

ANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2022



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

Important Notes to Performance Information	i
Fund Summaries	
Franklin Mutual Shares VIP Fund	MS-1
*Prospectus Supplement	MS-8
Index Descriptions	I-1
Board Members and Officers	BOD-1
Shareholder Information	SI-1

*Not part of the annual report. Retain for your records.

Not FDIC Insured	May Lose Value	No Bank Guarantee
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Important Notes to Performance Information

Performance data is historical and cannot predict or guarantee future results. Principal value and investment return will fluctuate with market conditions, and you may have a gain or loss when you withdraw your money. Inception dates of the funds may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.

Franklin Mutual Shares VIP Fund

This annual report for Franklin Mutual Shares VIP Fund covers the fiscal year ended December 31, 2022.

Class 1 Performance Summary as of December 31, 2022

Average annual total return of Class 1 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.

Share Class	Average Annual Total Return
1	
1-Year	-7.15%
5-Year	+3.42%
10-Year	+7.00%

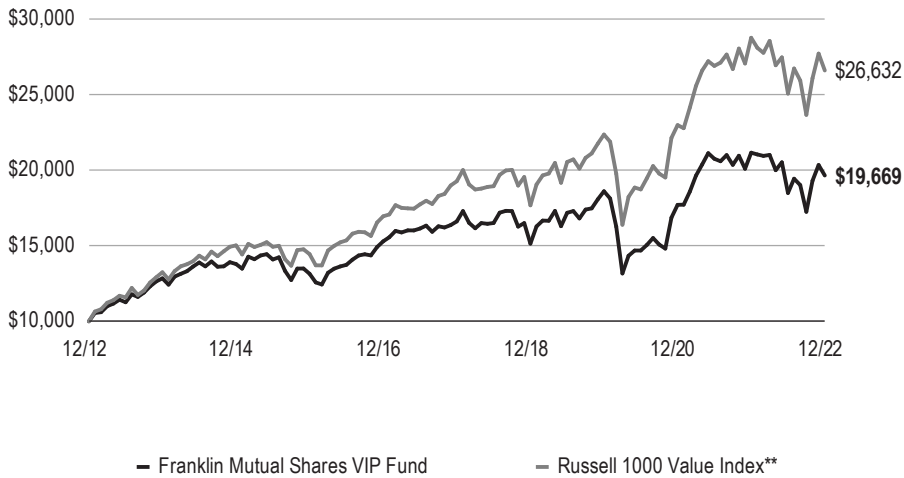
*The total annual operating expenses are as of the Fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

*Performance reflects the Fund's Class 1 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 (12/31/12–12/31/22)

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 Russell 1000® Value Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



**Source: FactSet. Please see Index Descriptions following the Fund Summaries.

Franklin Mutual Shares VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Its secondary goal is income. Under normal market conditions, the Fund invests primarily in equity securities of U.S. and foreign companies that we believe are available at market prices less than their fundamental value. The equity securities in which the Fund invests are primarily common stock, and generally companies with market capitalizations greater than \$5 billion, with a portion or significant amount in smaller companies. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest up to 35% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Fund Risks

All investments involve risks, including possible loss of principal. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. Value securities may not increase in price as anticipated or may decline further in value. The Fund's investments in foreign securities involve special risks including currency fluctuations, and economic and political uncertainties. The Fund may also invest in companies engaged in mergers, reorganizations or liquidations, which involve special risks as pending deals may not be completed on time or on favorable terms, as well as lower rated bonds, which entail higher credit risk. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The manager's portfolio selection strategy is not solely based on ESG considerations, and therefore the issuers in which the fund invests may not be considered ESG-focused companies. Integrating ESG considerations into the investment process is not a guarantee that better performance will be achieved. The Fund's prospectus also includes a description of the main investment risks.

Russia's military invasion of Ukraine in February 2022, the resulting responses by the United States and other countries, and the potential for wider conflict could increase volatility and uncertainty in the financial markets and adversely affect regional and global economies. The United States and other countries have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to its invasion of Ukraine. The United States and other

countries have also imposed economic sanctions on Belarus and may impose sanctions on other countries that support Russia's military invasion. These sanctions, as well as any other economic consequences related to the invasion, such as additional sanctions, boycotts or changes in consumer or purchaser preferences or cyberattacks on governments, companies or individuals, may further decrease the value and liquidity of certain Russian securities and securities of issuers in other countries that are subject to economic sanctions related to the invasion.

