

A world of investing.®



Putnam Variable Trust

Annual report

12 | 31 | 16

Putnam VT
International Value Fund

Message from the Trustees

Dear Shareholder:

With 2017 under way, investor sentiment generally brightened at the prospect of moving beyond the challenges of the past year, when politics tested markets. Fortunately, market turbulence in the aftermath of key political events was in many cases followed by impressive rebounds, and annual performance in most global financial markets exceeded expectations.

Of course, uncertainties and macroeconomic risks do not simply disappear with the close of the calendar year. Conditions in the bond market have changed given the shift in the potential for inflation. As such, we believe investors should continue to focus on time-tested strategies: maintain a well-diversified portfolio, keep a long-term view, and do not overreact to short-term market fluctuations. To help ensure that your portfolio is aligned with your individual goals, time horizon, and tolerance for risk, we also believe it is a good idea to speak regularly with your financial advisor.

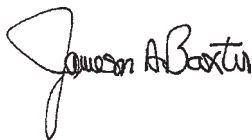
In today's environment, we favor the investment approach practiced at Putnam — active strategies based on fundamental research. Putnam portfolio managers, backed by a network of global analysts, bring years of experience to navigating changing market conditions and pursuing investment opportunities. In the following pages, you will find an overview of your fund's performance for the reporting period ended December 31, 2016, as well as an outlook for the coming months.

As always, thank you for investing with Putnam.

Respectfully yours,



Robert L. Reynolds
President and Chief Executive Officer
Putnam Investments



Jameson A. Baxter
Chair, Board of Trustees

February 8, 2017

Performance summary (as of 12/31/16)

Investment objective

Capital growth with current income as its secondary objective

Net asset value December 31, 2016

Class IA: \$9.54

Class IB: \$9.44

Total return at net asset value

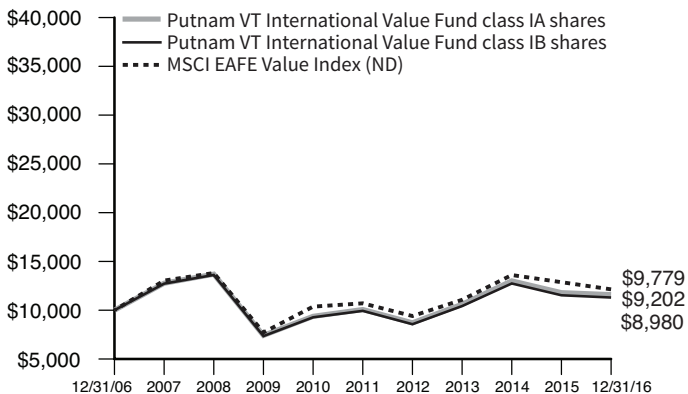
(as of 12/31/16)	Class IA shares*	Class IB shares†	MSCI EAFE Value Index (ND)
1 year	1.28%	1.11%	5.02%
5 years	34.88	33.39	35.60
Annualized	6.17	5.93	6.28
10 years	-7.98	-10.20	-2.21
Annualized	-0.83	-1.07	-0.22
Life	159.05	148.07	165.18
Annualized	4.88	4.65	5.02

For a portion of the periods, the fund had expense limitations, without which returns would have been lower.

* Class inception date: January 2, 1997.

† Class inception date: April 6, 1998.

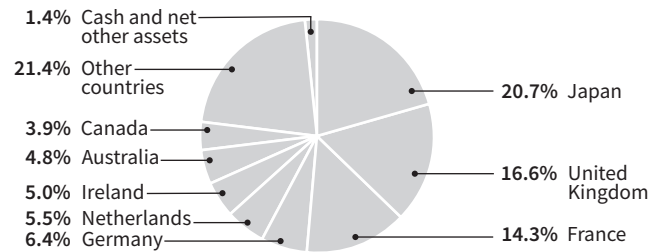
Cumulative total returns of a \$10,000 investment in class IA and class IB shares at net asset value — since 12/31/06



The MSCI EAFE Value Index (ND) is an unmanaged index that measures the performance of equity securities representing the value style in countries within Europe, Australasia, and the Far East. Calculated with net dividends (ND), this total return index reflects the reinvestment of dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.

Data represent past performance. Past performance does not guarantee future results. More recent returns may be less or more than those shown. Investment return and principal value will fluctuate, and you may have a gain or a loss when you sell your shares. Performance information does not reflect any deduction for taxes a shareholder may owe on fund distributions or on the redemption of fund shares. All total return figures are at net asset value and exclude contract charges and expenses, which are added to the variable annuity contracts to determine total return at unit value. Had these charges and expenses been reflected, performance would have been lower. Performance of class IB shares before their inception is derived from the historical performance of class IA shares, adjusted to reflect the higher operating expenses applicable to such shares. For more recent performance, contact your variable annuity provider who can provide you with performance that reflects the charges and expenses at your contract level.

Portfolio composition



Allocations are shown as a percentage of the fund's net assets. Cash and net other assets, if any, represent the market value weights of cash, derivatives, short-term securities, and other unclassified assets in the portfolio. Summary information may differ from the information in the portfolio schedule notes included in the financial statements due to the inclusion of derivative securities, any interest accruals, the exclusion of as-of trades, if any, and rounding. Holdings and allocations may vary over time.

Report from your fund's manager

What was the investment environment like for international value stocks during the 12-month reporting period ended December 31, 2016?

The period was marked by generally improving fundamentals for both international stocks and value-oriented stocks. Energy prices began to recover early in 2016. In a late-June referendum, however, citizens of the United Kingdom voted in favor of a British exit from the European Union, which had a chilling, if temporary, effect on global markets. In mid-December, as anticipated, the U.S. Federal Reserve raised the target range for the federal funds rate to between 0.50% and 0.75%. Central banks in many of the world's developed and emerging-market economies, however, maintained accommodative monetary policies, which helped boost investor confidence in the profit prospects for many well-positioned companies.

Given that the U.S. economy plays an important role in the overall health of the global economy, the still-slow, but gathering acceleration of economic momentum in the United States had a supportive effect on international stocks. Following the surprise results of the U.S. presidential election, investors in the U.S. stock market grew more optimistic on the view that a new administration in the White House could lead to a more business-friendly attitude toward taxation and regulation, as well as some new fiscal stimulus spending. Accordingly, U.S. stocks rallied strongly during the closing weeks of the year, and that optimism also rubbed off on investors in international equity markets. Value stocks outpaced their growth counterparts during the 12 months, as investors sought out bargains among issues that had been beaten down in previous periods by concerns about slow global economic growth.

How did Putnam VT International Value Fund perform against this backdrop?

The fund's class IA shares posted an absolute gain of 1.28% for the 12 months ended December 31, 2016, but it underperformed its benchmark, the MSCI EAFE Value Index [ND], which returned 5.02%. The fund's lagging performance was mainly the result of inopportune sector allocations, as well as some instances of unfavorable security selection. In particular, the fund was underweight in its allocations to the two best-performing sectors during the period — materials and energy — and therefore it did not participate to the fullest extent in the strong performance of those pro-cyclical sectors. In addition, the fund was overweight in its allocation to stocks in the more-defensive telecommunication services and health-care sectors, both of which posted negative results for the 12-month reporting period.

Security selection also was responsible for a portion of the fund's relative underperformance, with individual choices among stocks in the consumer staples, financials, and utilities sectors recording the largest margins of relative underperformance.

What is your outlook as we head deeper into 2017?

For world stock markets, we believe the divergent monetary policies from governments and central banks, the strengthening of the U.S. dollar, and uncertainty about President Trump's policies will be major themes as we look ahead. During the final quarter of 2016,

we saw equities continue their strong performance relative to other asset classes, and particularly to bonds, as investors anticipated tax and regulatory reforms and fiscal stimulus. As we move into the new year, I believe we will see investors adopt a more "wait-and-see" attitude as the new U.S. administration embarks on its policy platform. A lot will turn on how quickly and in what form the proposed fiscal stimulus measures can be implemented. We believe this will have significant implications for a market that appears to have priced in strong, policy-led growth — which we expect to favor cyclicals and financials — at the expense of more-defensive sectors, such as real estate, utilities, and consumer staples. Future economic growth may also be affected by currency risk, as we expect a strong U.S. dollar to play a central role in changing the landscape of competition and reported earnings.

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

Consider these risks before investing: International investing involves currency, economic, and political risks. Emerging-market securities carry illiquidity and volatility risks. Investments in small and/or midsize companies increase the risk of greater price fluctuations. Value stocks may fail to rebound, and the market may not favor value-style investing. These risks are generally greater for small and midsize companies. Stock prices may fall or fail to rise over time for several reasons, including general financial market conditions and factors related to a specific company or industry. Risks associated with derivatives include increased investment exposure (which may be considered leverage) and, in the case of over-the-counter instruments, the potential inability to terminate or sell derivatives positions and the potential failure of the other party to the instrument to meet its obligations. You can lose money by investing in the fund.

