Polebaum [k] (age 60)	Secretary and Clerk	January 2006	Massachusetts Financial Services Company, Executive Vice President, General Counsel and Secretary	N/A
Frank L. Tarantino (age 68)	Independent Chief Compliance Officer	June 2004	Tarantino LLC (provider of compliance services), Principal	N/A
Richard S. Weitzel [k] (age 42)	Assistant Secretary and Assistant Clerk	October 2007	Massachusetts Financial Services Company, Senior Vice President and Associate General Counsel	N/A
James O. Yost [k] (age 52)	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 111 Huntington Avenue, Boston, Massachusetts 02199-7618.

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, 2013, the Trustees served as board members of 143 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
111 Huntington Avenue
Boston, MA 02199-7618

Distributor
MFS Fund Distributors, Inc.
111 Huntington Avenue
Boston, MA 02199-7618

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, 2012 ("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, 2011 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. and MFS, 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, 2011, 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 3rd quintile for the one-year period and the 4th quintile for the five-year period ended December 31, 2011 relative to the Lipper performance universe. Because of the passage of time, these performance results may differ from the performance results for more recent periods, including those shown elsewhere in this report.

In addition to considering the performance information provided in connection with the contract review meetings, the independent Trustees noted that, in light of the Fund's substandard relative performance at the time of their contract review meetings in 2011, they had met at each of their regular meetings since then with MFS' senior investment management personnel to discuss the Fund's performance and MFS' efforts to improve the Fund's performance. The independent Trustees further noted that the Fund's three-year performance as compared to its Lipper performance universe improved for the period ended December 31, 2011, as

compared to the prior year. Taking this information into account, 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 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, if any. 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 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, 2012.

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" 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" section of *mfs.com*.

FACTS

WHAT DOES MFS DO WITH YOUR PERSONAL INFORMATION?

MFS®

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.

MFS®
SM

Liberty Life Assurance Company of Boston
100 Liberty Way
Dover, NH 03820