Geographic Composition

12/31/22

	% of Total Net Assets
United States	91.7%
United Kingdom	2.9%
Switzerland	2.2%
Netherlands	1.5%
Other*	0.0%
Short-Term Investments & Other Net Assets	1.7%

*Rounds to less than 0.1% of net assets.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the Russell 1000[®] Value Index, posted a -7.54 % total return for the period under review.¹

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index-NR, posted a -18.36% total return for the 12 months ended December 31, 2022.¹ The combination of resilient consumer demand and persistent supply-chain disruptions contributed to higher inflation in many countries. This inflationary pressure led many of the world's central banks to adopt less accommodative monetary policy in 2022, which hindered stocks and the outlook for economic growth. Russia's invasion of Ukraine and the subsequent escalation of the war also increased investor uncertainty, as international sanctions on Russia disrupted global trade and commodity markets. Meanwhile, shifting public health policy in China added volatility to the global economy, as lockdowns early in the period to quell the spread of the Omicron variant of COVID-19 slowed economic activity, while widespread protests late in the period led the government to relax its strict "zero-COVID" policy.

1. Source: 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.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Schedule of Investments (SOI).

In the U.S., gross domestic product (GDP) expanded in the second half of the calendar year, recovering from a slight contraction in the first half of the year when high inflation, supply constraints and record trade deficits weighed on economic output. Rising prices precipitated a notable decline in consumer confidence despite high spending levels, robust job growth and low unemployment. In an effort to control inflation, the U.S. Federal Reserve (Fed) raised the federal funds target rate in March 2022 for the first time since 2018. The Fed raised the federal funds rate again at its subsequent six meetings to end the period at a range of 4.25%–4.50%. Furthermore, the Fed said it would continue to reduce its bond holdings and anticipated additional interest-rate increases at future meetings to curtail inflation.

Economic growth in the eurozone decelerated to a slightly positive growth rate during the year. The lifting of COVID-related restrictions in some European countries and the summer tourism season strengthened economies. However, the war in Ukraine disrupted supply chains, weakened the economic outlook and contributed to record high inflation across the eurozone, as energy prices soared. Electricity prices hit record highs in Germany and France as coal futures and natural gas prices climbed. Consequently, the European Central Bank raised interest rates in July 2022 for the first time in 11 years to curtail growing inflation and raised rates in three subsequent meetings. In this environment, European developed market equities, as measured by the MSCI Europe Index-NR, posted a -15.06% total return for the 12 months under review.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index-NR, posted a -18.61% total return for the 12-month period.¹ Growth in Japan remained slow, alternating between positive quarterly GDP growth and contraction. China's economy contracted sharply in 2022 as COVID-related restrictions in many major cities, including Shanghai, weakened consumer demand. Investor concerns about the solvency of several large property developers in China further pressured stocks in that country.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index-NR, posted a -20.09% total return for the 12 months under review.¹ Central bank tightening, the threat of recession, and weakening demand for semiconductors in technology-heavy countries contributed to the downturn. Following Russia's invasion of Ukraine, climbing food and energy prices kindled inflationary pressures and raised concerns over the possibility of government debt defaults in some countries. However, some emerging economies, particularly in Latin America, as

well as South Africa and Saudi Arabia, benefited from rising commodity prices.

Top 10 Industries

12/31/22

	% of Total Net Assets
Banks	10.9%
Pharmaceuticals	8.1%
Health Care Providers & Services	5.9%
IT Services	5.7%
Software	5.6%
Oil, Gas & Consumable Fuels	5.5%
Media	4.2%
Entertainment	3.8%
Insurance	3.7%
Food Products	2.7%

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity and debt investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as deals, the target company may trade at a discount to the bid it ultimately accepts. One form

of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

Manager's Discussion

During the 12-month period, stock selection in financials, information technology and consumer staples contributed to relative returns. Conversely, stock selection in the energy sector, along with overweighting in consumer discretionary and communication services, curbed relative results.

Top positive contributors to performance relative to the Fund's benchmark index during the 12-month period included BP, Williams and Kraft Heinz.

U.K.-based global integrated oil company BP contributed to relative returns, as the company delivered repeated, strong earnings reports driven by positive results in its refining, trading, and retail businesses, along with the benefit of higher commodity prices. Results at its natural gas business were also ahead of expectations. BP continues to pay down debt and use its excess cash to buy back shares, while also hiking its dividend 10%, and it continues to execute on transforming the company into an integrated energy company.