Your fund's manager



Portfolio Manager **Darren A. Jaroch**, CFA, joined Putnam in 1999 and has been in the investment industry since 1996.

In addition to Darren, your fund is managed by Assistant Portfolio Manager Karan S. Sodhi, CFA.

Your fund's managers may also manage other accounts advised by Putnam Management or an affiliate, including retail mutual fund counterparts to the funds in Putnam Variable Trust.

Understanding your fund's expenses

As an investor in a variable annuity product that invests in a registered investment company, you pay ongoing expenses, such as management fees, distribution fees (12b-1 fees), and other expenses. Using the following information, you can estimate how these expenses affect your investment and compare them with the expenses of other funds. You may also pay one-time transaction expenses, which are not shown in this section and would result in higher total expenses. Charges and expenses at the insurance company separate account level are not reflected. For more information, see your fund's prospectus or talk to your financial representative.

Review your fund's expenses

The two left-hand columns of the Expenses per \$1,000 table show the expenses you would have paid on a \$1,000 investment in your fund from 7/1/16 to 12/31/16. They also show how much a \$1,000 investment would be worth at the close of the period, *assuming actual returns and expenses*. To estimate the ongoing expenses you paid over the period, divide your account value by \$1,000, then multiply the result by the number in the first line for the class of shares you own.

Compare your fund's expenses with those of other funds

The two right-hand columns of the Expenses per \$1,000 table show 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 costs) of investing in the fund with those of other funds. All shareholder reports of mutual funds and funds serving as variable annuity vehicles 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.

Expense ratios

	Class IA	Class IB
Total annual operating expenses for the fiscal year ended 12/31/15	0.88%	1.13%
Annualized expense ratio for the six-month period ended 12/31/16*	0.92%	1.17%

Fiscal-year expense information in this table is taken from the most recent prospectus, is subject to change, and may differ from that shown for the annualized expense ratio and in the financial highlights of this report.

Expenses are shown as a percentage of average net assets.

*For the fund's most recent fiscal half year; may differ from expense ratios based on one-year data in the financial highlights.

Expenses per \$1,000

	Expenses and value for a \$1,000 investment, assuming actual returns for the 6 months ended 12/31/16		Expenses and value for a \$1,000 investment, assuming a hypothetical 5% annualized return for the 6 months ended 12/31/16	
	Class IA	Class IB	Class IA	Class IB
Expenses paid per \$1,000*†	\$4.77	\$6.07	\$4.67	\$5.94
Ending value (after expenses)	\$1,063.50	\$1,063.10	\$1,020.51	\$1,019.25

*Expenses for each share class are calculated using the fund's annualized expense ratio for each class, which represents the ongoing expenses as a percentage of average net assets for the six months ended 12/31/16. The expense ratio may differ for each share class.

†Expenses based on actual returns are calculated by multiplying the expense ratio by the average account value for the period; then multiplying the result by the number of days in the period; and then dividing that result by the number of days in the year. Expenses based on a hypothetical 5% return are calculated by multiplying the expense ratio by the average account value for the six-month period; then multiplying the result by the number of days in the six-month period; and then dividing that result by the number of days in the year.

Report of Independent Registered Public Accounting Firm

To the Trustees of Putnam Variable Trust and Shareholders of
Putnam VT International Value Fund:

In our opinion, the accompanying statement of assets and liabilities, including the portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Putnam VT International Value Fund (the “Fund”) as of December 31, 2016, 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 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 investments as of December 31, 2016 by correspondence with the custodian, brokers, transfer agent, and the application of alternative auditing procedures where securities purchased had not been received, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 8, 2017

The fund's portfolio 12/31/16

COMMON STOCKS (98.8%)*	Shares	Value
Airlines (1.0%)		
Japan Airlines Co., Ltd. (Japan)	27,500	\$802,481
		802,481
Automobiles (4.2%)		
Fiat Chrysler Automobiles NV (Italy)	121,736	1,105,757
Nissan Motor Co., Ltd. (Japan)	163,600	1,641,318
Yamaha Motor Co., Ltd. (Japan)	30,500	669,181
		3,416,256
Banks (16.0%)		
Australia & New Zealand Banking Group, Ltd. (Australia)	83,844	1,835,493
Bank of Ireland (Ireland) †	2,349,066	577,715
Danske Bank A/S (Denmark)	24,538	744,218
DNB ASA (Norway)	37,428	556,621
ING Groep NV GDR (Netherlands)	208,198	2,929,954
Lloyds Banking Group PLC (United Kingdom)	427,479	328,745
Mizuho Financial Group, Inc. (Japan)	393,600	704,655
Natixis SA (France)	105,975	597,564
Permanent TSB Group Holdings PLC (Ireland) †	151,429	439,168
Skandinaviska Enskilda Banken AB (Sweden)	62,928	659,899
Societe Generale SA (France)	31,116	1,527,505
Sumitomo Mitsui Financial Group, Inc. (Japan)	36,700	1,391,299
Swedbank AB Class A (Sweden)	29,923	723,217
		13,016,053
Beverages (1.0%)		
Anheuser-Busch InBev SA/NV (Belgium)	7,717	814,969
		814,969
Building products (0.8%)		
Compagnie De Saint-Gobain (France)	14,596	679,683
		679,683
Capital markets (1.3%)		
Credit Suisse Group AG (Switzerland)	32,609	465,625
UBS Group AG (Switzerland)	38,489	602,543
		1,068,168
Chemicals (2.5%)		
Akzo Nobel NV (Netherlands)	12,827	801,065
LANXESS AG (Germany)	11,590	759,403
Yara International ASA (Norway)	11,105	437,295
		1,997,763
Communications equipment (0.9%)		
Nokia OYJ (Finland)	157,838	756,831
		756,831
Construction and engineering (1.7%)		
Vinci SA (France)	20,377	1,386,027
		1,386,027
Construction materials (1.5%)		
CRH PLC (Ireland)	20,953	724,182
LafargeHolcim, Ltd. (Switzerland)	9,888	519,422
		1,243,604
Diversified financial services (3.1%)		
Challenger, Ltd. (Australia)	143,576	1,160,890
Eurazeo SA (France)	9,813	574,004
ORIX Corp. (Japan)	51,200	793,217
		2,528,111
Diversified telecommunication services (4.7%)		
BCE, Inc. (Canada)	15,500	669,918
Com Hem Holding AB (Sweden)	47,901	456,755
Nippon Telegraph & Telephone Corp. (Japan)	30,300	1,273,685
Spark New Zealand, Ltd. (New Zealand)	364,291	861,323
Telecom Italia SpA RSP (Italy)	764,781	552,761
		3,814,442

COMMON STOCKS (98.8%)* cont.	Shares	Value
Electric utilities (1.2%)		
SSE PLC (United Kingdom)	51,301	\$980,684
		980,684
Electronic equipment, instruments, and components (0.9%)		
Murata Manufacturing Co., Ltd. (Japan)	5,300	705,786
		705,786
Equity real estate investment trusts (REITs) (1.5%)		
Hibernia REIT PLC (Ireland)	650,819	845,855
Japan Hotel REIT Investment Corp (Japan)	481	323,006
Viva Energy REIT (Australia) †	46,823	81,230
		1,250,091
Food and staples retail (1.7%)		
Koninklijke Ahold Delhaize NV (Netherlands)	36,348	765,045
Seven & i Holdings Co., Ltd. (Japan)	15,500	589,871
		1,354,916
Food products (2.0%)		
Kerry Group PLC Class A (Ireland)	13,780	985,375
Orkla ASA (Norway)	69,091	625,089
		1,610,464
Hotels, restaurants, and leisure (0.6%)		
Dalata Hotel Group PLC (Ireland) †	100,438	464,054
		464,054
Household durables (0.6%)		
Panasonic Corp. (Japan)	51,000	517,599
		517,599
Household products (0.6%)		
Henkel AG & Co. KGaA (Preference) (Germany)	4,345	518,169
		518,169
Industrial conglomerates (2.3%)		
Siemens AG (Germany)	15,383	1,890,908
		1,890,908
Insurance (9.6%)		
Admiral Group PLC (United Kingdom)	13,976	313,398
AIA Group, Ltd. (Hong Kong)	178,800	1,000,612
Allianz SE (Germany)	4,257	703,695
AXA SA (France)	54,185	1,367,299
Chubb, Ltd.	8,565	1,131,608
Insurance Australia Group, Ltd. (Australia)	190,525	821,091
Prudential PLC (United Kingdom)	77,655	1,548,918
SCOR SE (France)	25,552	882,728
		7,769,349
Media (2.6%)		
Liberty Global PLC Ser. C (United Kingdom) †	19,500	579,150
WPP PLC (United Kingdom)	66,594	1,488,755
		2,067,905
Metals and mining (2.0%)		
Glencore PLC (United Kingdom) †	167,931	564,432
Rio Tinto PLC (United Kingdom)	27,884	1,061,840
		1,626,272
Multi-utilities (1.5%)		
RWE AG (Germany) †	32,695	406,605
Veolia Environnement SA (France)	47,977	815,583
		1,222,188
Oil, gas, and consumable fuels (7.5%)		
EnCan Corp. (Canada)	72,100	846,308
Royal Dutch Shell PLC Class A (Amsterdam Exchange) (United Kingdom)	60,369	1,640,942
Royal Dutch Shell PLC Class B (United Kingdom)	34,217	976,410
Suncor Energy, Inc. (Canada)	50,500	1,651,175
Total SA (France)	19,582	999,617
		6,114,452
Personal products (0.5%)		
Shiseido Co., Ltd. (Japan)	16,600	419,354
		419,354

COMMON STOCKS (98.8%)* cont.	Shares	Value
Pharmaceuticals (9.9%)		
Astellas Pharma, Inc. (Japan)	115,700	\$1,603,740
AstraZeneca PLC (United Kingdom)	21,921	1,188,848
Bayer AG (Germany)	8,820	920,155
Novartis AG (Switzerland)	20,964	1,524,893
Sanofi (France)	34,869	2,820,058
		8,057,694
Real estate management and development (2.3%)		
Mitsubishi Estate Co., Ltd. (Japan)	31,000	614,501
Mitsui Fudosan Co., Ltd. (Japan)	33,000	761,487
Sumitomo Realty & Development Co., Ltd. (Japan)	18,000	476,973
		1,852,961
Road and rail (0.5%)		
ComfortDelgro Corp., Ltd. (Singapore)	256,400	435,548
		435,548
Software (0.8%)		
Nintendo Co., Ltd. (Japan)	3,100	648,041
		648,041
Technology hardware, storage, and peripherals (1.3%)		
Lenovo Group, Ltd. (China)	782,000	470,956
Samsung Electronics Co., Ltd. (South Korea)	385	568,860
		1,039,816
Tobacco (2.6%)		
Imperial Brands PLC (United Kingdom)	14,927	649,350
Philip Morris International, Inc.	15,500	1,418,095
		2,067,445
Trading companies and distributors (3.4%)		
ITOCHU Corp. (Japan)	50,500	669,359
Mitsubishi Corp. (Japan)	62,000	1,317,452
Wolseley PLC (United Kingdom)	12,226	746,938
		2,733,749
Transportation infrastructure (1.8%)		
Aena SA (Spain)	7,036	959,939
Sumitomo Warehouse Co., Ltd. (The) (Japan)	91,000	480,011
		1,439,950
Wireless telecommunication services (2.4%)		
KDDI Corp. (Japan)	17,800	449,413
Vodafone Group PLC (United Kingdom)	591,334	1,454,372
		1,903,785
Total common stocks (cost \$77,643,132)		\$80,215,568

SHORT-TERM INVESTMENTS (2.0%)*	Principal amount/ shares	Value
Putnam Short Term Investment Fund 0.69% ^L	Shares 1,088,166	\$1,088,166
U.S. Treasury Bills 0.447%, 2/16/17 Δ	\$59,000	58,968
U.S. Treasury Bills 0.444%, 2/9/17 Δ	262,000	261,879
U.S. Treasury Bills 0.385%, 1/26/17 Δ	60,000	59,984
U.S. Treasury Bills 0.487%, 1/12/17 Δ	182,000	181,982
Total short-term investments (cost \$1,650,966)		\$1,650,979
Total investments (cost \$79,294,098)		\$81,866,547

Key to holding's abbreviations

GDR Global Depository Receipts: represents ownership of foreign securities on deposit with a custodian bank

Notes to the fund's portfolio

Unless noted otherwise, the notes to the fund's portfolio are for the close of the fund's reporting period, which ran from January 1, 2016 through December 31, 2016 (the reporting period). Within the following notes to the portfolio, references to "ASC 820" represent Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* and references to "OTC", if any, represent over-the-counter.

* Percentages indicated are based on net assets of \$81,215,970.

† This security is non-income-producing.

Δ This security, in part or in entirety, was pledged and segregated with the custodian for collateral on certain derivative contracts at the close of the reporting period.

^L Affiliated company (Note 5). The rate quoted in the security description is the annualized 7-day yield of the fund at the close of the reporting period.

At the close of the reporting period, the fund maintained liquid assets totaling \$459,596 to cover certain derivative contracts.

Unless otherwise noted, the rates quoted in Short-term investments security descriptions represent the weighted average yield to maturity.

DIVERSIFICATION BY COUNTRY

Distribution of investments by country of risk at the close of the reporting period, excluding collateral received, if any (as a percentage of Portfolio Value):

Japan	20.6%	Norway	2.0%
United Kingdom	16.5	Hong Kong	1.2
France	14.2	Spain	1.2
Germany	6.4	New Zealand	1.1
Netherlands	5.5	Belgium	1.0
United States	5.1	Finland	0.9
Ireland	4.9	Denmark	0.9
Australia	4.8	South Korea	0.7
Canada	3.9	China	0.6
Switzerland	3.8	Singapore	0.5
Sweden	2.2	Total	100.0%
Italy	2.0		

FORWARD CURRENCY CONTRACTS at 12/31/16 (aggregate face value \$25,653,760)

Counterparty	Currency	Contract type	Delivery date	Value	Aggregate face value	Unrealized appreciation/ (depreciation)
Bank of America N.A.						
	Australian Dollar	Buy	1/18/17	\$2,111,339	\$2,238,761	\$(127,422)
	British Pound	Buy	3/16/17	140,370	144,235	(3,865)
	Hong Kong Dollar	Buy	2/16/17	482,029	482,343	(314)
	New Zealand Dollar	Sell	1/18/17	168,735	176,055	7,320
Barclays Bank PLC						
	Canadian Dollar	Sell	1/18/17	334,553	342,251	7,698
	Hong Kong Dollar	Buy	2/16/17	1,157,394	1,158,088	(694)
Citibank, N.A.						
	Australian Dollar	Buy	1/18/17	237,623	245,590	(7,967)
	British Pound	Buy	3/16/17	1,621,607	1,665,557	(43,950)
	Canadian Dollar	Sell	1/18/17	973,786	996,398	22,612
	Danish Krone	Sell	3/16/17	67,943	68,958	1,015
	Euro	Sell	3/16/17	1,834,195	1,841,048	6,853
	Japanese Yen	Sell	2/16/17	393,935	405,438	11,503
Credit Suisse International						
	Swedish Krona	Buy	3/16/17	331,866	329,448	2,418
Goldman Sachs International						
	Chinese Yuan (Offshore)	Sell	2/16/17	450,368	465,735	15,367
	Japanese Yen	Buy	2/16/17	2,475,152	2,727,230	(252,078)
JPMorgan Chase Bank N.A.						
	British Pound	Buy	3/16/17	1,433,704	1,475,175	(41,471)
	Canadian Dollar	Sell	1/18/17	160,311	163,607	3,296
	Japanese Yen	Buy	2/16/17	315,941	341,605	(25,664)
	New Zealand Dollar	Sell	1/18/17	671,191	700,104	28,913
	Norwegian Krone	Sell	3/16/17	971,474	998,353	26,879
	Singapore Dollar	Buy	2/16/17	517,965	540,533	(22,568)
	South Korean Won	Sell	2/16/17	514,154	543,334	29,180
	Swedish Krona	Buy	3/16/17	414,532	413,925	607
	Swiss Franc	Buy	3/16/17	1,017,179	1,029,145	(11,966)
State Street Bank and Trust Co.						
	Australian Dollar	Buy	1/18/17	861,186	912,971	(51,785)
	British Pound	Sell	3/16/17	1,052,099	1,090,041	37,942
	Canadian Dollar	Sell	1/18/17	987,641	1,004,658	17,017
	Israeli Shekel	Buy	1/18/17	609,938	625,563	(15,625)
	Japanese Yen	Buy	2/16/17	673,860	752,255	(78,395)
UBSAG						
	Australian Dollar	Sell	1/18/17	1,084,381	1,122,695	38,314
	Canadian Dollar	Sell	1/18/17	638,041	652,661	14,620
Total						\$(412,210)

ASC 820 establishes a three-level hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of the fund's investments. The three levels are defined as follows:

Level 1: Valuations based on quoted prices for identical securities in active markets.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the fair value measurement.

The following is a summary of the inputs used to value the fund's net assets as of the close of the reporting period:

Investments in securities:	Valuation inputs		
	Level 1	Level 2	Level 3
Common stocks*:			
Consumer discretionary	\$579,150	\$5,886,664	\$—
Consumer staples	1,418,095	5,367,222	—
Energy	2,497,483	3,616,969	—
Financials	1,131,608	23,250,073	—
Health care	—	8,057,694	—
Industrials	—	9,368,346	—
Information technology	—	3,150,474	—
Materials	—	4,867,639	—
Real estate	—	3,103,052	—
Telecommunication services	669,918	5,048,309	—
Utilities	—	2,202,872	—
Total common stocks	6,296,254	73,919,314	—
Short-term investments	1,088,166	562,813	—
Totals by level	\$7,384,420	\$74,482,127	\$—

Other financial instruments:	Valuation inputs		
	Level 1	Level 2	Level 3
Forward currency contracts	\$—	\$(412,210)	\$—
Totals by level	\$—	\$(412,210)	\$—

* Common stock classifications are presented at the sector level, which may differ from the fund's portfolio presentation.