U.S.-based energy infrastructure company Williams was a significant relative contributor, amid improving investor sentiment toward the energy sector. Greater appreciation of both continued growth prospects and the strong contribution Williams' assets can make to decarbonization also benefited the company's share price performance. Additionally, Williams stands to benefit from an expected increase in liquid natural gas exports from the United States as efforts to reduce Europe's reliance on Russian gas take hold. Williams generates good free cash flow, financial results tend to be stable, and it is our opinion the reinvestment opportunities have been underappreciated.

U.S.-based food products company Kraft Heinz contributed to relative performance during the period. The management team is pursuing a strategy to reinvigorate certain categories and brands and the company continues to prune lower growth brands to position it for better growth prospects in the future. Moreover, the company's balance sheet has

materially improved over the past several years, affording them increasing financial flexibility toward value-creating capital allocation.

Top 10 Holdings

12/31/22

Company Industry, Country	% of Total Net Assets
JPMorgan Chase & Co. Banks, United States	2.7%
Kraft Heinz Co. (The) Food Products, United States	2.7%
Tapestry, Inc. Textiles, Apparel & Luxury Goods, United States	2.6%
DR Horton, Inc. Household Durables, United States	2.6%
Parker-Hannifin Corp. Machinery, United States	2.6%
Johnson Controls International plc Building Products, United States	2.6%
Schlumberger Ltd. Energy Equipment & Services, United States	2.6%
CVS Health Corp. Health Care Providers & Services, United States	2.4%
BlackRock, Inc. Capital Markets, United States	2.4%
Willis Towers Watson plc Insurance, United States	2.4%

During the 12-month period, investments that detracted from relative Fund performance included Charter Communications, Elanco Animal Health and Western Digital.

Charter Communications, a U.S.-based cable company, hampered relative results for the year. Its financial results showed weak broadband subscriber growth and the company announced in December that capital spending would be higher than previous forecasts over the next three years, reducing free cash flow. The company is unlikely to see revenue growth or operating expense savings to offset the higher capital spending, in our view. Over the longer term, we expect to see improved subscriber growth trends driving higher revenue and free cash flow growth. We anticipate Charter's share price appreciation will depend on growth in subscribers, revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA) over the next few years.

Elanco Animal Health, a U.S.-based animal health care company, detracted from relative returns as the company faced several headwinds that impacted its business, including general economic weakness, currency headwinds, a slower recovery from COVID-19 lockdowns in China, supply-chain problems, and negative safety publicity for its Seresto collar. These concerns, along with higher interest rates, led to significant multiple compression for Elanco, which disproportionately impacted the company's equity value due to its high financial leverage. We expect business

performance to improve over the medium term with better execution, increased pricing, and a focus on innovation and pipeline progress. In addition, management is committed to bringing down leverage by using most of its free cash flow to pay down debt.

Western Digital, a U.S.-based hard drive and data storage company, was a relative detractor. The company's near-term outlook was much weaker than analysts' expectations in its latest quarter, and order cuts in their consumer-focused businesses and weaker pricing are negatively impacting revenues and margins. We believe the tougher macroeconomic conditions will hinder results over the next few quarters.

During the period, the Fund held currency forwards and futures, seeking to hedge a significant portion of the currency risk in the portfolio. The hedges had a positive overall impact on the Fund's performance as the dollar rose against most currencies during the period.

Thank you for your participation in Franklin Mutual Shares VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2022, 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.

Class 1 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: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) 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 table below shows Fund-level ongoing expenses and can help you understand these costs 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 table below provides information about the actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of ongoing Fund expenses but does not include the effect of ongoing Contract expenses, is used to calculate the "Ending Account Value." You can estimate the Fund-level expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number under the headings "Actual" and "Fund-Level Expenses Paid During Period" (*if Fund-Level Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the estimated expenses paid this period at the Fund level are \$64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Under the heading "Hypothetical" in the table, information is provided 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. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, 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.

Share Class	Beginning Account Value 7/1/22	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/22	Fund-Level Expenses Paid During Period 7/1/22–12/31/22 ^{1,2}	Ending Account Value 12/31/22	Fund-Level Expenses Paid During Period 7/1/22–12/31/22 ^{1,2}	
1	\$1,000	\$1,062.80	\$3.24	\$1,022.06	\$3.18	0.62%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include any ongoing expenses of the Contract for which the Fund is an investment option or acquired fund fees and expenses.

**SUPPLEMENT DATED DECEMBER 1, 2022
TO THE PROSPECTUS
DATED MAY 1, 2022,
OF
FRANKLIN MUTUAL SHARES VIP FUND**
(a series of Franklin Templeton Variable Insurance Products Trust)

Effective December 31, 2022, the prospectus is amended as follows:

I. The portfolio management team under the “Fund Summaries – Franklin Mutual Shares VIP Fund” section on page MS-S5 of the prospectus is replaced with the following:

Christian Correa, CFA

President of Franklin Mutual and portfolio manager of the Fund since 2020.