During the reporting period, transfers within the fair value hierarchy, if any (other than certain transfers involving non-U.S. equity securities as described in Note 1), did not represent, in the aggregate, more than 1% of the fund's net assets measured as of the end of the period. Transfers are accounted for using the end of period pricing valuation method.

The accompanying notes are an integral part of these financial statements.

Statement of assets and liabilities

12/31/16

Assets	
Investment in securities, at value (Note 1)	
Unaffiliated issuers (identified cost \$78,205,932)	\$80,778,381
Affiliated issuers (identified cost \$1,088,166) (Notes 1 and 5)	1,088,166
Foreign currency (cost \$979) (Note 1)	980
Dividends, interest and other receivables	141,233
Receivable for shares of the fund sold	22,383
Foreign tax reclaim	44,922
Unrealized appreciation on forward currency contracts (Note 1)	271,554
Total assets	82,347,619
Liabilities	
Payable for shares of the fund repurchased	201,748
Payable for compensation of Manager (Note 2)	48,096
Payable for custodian fees (Note 2)	17,800
Payable for investor servicing fees (Note 2)	14,226
Payable for Trustee compensation and expenses (Note 2)	84,878
Payable for administrative services (Note 2)	843
Payable for distribution fees (Note 2)	7,986
Payable for auditing and tax fees	45,233
Unrealized depreciation on forward currency contracts (Note 1)	683,764
Other accrued expenses	27,075
Total liabilities	1,131,649
Net assets	\$81,215,970
Represented by	
Paid-in capital (Unlimited shares authorized) (Notes 1 and 4)	\$127,481,422
Undistributed net investment income (Note 1)	1,489,268
Accumulated net realized loss on investments and foreign currency transactions (Note 1)	(49,911,342)
Net unrealized appreciation of investments and assets and liabilities in foreign currencies	2,156,622
Total — Representing net assets applicable to capital shares outstanding	\$81,215,970
Computation of net asset value Class IA	
Net assets	\$43,649,685
Number of shares outstanding	4,573,566
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$9.54
Computation of net asset value Class IB	
Net assets	\$37,566,285
Number of shares outstanding	3,979,354
Net asset value, offering price and redemption price per share (net assets divided by number of shares outstanding)	\$9.44

The accompanying notes are an integral part of these financial statements.

Statement of operations

Year ended 12/31/16

Investment income

Dividends (net of foreign tax of \$240,545)	\$2,588,574
Interest (including interest income of \$6,911 from investments in affiliated issuers) (Note 5)	\$7,288
Securities lending (net of expenses) (Notes 1 and 5)	57,436
Total investment income	2,653,298

Expenses

Compensation of Manager (Note 2)	576,972
Investor servicing fees (Note 2)	58,022
Custodian fees (Note 2)	26,769
Trustee compensation and expenses (Note 2)	6,152
Distribution fees (Note 2)	94,560
Administrative services (Note 2)	2,434
Auditing and tax fees	49,621
Other	45,297
Fees waived and reimbursed by Manager (Note 2)	(1,314)
Total expenses	858,513

Expense reduction (Note 2)	(3,168)
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Net expenses	855,345
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Net investment income	1,797,953
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Net realized loss on investments (Notes 1 and 3)	(965,281)
Net realized gain on foreign currency transactions (Note 1)	91,756
Net unrealized depreciation of assets and liabilities in foreign currencies during the year	(686,972)
Net unrealized appreciation of investments during the year	652,777

Net loss on investments	(907,720)
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Net increase in net assets resulting from operations	\$890,233
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Statement of changes in net assets

	Year ended 12/31/16	Year ended 12/31/15
Decrease in net assets		
Operations		
Net investment income	\$1,797,953	\$1,866,874
Net realized loss on investments and foreign currency transactions	(873,525)	(675,430)
Net unrealized depreciation of investments and assets and liabilities in foreign currencies	(34,195)	(2,162,355)
Net increase (decrease) in net assets resulting from operations	890,233	(970,911)
Distributions to shareholders (Note 1):		
From ordinary income		
Net investment income		
Class IA	(1,226,104)	(906,115)
Class IB	(912,934)	(589,748)
Decrease from capital share transactions (Note 4)	(6,679,548)	(12,667,239)
Total decrease in net assets	(7,928,353)	(15,134,013)
Net assets		
Beginning of year	89,144,323	104,278,336
End of year (including undistributed net investment income of \$1,489,268 and \$1,694,685, respectively)	\$81,215,970	\$89,144,323

The accompanying notes are an integral part of these financial statements.

Financial highlights (For a common share outstanding throughout the period)

Period ended	INVESTMENT OPERATIONS:				LESS DISTRIBUTIONS:		RATIOS AND SUPPLEMENTAL DATA:					
	Net asset value, beginning of period	Net investment income (loss) ^a	Net realized and unrealized gain (loss) on investments	Total from investment operations	From net investment income	Total distributions	Net asset value, end of period	Total return at net asset value (%) ^{b,c}	Net assets, end of period (in thousands)	Ratio of expenses to average net assets (%) ^{c,d}	Ratio of net investment income (loss) to average net assets (%)	Portfolio turnover (%)
Class IA												
12/31/16	\$9.67	.21	(.09)	.12	(.25)	(.25)	\$9.54	1.28	\$43,650	.92 ^e	2.29 ^e	23
12/31/15	9.99	.20	(.36)	(.16)	(.16)	(.16)	9.67	(1.71)	49,516	.88	1.97	29
12/31/14	11.18	.20	(1.22)	(1.02)	(.17)	(.17)	9.99	(9.29)	58,217	.91	1.88	41
12/31/13	9.39	.20	1.87	2.07	(.28)	(.28)	11.18	22.63	74,948	.93	2.04	50
12/31/12	7.96	.21	1.50	1.71	(.28)	(.28)	9.39	21.80	73,265	.94	2.50	36
Class IB												
12/31/16	\$9.56	.19	(.09)	.10	(.22)	(.22)	\$9.44	1.11	\$37,566	1.17 ^e	2.02 ^e	23
12/31/15	9.88	.17	(.36)	(.19)	(.13)	(.13)	9.56	(2.00)	39,629	1.13	1.71	29
12/31/14	11.06	.17	(1.21)	(1.04)	(.14)	(.14)	9.88	(9.49)	46,061	1.16	1.63	41
12/31/13	9.30	.16	1.85	2.01	(.25)	(.25)	11.06	22.21	57,687	1.18	1.60	50
12/31/12	7.87	.19	1.50	1.69	(.26)	(.26)	9.30	21.70	37,078	1.19	2.26	36

^a Per share net investment income (loss) has been determined on the basis of the weighted average number of shares outstanding during the period.

^b Total return assumes dividend reinvestment.

^c The charges and expenses at the insurance company separate account level are not reflected.

^d Includes amounts paid through expense offset and/or brokerage/service arrangements, if any (Note 2). Also excludes acquired fund fees and expenses, if any.

^e Reflects a voluntary waiver of certain fund expenses in effect during the period. As a result of such waivers, the expenses of each class reflect a reduction of less than .01% as a percentage of average net assets per share for each class. (Note 2)

The accompanying notes are an integral part of these financial statements.

Notes to financial statements 12/31/16

Within the following Notes to financial statements, references to “State Street” represent State Street Bank and Trust Company, references to “the SEC” represent the Securities and Exchange Commission, references to “Putnam Management” represent Putnam Investment Management, LLC, the fund’s manager, an indirect wholly-owned subsidiary of Putnam Investments, LLC and references to “OTC”, if any, represent over-the-counter. Unless otherwise noted, the “reporting period” represents the period from January 1, 2016 through December 31, 2016.

Putnam VT International Value Fund (the fund) is a diversified series of Putnam Variable Trust (the Trust), a Massachusetts business trust registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The goal of the fund is to seek capital growth. Current income is a secondary objective. The fund invests mainly in common stocks of large and midsize companies outside the United States, with a focus on value stocks. Value stocks are those that Putnam Management believes are currently undervalued by the market. If Putnam Management is correct and other investors ultimately recognize the value of the company, the price of its stock may rise. Putnam Management invests mainly in developed countries, but may invest in emerging markets. Putnam Management may consider, among other factors, a company’s valuation, financial strength, growth potential, competitive position in its industry, projected future earnings, cash flows and dividends when deciding whether to buy or sell investments. Putnam Management may also use derivatives, such as futures, options, certain foreign currency transactions, warrants and swap contracts, for both hedging and non-hedging purposes.

The fund offers class IA and class IB shares of beneficial interest. Class IA shares are offered at net asset value and are not subject to a distribution fee. Class IB shares are offered at net asset value and pay an ongoing distribution fee, which is identified in Note 2.

In the normal course of business, the fund enters into contracts that may include agreements to indemnify another party under given circumstances. The fund’s maximum exposure under these arrangements is unknown as this would involve future claims that may be, but have not yet been, made against the fund. However, the fund’s management team expects the risk of material loss to be remote.

The fund has entered into contractual arrangements with an investment adviser, administrator, distributor, shareholder servicing agent and custodian, who each provide services to the fund. Unless expressly stated otherwise, shareholders are not parties to, or intended beneficiaries of these contractual arrangements, and these contractual arrangements are not intended to create any shareholder right to enforce them against the service providers or to seek any remedy under them against the service providers, either directly or on behalf of the fund.

Under the fund’s Declaration of Trust, any claims asserted against or on behalf of the Putnam Funds, including claims against Trustees and Officers, must be brought in state and federal courts located within the Commonwealth of Massachusetts.

Note 1 — Significant accounting policies

The following is a summary of significant accounting policies consistently followed by the fund in the preparation of its financial statements. The preparation of financial statements is in conformity with accounting principles generally accepted in the United States of America and requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements and the reported amounts of increases and decreases in net assets from operations. Actual results could differ from those estimates. Subsequent events after the Statement of assets and liabilities date through the date that the financial statements were issued have been evaluated in the preparation of the financial statements.

Investment income, realized and unrealized gains and losses and expenses of the fund are borne pro-rata based on the relative net assets of each class to the total net assets of the fund, except that each class bears expenses unique to that class (including the distribution fees applicable to such classes). Each class votes as a class only with respect to its own distribution plan or other matters on which a class vote is required by law or determined by the Trustees. If the fund were liquidated, shares of each class would receive their pro-rata share of the net assets of the fund. In addition, the Trustees declare separate dividends on each class of shares.

Security valuation Portfolio securities and other investments are valued using policies and procedures adopted by the Board of Trustees. The Trustees have formed a Pricing Committee to oversee the implementation of these procedures

and have delegated responsibility for valuing the fund’s assets in accordance with these procedures to Putnam Management. Putnam Management has established an internal Valuation Committee that is responsible for making fair value determinations, evaluating the effectiveness of the pricing policies of the fund and reporting to the Pricing Committee.

Investments for which market quotations are readily available are valued at the last reported sales price on their principal exchange, or official closing price for certain markets, and are classified as Level 1 securities under Accounting Standards Codification 820 *Fair Value Measurements and Disclosures* (ASC 820). If no sales are reported, as in the case of some securities that are traded OTC, a security is valued at its last reported bid price and is generally categorized as a Level 2 security.

Investments in open-end investment companies (excluding exchange-traded funds), if any, which can be classified as Level 1 or Level 2 securities, are valued based on their net asset value. The net asset value of such investment companies equals the total value of their assets less their liabilities and divided by the number of their outstanding shares.

Many securities markets and exchanges outside the U.S. close prior to the scheduled close of the New York Stock Exchange and 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 scheduled close of the New York Stock Exchange. Accordingly, on certain days, the fund will fair value certain foreign equity securities taking into account multiple factors including movements in the U.S. securities markets, currency valuations and comparisons to the valuation of American Depository Receipts, exchange-traded funds and futures contracts. The foreign equity securities, which would generally be classified as Level 1 securities, will be transferred to Level 2 of the fair value hierarchy when they are valued at fair value. The number of days on which fair value prices will be used will depend on market activity and it is possible that fair value prices will be used by the fund to a significant extent. At the close of the reporting period, fair value pricing was used for certain foreign securities in the portfolio. Securities quoted in foreign currencies, if any, are translated into U.S. dollars at the current exchange rate. Short-term securities with remaining maturities of 60 days or less are valued using an independent pricing service approved by the Trustees, and are classified as Level 2 securities.

To the extent a pricing service or dealer is unable to value a security or provides a valuation that Putnam Management does not believe accurately reflects the security’s fair value, the security will be valued at fair value by Putnam Management in accordance with policies and procedures approved by the Trustees. Certain investments, including certain restricted and illiquid securities and derivatives, are also valued at fair value following procedures approved by the Trustees. These valuations consider such factors as significant market or specific security events such as interest rate or credit quality changes, various relationships with other securities, discount rates, U.S. Treasury, U.S. swap and credit yields, index levels, convexity exposures, recovery rates, sales and other multiples and resale restrictions. These securities are classified as Level 2 or as Level 3 depending on the priority of the significant inputs.

To assess the continuing appropriateness of fair valuations, the Valuation Committee reviews and affirms the reasonableness of such valuations on a regular basis after considering all relevant information that is reasonably available. Such valuations and procedures are reviewed periodically by the Trustees. The fair value of securities is generally determined as the amount that the fund could reasonably expect to realize from an orderly disposition of such securities over a reasonable period of time. By its nature, a fair value price is a good faith estimate of the value of a security in a current sale and does not reflect an actual market price, which may be different by a material amount.

Security transactions and related investment income Security transactions are recorded on the trade date (the date the order to buy or sell is executed). Gains or losses on securities sold are determined on the identified cost basis.

Interest income, net of any applicable withholding taxes, is recorded on the accrual basis. Dividend income, net of any applicable withholding taxes, is recognized on the ex-dividend date except that certain dividends from foreign securities, if any, are recognized as soon as the fund is informed of the ex-dividend date. Non-cash dividends, if any, are recorded at the fair value of the securities received. Dividends representing a return of capital or capital gains, if any, are reflected as a reduction of cost and/or as a realized gain. All premiums/discounts are amortized/accreted on a yield-to-maturity basis.

Foreign currency translation The accounting records of the fund are maintained in U.S. dollars. The fair value of foreign securities, currency holdings, and other assets and liabilities is recorded in the books and records of the fund after translation to U.S. dollars based on the exchange rates on that day. The cost of each security is determined using historical exchange rates. Income and withholding taxes are translated at prevailing exchange rates when earned or incurred. The fund does not isolate that portion of realized or unrealized gains or losses resulting from changes in the foreign exchange rate on investments from fluctuations arising from changes in the market prices of the securities. Such gains and losses are included with the net realized and unrealized gain or loss on investments. Net realized gains and losses on foreign currency transactions represent net realized exchange gains or losses on closed forward currency contracts, disposition of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions and the difference between the amount of investment income and foreign withholding taxes recorded on the fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized appreciation and depreciation of assets and liabilities in foreign currencies arise from changes in the value of open forward currency contracts and assets and liabilities other than investments at the period end, resulting from changes in the exchange rate.

Forward currency contracts The fund buys and sells forward currency contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. These contracts are used to hedge foreign exchange risk.

The U.S. dollar value of forward currency contracts is determined using current forward currency exchange rates supplied by a quotation service. The fair value of the contract will fluctuate with changes in currency exchange rates. The contract is marked to market daily and the change in fair value is recorded as an unrealized gain or loss. The fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed when the contract matures or by delivery of the currency. The fund could be exposed to risk if the value of the currency changes unfavorably, if the counterparties to the contracts are unable to meet the terms of their contracts or if the fund is unable to enter into a closing position. Risks may exceed amounts recognized on the Statement of assets and liabilities.

Forward currency contracts outstanding at period end, if any, are listed after the fund's portfolio.

Master agreements The fund is a party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements (Master Agreements) with certain counterparties that govern OTC derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties' general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the fund is held in a segregated account by the fund's custodian and, with respect to those amounts which can be sold or repledged, is presented in the fund's portfolio. Collateral posted to the fund which cannot be sold or repledged totaled \$103,008 at the close of the reporting period.

Collateral pledged by the fund is segregated by the fund's custodian and identified in the fund's portfolio. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the fund and the applicable counterparty. Collateral requirements are determined based on the fund's net position with each counterparty.

Termination events applicable to the fund may occur upon a decline in the fund's net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty's long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the fund's counterparties to elect early termination could impact the fund's future derivative activity.

At the close of the reporting period, the fund had a net liability position of \$474,566 on open derivative contracts subject to the Master Agreements. Collateral posted by the fund at period end for these agreements totaled \$562,804 and may include amounts related to unsettled agreements.

Securities lending The fund may lend securities, through its agent, to qualified borrowers in order to earn additional income. The loans are collateralized by cash in an amount at least equal to the fair value of the securities loaned. The fair value of securities loaned is determined daily and any additional required collateral is

allocated to the fund on the next business day. The remaining maturities of the securities lending transactions are considered overnight and continuous. The risk of borrower default will be borne by the fund's agent; the fund will bear the risk of loss with respect to the investment of the cash collateral. Income from securities lending, net of expenses, is included in investment income on the Statement of operations. Cash collateral is invested in Putnam Cash Collateral Pool, LLC, a limited liability company managed by an affiliate of Putnam Management. Investments in Putnam Cash Collateral Pool, LLC are valued at its closing net asset value each business day. There are no management fees charged to Putnam Cash Collateral Pool, LLC. At the close of the reporting period, the fund had no securities out on loan.