Grace Hoefig

Senior Vice President of Franklin Mutual and portfolio manager of the Fund since October 2020.

II. The portfolio management section under the “Fund Details – Franklin Mutual Shares VIP Fund – Management” section on page MS-D8 of the prospectus is replaced with the following:

Christian Correa, CFA President of Franklin Mutual

Mr. Correa has been a co-lead portfolio manager of the Fund since 2020. He joined Franklin Templeton in 2003.

Grace Hoefig Senior Vice President of Franklin Mutual

Ms. Hoefig has been a co-lead portfolio manager of the Fund since 2020. She joined Franklin Templeton in 2008.

As co-lead portfolio managers of the Fund, Mr. Correa and Ms. Hoefig are jointly and primarily responsible for the day-to-day management of the Fund's portfolio. They have equal authority over all aspects of the Fund's investment portfolio, including, but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which each portfolio manager may perform these functions, and the nature of these functions, may change from time to time.

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Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Mutual Shares VIP Fund

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.62	\$16.93	\$19.19	\$17.71	\$20.71
Income from investment operations ^a :					
Net investment income ^b	0.32	0.27	0.55 ^c	0.46	0.36
Net realized and unrealized gains (losses)	(1.99)	3.02	(1.68)	3.39	(2.04)
Total from investment operations	(1.67)	3.29	(1.13)	3.85	(1.68)
Less distributions from:					
Net investment income	(0.40)	(0.60)	(0.50)	(0.42)	(0.55)
Net realized gains	(2.02)	—	(0.63)	(1.95)	(0.77)
Total distributions	(2.42)	(0.60)	(1.13)	(2.37)	(1.32)
Net asset value, end of year	\$15.53	\$19.62	\$16.93	\$19.19	\$17.71
Total return ^d	(7.15)%	19.52%	(4.85)%	22.92%	(8.86)%
Ratios to average net assets					
Expenses ^{e,f,g}	0.66%	0.73%	0.73%	0.71%	0.71%
Expenses - incurred in connection with securities sold short	—% ^h	0.02%	0.01%	0.02%	0.01%
Net investment income	1.82%	1.44%	3.48% ^c	2.35%	1.77%
Supplemental data					
Net assets, end of year (000's)	\$105,334	\$116,861	\$157,734	\$158,431	\$537,324
Portfolio turnover rate	59.99%	47.31% ⁱ	36.96%	38.50%	24.67%

^aThe 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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.27%.

^dTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^eBenefit of expense reduction rounds to less than 0.01%.

^fBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

^hRounds to less than 0.01%.

ⁱExcludes the value of portfolio activity as a result of in-kind transactions. See Note 13.

Franklin Mutual Shares VIP Fund (continued)

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.20	\$16.59	\$18.81	\$17.40	\$20.36
Income from investment operations ^a :					
Net investment income ^b	0.27	0.22	0.51 ^c	0.40	0.31
Net realized and unrealized gains (losses)	(1.95)	2.95	(1.65)	3.32	(2.00)
Total from investment operations	(1.68)	3.17	(1.14)	3.72	(1.69)
Less distributions from:					
Net investment income	(0.34)	(0.56)	(0.45)	(0.36)	(0.50)
Net realized gains	(2.02)	—	(0.63)	(1.95)	(0.77)
Total distributions	(2.36)	(0.56)	(1.08)	(2.31)	(1.27)
Net asset value, end of year	\$15.16	\$19.20	\$16.59	\$18.81	\$17.40
Total return ^d	(7.43)%	19.17%	(5.04)%	22.57%	(9.07)%
Ratios to average net assets					
Expenses ^{e,f,g}	0.91%	0.98%	0.98%	0.96%	0.96%
Expenses - incurred in connection with securities sold short	—% ^h	0.02%	0.01%	0.02%	0.01%
Net investment income	1.55%	1.17%	3.25% ^c	2.10%	1.52%
Supplemental data					
Net assets, end of year (000's)	\$1,786,501	\$2,517,899	\$2,620,645	\$2,931,753	\$2,516,834
Portfolio turnover rate	59.99%	47.31% ⁱ	36.96%	38.50%	24.67%

^aThe 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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.04%.

^dTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^eBenefit of expense reduction rounds to less than 0.01%.

^fBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

^hRounds to less than 0.01%.

ⁱExcludes the value of portfolio activity as a result of in-kind transactions. See Note 13.