Interfund lending The fund, along with other Putnam funds, may participate in an interfund lending program pursuant to an exemptive order issued by the SEC. This program allows the fund to borrow from or lend to other Putnam funds that permit such transactions. Interfund lending transactions are subject to each fund's investment policies and borrowing and lending limits. Interest earned or paid on the interfund lending transaction will be based on the average of certain current market rates. During the reporting period, the fund did not utilize the program.

Lines of credit The fund participates, along with other Putnam funds, in a \$317.5 million unsecured committed line of credit and a \$235.5 million unsecured uncommitted line of credit, both provided by State Street. Borrowings may be made for temporary or emergency purposes, including the funding of shareholder redemption requests and trade settlements. Interest is charged to the fund based on the fund's borrowing at a rate equal to the higher of (1) the Federal Funds rate and (2) the overnight LIBOR plus 1.25% for the committed line of credit and the Federal Funds rate plus 1.30% for the uncommitted line of credit. A closing fee equal to 0.04% of the committed line of credit plus a \$25,000 flat fee and 0.04% of the uncommitted line of credit has been paid by the participating funds. In addition, a commitment fee of 0.21% per annum on any unutilized portion of the committed line of credit is allocated to the participating funds based on their relative net assets and paid quarterly. During the reporting period, the fund had no borrowings against these arrangements.

Federal taxes It is the policy of the fund to distribute all of its taxable income within the prescribed time period and otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the Code), applicable to regulated investment companies.

The fund is subject to the provisions of Accounting Standards Codification 740 *Income Taxes* (ASC 740). ASC 740 sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The fund did not have a liability to record for any unrecognized tax benefits in the accompanying financial statements. No provision has been made for federal taxes on income, capital gains or unrealized appreciation on securities held nor for excise tax on income and capital gains. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service.

The fund may also be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or capital gains are earned. In some cases, the fund may be entitled to reclaim all or a portion of such taxes, and such reclaim amounts, if any, are reflected as an asset on the fund's books. In many cases, however, the fund may not receive such amounts for an extended period of time, depending on the country of investment.

At December 31, 2016, the fund had a capital loss carryover of \$49,747,504 available to the extent allowed by the Code to offset future net capital gain, if any. For any carryover, the amount of the carryover and that carryover's expiration date is:

Loss carryover			
Short-term	Long-term	Total	Expiration
\$412,214	\$977,729	\$1,389,943	*
48,357,561	N/A	48,357,561	12/31/17

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

Distributions to shareholders Distributions to shareholders from net investment income are recorded by the fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid at least annually. The amount and character of income and gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles.

These differences include temporary and/or permanent differences from losses on wash sale transactions, from foreign currency gains and losses, from the expiration of a capital loss carryover, from realized gains and losses on passive foreign investment companies, from unrealized gains and losses on passive foreign investment companies, and from foreign tax credits. Reclassifications are made to the fund's capital accounts to reflect income and gains available for distribution (or available capital loss carryovers) under income tax regulations. At the close of the reporting period, the fund reclassified \$135,668 to increase undistributed net investment income, \$49,839,291 to decrease paid-in capital and \$49,703,623 to decrease accumulated net realized loss.

The tax basis components of distributable earnings and the federal tax cost as of the close of the reporting period were as follows:

Unrealized appreciation	\$10,203,184
Unrealized depreciation	(7,794,573)
Net unrealized appreciation	2,408,611
Undistributed ordinary income	1,099,623
Capital loss carryforward	(49,747,504)
Cost for federal income tax purposes	\$79,457,936

Expenses of the Trust Expenses directly charged or attributable to any fund will be paid from the assets of that fund. Generally, expenses of the Trust will be allocated among and charged to the assets of each fund on a basis that the Trustees deem fair and equitable, which may be based on the relative assets of each fund or the nature of the services performed and relative applicability to each fund.

Beneficial interest At the close of the reporting period, insurance companies or their separate accounts were record owners of all but a de minimis number of the shares of the fund. Approximately 31.4% of the fund is owned by accounts of one insurance company.

Note 2 — Management fee, administrative services and other transactions

The fund pays Putnam Management a management fee (based on the fund's average net assets and computed and paid monthly) at annual rates that may vary based on the average of the aggregate net assets of all open-end mutual funds sponsored by Putnam Management (excluding net assets of funds that are invested in, or that are invested in by, other Putnam funds to the extent necessary to avoid "double counting" of those assets). Such annual rates may vary as follows:

0.850%	of the first \$5 billion,
0.800%	of the next \$5 billion,
0.750%	of the next \$10 billion,
0.700%	of the next \$10 billion,
0.650%	of the next \$50 billion,
0.630%	of the next \$50 billion,
0.620%	of the next \$100 billion and
0.615%	of any excess thereafter.

For the reporting period, the management fee represented an effective rate (excluding the impact from any expense waivers in effect) of 0.696% of the fund's average net assets.

Putnam Management has contractually agreed, through April 30, 2018, to waive fees or reimburse the fund's expenses to the extent necessary to limit the cumulative expenses of the fund, exclusive of brokerage, interest, taxes, investment-related expenses, extraordinary expenses, acquired fund fees and expenses and payments under the fund's investor servicing contract, investment management contract and distribution plans, on a fiscal year-to-date basis to an annual rate of 0.20% of the fund's average net assets over such fiscal year-to-date period. During the reporting period, the fund's expenses were not reduced as a result of this limit.

Putnam Management may from time to time voluntarily undertake to waive fees and/or reimburse certain fund expenses. Any such waiver or reimbursement would be voluntary and may be modified or discontinued by Putnam Management at any time without notice. For the reporting period, Putnam Management voluntarily waived \$1,314.

Putnam Investments Limited (PIL), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund as determined by Putnam Management from time to time. PIL did not manage any portion of the assets of the fund during the reporting period. If Putnam Management were to engage the services of PIL, Putnam Management would pay a quarterly sub-management fee to PIL for its services at an annual rate of 0.35% of the average net assets of the portion of the fund managed by PIL.

The Putnam Advisory Company, LLC (PAC), an affiliate of Putnam Management, is authorized by the Trustees to manage a separate portion of the assets of the fund, as designated from time to time by Putnam Management or PIL. PAC did not manage any portion of the assets of the fund during the reporting period. If Putnam Management or PIL were to engage the services of PAC, Putnam Management or PIL, as applicable, would pay a quarterly sub-advisory fee to PAC for its services at the annual rate of 0.35% of the average net assets of the portion of the fund's assets for which PAC is engaged as sub-adviser.

The fund reimburses Putnam Management an allocated amount for the compensation and related expenses of certain officers of the fund and their staff who provide administrative services to the fund. The aggregate amount of all such reimbursements is determined annually by the Trustees.

Custodial functions for the fund's assets are provided by State Street. Custody fees are based on the fund's asset level, the number of its security holdings and transaction volumes.

Putnam Investor Services, Inc., an affiliate of Putnam Management, provides investor servicing agent functions to the fund. Putnam Investor Services, Inc. was paid a monthly fee for investor servicing at an annual rate of 0.07% of the fund's average daily net assets. During the reporting period, the expenses for each class of shares related to investor servicing fees were as follows:

Class IA	\$31,548
Class IB	26,474
Total	\$58,022

The fund has entered into expense offset arrangements with Putnam Investor Services, Inc. and State Street whereby Putnam Investor Services, Inc.'s and State Street's fees are reduced by credits allowed on cash balances. The fund also reduced expenses through brokerage/service arrangements. For the reporting period, the fund's expenses were reduced by \$5 under the expense offset arrangements and by \$3,163 under the brokerage/service arrangements.

Each Independent Trustee of the fund receives an annual Trustee fee, of which \$64, as a quarterly retainer, has been allocated to the fund, and an additional fee for each Trustees meeting attended. Trustees also are reimbursed for expenses they incur relating to their services as Trustees.

The fund has adopted a Trustee Fee Deferral Plan (the Deferral Plan) which allows the Trustees to defer the receipt of all or a portion of Trustees fees payable on or after July 1, 1995. The deferred fees remain invested in certain Putnam funds until distribution in accordance with the Deferral Plan.

The fund has adopted an unfunded noncontributory defined benefit pension plan (the Pension Plan) covering all Trustees of the fund who have served as a Trustee for at least five years and were first elected prior to 2004. Benefits under the Pension Plan are equal to 50% of the Trustee's average annual attendance and retainer fees for the three years ended December 31, 2005. The retirement benefit is payable during a Trustee's lifetime, beginning the year following retirement, for the number of years of service through December 31, 2006. Pension expense for the fund is included in Trustee compensation and expenses in the Statement of operations. Accrued pension liability is included in Payable for Trustee compensation and expenses in the Statement of assets and liabilities. The Trustees have terminated the Pension Plan with respect to any Trustee first elected after 2003.

The fund has adopted a distribution plan (the Plan) with respect to its class IB shares pursuant to Rule 12b-1 under the Investment Company Act of 1940. The purpose of the Plan is to compensate Putnam Retail Management Limited Partnership, an indirect wholly-owned subsidiary of Putnam Investments, LLC, for services provided and expenses incurred in distributing shares of the fund. The Plan provides for payment by the fund to Putnam Retail Management Limited Partnership at an annual rate of up to 0.35% of the average net assets attributable to the fund's class IB shares. The Trustees have approved payment by the fund at an annual rate of 0.25% of the average net assets attributable to the fund's class IB shares. The expenses related to distribution fees during the reporting period are included in Distribution fees in the Statement of operations.

Note 3 — Purchases and sales of securities

During the reporting period, the cost of purchases and the proceeds from sales, excluding short-term investments, were as follows:

	Cost of purchases	Proceeds from sales
Investments in securities (Long-term)	\$19,071,631	\$25,839,939
U.S. government securities (Long-term)	—	—
Total	\$19,071,631	\$25,839,939

The fund may purchase or sell investments from or to other Putnam funds in the ordinary course of business, which can reduce the fund's transaction costs, at prices determined in accordance with SEC requirements and policies approved by the Trustees. During the reporting period, purchases or sales of long-term securities from or to other Putnam funds, if any, did not represent more than 5% of the fund's total cost of purchases and/or total proceeds from sales.

Note 4 — Capital shares

At the close of the reporting period, there were an unlimited number of shares of beneficial interest authorized. Subscriptions and redemptions are presented at the omnibus level. Transactions in capital shares were as follows:

	Class IA shares				Class IB shares			
	Year ended 12/31/16		Year ended 12/31/15		Year ended 12/31/16		Year ended 12/31/15	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Shares sold	104,160	\$964,890	104,381	\$1,065,151	430,069	\$3,831,320	198,328	\$1,906,619
Shares issued in connection with reinvestment of distributions	132,123	1,226,104	87,043	906,115	99,232	912,934	57,201	589,748
	236,283	2,190,994	191,424	1,971,266	529,301	4,744,254	255,529	2,496,367
Shares repurchased	(783,019)	(7,240,929)	(900,313)	(9,242,235)	(693,308)	(6,373,867)	(775,940)	(7,892,637)
Net decrease	(546,736)	\$(5,049,935)	(708,889)	\$(7,270,969)	(164,007)	\$(1,629,613)	(520,411)	\$(5,396,270)

Note 5 — Affiliated transactions

Transactions during the reporting period with any company which is under common ownership or control were as follows:

Name of affiliate	Fair value at the beginning of the reporting period	Purchase cost	Sale proceeds	Investment income	Fair value at the end of the reporting period
Putnam Cash Collateral Pool, LLC *	\$941,850	\$31,058,515	\$32,000,365	\$5,889	\$—
Putnam Short Term Investment Fund **	1,223,592	18,012,256	18,147,682	6,911	1,088,166
Totals	\$2,165,442	\$49,070,771	\$50,148,047	\$12,800	\$1,088,166

* No management fees are charged to Putnam Cash Collateral Pool, LLC (See Note 1).

** Management fees charged to Putnam Short Term Investment Fund have been waived by Putnam Management.

Note 6 — Market, credit and other risks

In the normal course of business, the fund trades financial instruments and enters into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the contracting party to the transaction to perform (credit risk). The fund may be exposed to additional credit risk that an

institution or other entity with which the fund has unsettled or open transactions will default. Investments in foreign securities involve certain risks, including those related to economic instability, unfavorable political developments, and currency fluctuations.

Note 7 — Summary of derivative activity

The volume of activity for the reporting period for any derivative type that was held during the period is listed below and was based on an average of the holdings at the end of each fiscal quarter:

Forward currency contracts (contract amount)	\$32,000,000
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The following is a summary of the fair value of derivative instruments as of the close of the reporting period:

Fair value of derivative instruments as of the close of the reporting period

Derivatives not accounted for as hedging instruments under ASC 815	Asset derivatives		Liability derivatives	
	Statement of assets and liabilities location	Fair value	Statement of assets and liabilities location	Fair value
Foreign exchange contracts	Receivables	\$271,554	Payables	\$683,764
Total		\$271,554		\$683,764

The following is a summary of realized and change in unrealized gains or losses of derivative instruments in the Statement of operations for the reporting period (see Note 1):

Amount of realized gain or (loss) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Total
Foreign exchange contracts	\$107,127	\$107,127
Total	\$107,127	\$107,127

Change in unrealized appreciation or (depreciation) on derivatives recognized in net gain or (loss) on investments

Derivatives not accounted for as hedging instruments under ASC 815	Forward currency contracts	Total
Foreign exchange contracts	\$(687,703)	\$(687,703)
Total	\$(687,703)	\$(687,703)

Note 8 — Offsetting of financial and derivative assets and liabilities

The following table summarizes any derivatives, repurchase agreements and reverse repurchase agreements, at the end of the reporting period, that are subject to an enforceable master netting agreement or similar agreement. For securities lending transactions or borrowing transactions associated with securities sold short, if any, see Note 1. For financial reporting purposes, the fund does not offset financial assets and financial liabilities that are subject to the master netting agreements in the Statement of assets and liabilities.

	Bank of America N.A.	Barclays Bank PLC	Citibank, N.A.	Credit Suisse International	Goldman Sachs International	JPMorgan Chase Bank N.A.	State Street Bank and Trust Co.	UBS AG	Total
Assets:									
Forward currency contracts [#]	\$7,320	\$7,698	\$41,983	\$2,418	\$15,367	\$88,875	\$54,959	\$52,934	\$271,554
Total Assets	\$7,320	\$7,698	\$41,983	\$2,418	\$15,367	\$88,875	\$54,959	\$52,934	\$271,554
Liabilities:									
Forward currency contracts [#]	131,601	694	51,917	—	252,078	101,669	145,805	—	683,764
Total Liabilities	\$131,601	\$694	\$51,917	\$—	\$252,078	\$101,669	\$145,805	\$—	\$683,764
Total Financial and Derivative Net Assets	\$(124,281)	\$7,004	\$(9,934)	\$2,418	\$(236,711)	\$(12,794)	\$(90,846)	\$52,934	\$(412,210)
Total collateral received (pledged) ^{###}	\$(124,281)	\$—	\$—	\$—	\$(236,711)	\$(12,794)	\$(90,846)	\$52,934	
Net amount	\$—	\$7,004	\$(9,934)	\$2,418	\$—	\$—	\$—	\$—	

[†] Additional collateral may be required from certain brokers based on individual agreements.

[#] Covered by master netting agreement (Note 1).

^{###} Any over-collateralization of total financial and derivative net assets is not shown. Collateral may include amounts related to unsettled agreements.

Note 9 — New pronouncements

In October 2016, the SEC adopted amendments to rules under the Investment Company Act of 1940 (“final rules”) intended to modernize the reporting and disclosure of information by registered investment companies. The final rules amend Regulation S-X and require funds to provide standardized, enhanced derivative disclosure in fund financial statements in a format designed for individual investors. The amendments to Regulation S-X also update the disclosures for other investments and investments in and advances to affiliates and amend the rules regarding the general form and content of fund financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. Putnam Management is currently evaluating the amendments and their impact, if any, on the fund’s financial statements.






Federal tax information (Unaudited)




For the reporting period, total interest and dividend income from foreign countries were \$2,765,333, or \$0.32 per share (for all classes of shares). Taxes paid to foreign countries were \$281,883, or \$0.03 per share (for all classes of shares).

The fund designated 2.97% of ordinary income distributions as qualifying for the dividends received deduction for corporations


The Form 1099 that will be mailed to you in January 2017 will show the tax status of all distributions paid to your account in calendar year 2016.

About the Trustees

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Independent Trustees			
LiaquatAhamed Born 1952 Trustee since 2012	Pulitzer Prize-winning author of <i>Lords of Finance: The Bankers Who Broke the World</i> , whose articles on economics have appeared in such publications as the <i>New York Times</i> , <i>Foreign Affairs</i> , and the <i>Financial Times</i> . Director of Aspen Insurance Co., a New York Stock Exchange company, and Chair of the Aspen Board's Investment Committee. Trustee of the Brookings Institution.	The Rohatyn Group, an emerging-market fund complex that manages money for institutions	
Ravi Akhoury Born 1947 Trustee since 2009	Trustee of American India Foundation and of the Rubin Museum. From 1992 to 2007, was Chairman and CEO of MacKay Shields, a multi-product investment management firm.	RAGE Frameworks, Inc., a private software company; English Helper, Inc., a private software company	
Barbara M. Baumann Born 1955 Trustee since 2010	President and Owner of Cross Creek Energy Corporation, a strategic consultant to domestic energy firms and direct investor in energy projects. Current Board member of The Denver Foundation. Former Chair and current Board member of Girls Incorporated of Metro Denver. Member of the Finance Committee, the Children's Hospital of Colorado.	Buckeye Partners, L.P., a publicly traded master limited partnership focused on pipeline transport, storage, and distribution of petroleum products; Devon Energy Corporation, a leading independent natural gas and oil exploration and production company	
Jameson A. Baxter Born 1943 Trustee since 1994, Vice Chair from 2005 to 2011, and Chair since 2011	President of Baxter Associates, Inc., a private investment firm. Chair of Mutual Fund Directors Forum. Chair Emeritus of the Board of Trustees of Mount Holyoke College. Director of the Adirondack Land Trust and Trustee of the Nature Conservancy's Adirondack Chapter.	None	
Robert J. Darretta Born 1946 Trustee since 2007	From 2009 until 2012, served as Health Care Industry Advisor to Permira, a global private equity firm. Until April 2007, was Vice Chairman of the Board of Directors of Johnson & Johnson. Served as Johnson & Johnson's Chief Financial Officer for a decade.	UnitedHealth Group, a diversified health-care company	
Katinka Domotorffy Born 1975 Trustee since 2012	Voting member of the Investment Committees of the Anne Ray Charitable Trust and Margaret A. Cargill Foundation, part of the Margaret A. Cargill Philanthropies. Until 2011, Partner, Chief Investment Officer, and Global Head of Quantitative Investment Strategies at Goldman Sachs Asset Management.	Reach Out and Read of Greater New York, an organization dedicated to promoting childhood literacy; Great Lakes Science Center; College Now Greater Cleveland	
John A. Hill Born 1942 Trustee since 1985 and Chairman from 2000 to 2011	Founder and Vice-Chairman of First Reserve Corporation, the leading private equity buyout firm focused on the worldwide energy industry. Trustee and Chairman of the Board of Trustees of Sarah Lawrence College. Member of the Advisory Board of the Millstein Center for Global Markets and Corporate Ownership at The Columbia University Law School.	None	
Paul L. Joskow Born 1947 Trustee since 1997	Economist and President of the Alfred P. Sloan Foundation, a philanthropic institution focused primarily on research and education on issues related to science, technology, and economic performance. Elizabeth and James Killian Professor of Economics, Emeritus at the Massachusetts Institute of Technology (MIT). Prior to 2007, served as the Director of the Center for Energy and Environmental Policy Research at MIT.	Yale University; Exelon Corporation, an energy company focused on power services; Boston Symphony Orchestra; Prior to April 2013, served as Director of TransCanada Corporation and TransCanada Pipelines Ltd., energy companies focused on natural gas transmission, oil pipelines and power services	
Kenneth R. Leibler Born 1949 Trustee since 2006 and Vice Chair since 2016	Founder and former Chairman of Boston Options Exchange, an electronic marketplace for the trading of derivative securities. Vice Chairman Emeritus of the Board of Trustees of Beth Israel Deaconess Hospital in Boston, Massachusetts. Director of Beth Israel Deaconess Care Organization. Until November 2010, director of Ruder Finn Group, a global communications and advertising firm.	Eversource Corporation, which operates New England's largest energy delivery system	

Name Year of birth Position held	Principal occupations during past five years	Other directorships	
Robert E. Patterson Born 1945 Trustee since 1984	Co-Chairman of Cabot Properties, Inc., a private equity firm investing in commercial real estate, and Chairman or Co-Chairman of the Investment Committees for various Cabot Funds. Past Chairman and Trustee of the Joslin Diabetes Center.	None	
George Putnam, III Born 1951 Trustee since 1984	Chairman of New Generation Research, Inc., a publisher of financial advisory and other research services. Founder and President of New Generation Advisors, LLC, a registered investment advisor to private funds. Director of The Boston Family Office, LLC, a registered investment advisor.	None	
W. Thomas Stephens Born 1942 Trustee from 1997 to 2008 and since 2009	Retired as Chairman and Chief Executive Officer of Boise Cascade, LLC, a paper, forest products, and timberland assets company, in December 2008. Prior to 2010, Director of Boise Inc., a manufacturer of paper and packaging products.	Prior to April 2014, served as Director of TransCanada Pipelines Ltd., an energy infrastructure company	

Interested Trustee

Robert L. Reynolds* Born 1952 Trustee since 2008 and President of the Putnam Funds since 2009	President and Chief Executive Officer of Putnam Investments since 2008 and, since 2014, President and Chief Executive Officer of Great-West Financial, a financial services company that provides retirement savings plans, life insurance, and annuity and executive benefits products, and of Great-West Lifeco U.S. Inc., a holding company that owns Putnam Investments and Great-West Financial. Prior to joining Putnam Investments, served as Vice Chairman and Chief Operating Officer of Fidelity Investments from 2000 to 2007.	None	
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*Mr. Reynolds is an "interested person" (as defined in the Investment Company Act of 1940) of the fund and Putnam Investments. He is President and Chief Executive Officer of Putnam Investments, as well as the President of your fund and each of the other Putnam funds.

The address of each Trustee is One Post Office Square, Boston, MA 02109.

As of December 31, 2016, there were 114 Putnam funds. All Trustees serve as Trustees of all Putnam funds.

Each Trustee serves for an indefinite term, until his or her resignation, retirement at age 75, removal, or death.

Officers

In addition to Robert L. Reynolds, the other officers of the fund are shown below:

Jonathan S. Horwitz (Born 1955)
Executive Vice President, Principal Executive Officer, and Compliance Liaison
Since 2004

Robert T. Burns (Born 1961)
Vice President and Chief Legal Officer
Since 2011
General Counsel, Putnam Investments, Putnam Management, and Putnam Retail Management

James F. Clark (Born 1974)
Vice President and Chief Compliance Officer
Since 2016
Chief Compliance Officer, Putnam Investments and Putnam Management

Michael J. Higgins (Born 1976)
Vice President, Treasurer, and Clerk
Since 2010

Janet C. Smith (Born 1965)
Vice President, Principal Financial Officer, Principal Accounting Officer, and Assistant Treasurer
Since 2007
Director of Fund Administration Services, Putnam Investments and Putnam Management

Susan G. Malloy (Born 1957)
Vice President and Assistant Treasurer
Since 2007
Director of Accounting & Control Services, Putnam Investments and Putnam Management

Mark C. Trenchard (Born 1962)
Vice President and BSA Compliance Officer
Since 2002

Director of Operational Compliance, Putnam Investments and Putnam Retail Management

Nancy E. Florek (Born 1957)
Vice President, Director of Proxy Voting and Corporate Governance, Assistant Clerk, and Associate Treasurer
Since 2000

The principal occupations of the officers for the past five years have been with the employers as shown above, although in some cases they have held different positions with such employers. The address of each officer is One Post Office Square, Boston, MA 02109.

Other important information

Proxy voting

Putnam is committed to managing our mutual funds in the best interests of our shareholders. The Putnam funds' proxy voting guidelines and procedures, as well as information regarding how your fund voted proxies relating to portfolio securities during the 12-month period ended June 30, 2016, are available in the Individual Investors section of putnam.com and on the Securities and Exchange Commission's [SEC] website, www.sec.gov. If you have questions about finding forms on the SEC's website, you may call the SEC at 1-800-SEC-0330. You may also obtain the Putnam funds' proxy voting guidelines and procedures at no charge by calling Putnam's Shareholder Services at 1-800-225-1581.

Fund portfolio holdings

Each Putnam VT fund will file a complete schedule of its portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain the fund's Form N-Q on the SEC's website at www.sec.gov. In addition, the fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. You may call the SEC at 1-800-SEC-0330 for information about the SEC's website or the operation of the Public Reference Room.

Fund information

Investment Manager

Putnam Investment Management, LLC
One Post Office Square
Boston, MA 02109

Investment Sub-Advisors

Putnam Investments Limited
57-59 St James's Street
London, England SW1A 1LD

The Putnam Advisory Company, LLC

One Post Office Square
Boston, MA 02109

Marketing Services

Putnam Retail Management
One Post Office Square
Boston, MA 02109

Investor Servicing Agent

Putnam Investor Services, Inc.
Mailing address:
P.O. Box 8383
Boston, MA 02266-8383
1-800-225-1581

Custodian

State Street Bank and Trust Company

Legal Counsel

Ropes & Gray LLP

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Trustees

Jameson A. Baxter, *Chair*
Kenneth R. Leibler, *Vice Chair*
Liaquat Ahamed
Ravi Akhoury
Barbara M. Baumann
Robert J. Darretta
Katinka Domotorffy
John A. Hill
Paul L. Joskow
Robert E. Patterson
George Putnam, III
Robert L. Reynolds
W. Thomas Stephens

The fund's Statement of Additional Information contains additional information about the fund's Trustees and is available without charge upon request by calling 1-800-225-1581.