Franklin Mutual Shares VIP Fund (continued)

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.39	\$16.75	\$18.99	\$17.55	\$20.53
Income from investment operations ^a :					
Net investment income ^b	0.26	0.20	0.49 ^c	0.38	0.29
Net realized and unrealized gains (losses)	(1.97)	2.98	(1.66)	3.36	(2.02)
Total from investment operations	(1.71)	3.18	(1.17)	3.74	(1.73)
Less distributions from:					
Net investment income	(0.32)	(0.54)	(0.44)	(0.35)	(0.48)
Net realized gains	(2.02)	—	(0.63)	(1.95)	(0.77)
Total distributions	(2.34)	(0.54)	(1.07)	(2.30)	(1.25)
Net asset value, end of year	\$15.34	\$19.39	\$16.75	\$18.99	\$17.55
Total return ^d	(7.47)%	19.06%	(5.17)%	22.44%	(9.16)%
Ratios to average net assets					
Expenses ^{e,f,g}	1.01%	1.08%	1.08%	1.06%	1.06%
Expenses - incurred in connection with securities sold short	—% ^h	0.02%	0.01%	0.02%	0.01%
Net investment income	1.47%	1.06%	3.13% ^c	2.00%	1.42%
Supplemental data					
Net assets, end of year (000's)	\$99,603	\$120,424	\$116,704	\$120,345	\$105,047
Portfolio turnover rate	59.99%	47.31% ⁱ	36.96%	38.50%	24.67%

^aThe 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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.92%.

^dTotal return does not include fees, charges or expenses imposed by the variable annuity and life insurance contracts for which Franklin Templeton Variable Insurance Products Trust serves as an underlying investment vehicle.

^eBenefit of expense reduction rounds to less than 0.01%.

^fBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

^hRounds to less than 0.01%.

ⁱExcludes the value of portfolio activity as a result of in-kind transactions. See Note 13.

Schedule of Investments, December 31, 2022

Franklin Mutual Shares VIP Fund

	Country	Shares	Value
Common Stocks 93.2%			
Auto Components 0.0%†			
^{a,b,c} International Automotive Components Group Brazil LLC	Brazil	1,730,515	\$60,911
Automobiles 1.7%			
General Motors Co.	United States	997,366	33,551,392
Banks 10.9%			
Bank of America Corp.	United States	1,380,714	45,729,248
First Horizon Corp.	United States	695,096	17,029,852
ING Groep NV	Netherlands	2,422,671	29,509,576
JPMorgan Chase & Co.	United States	402,339	53,953,660
^b SVB Financial Group.	United States	112,739	25,945,753
Wells Fargo & Co.	United States	1,096,804	45,287,037
			217,455,126
Building Products 2.6%			
Johnson Controls International plc.	United States	798,897	51,129,408
Capital Markets 2.4%			
BlackRock, Inc.	United States	66,895	47,403,804
Chemicals 1.6%			
Ashland, Inc.	United States	294,600	31,678,338
Consumer Finance 1.7%			
Bread Financial Holdings, Inc.	United States	516,079	19,435,535
Capital One Financial Corp.	United States	156,163	14,516,913
			33,952,448
Containers & Packaging 1.2%			
International Paper Co.	United States	664,644	23,016,622
Diversified Financial Services 2.0%			
Voya Financial, Inc.	United States	631,558	38,834,501
Diversified Telecommunication Services 0.3%			
^{a,b,c} Windstream Holdings, Inc.	United States	609,467	5,844,739
Electronic Equipment, Instruments & Components 2.1%			
^b Flex Ltd.	United States	1,981,179	42,516,101
Energy Equipment & Services 2.6%			
Schlumberger Ltd.	United States	950,004	50,787,214
Entertainment 3.8%			
Activision Blizzard, Inc.	United States	566,470	43,363,278
^b Walt Disney Co. (The).	United States	380,752	33,079,734
			76,443,012
Equity Real Estate Investment Trusts (REITs) 1.5%			
Brixmor Property Group, Inc.	United States	1,306,872	29,626,788
Food Products 2.7%			
Kraft Heinz Co. (The)	United States	1,313,778	53,483,902
Health Care Equipment & Supplies 1.7%			
Medtronic plc	United States	440,353	34,224,235
Health Care Providers & Services 5.9%			
CVS Health Corp.	United States	512,554	47,764,907
Elevance Health, Inc.	United States	72,710	37,298,049

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Providers & Services (continued)			
Humana, Inc.	United States	61,977	\$31,744,000
			116,806,956
Household Durables 2.6%			
DR Horton, Inc.	United States	588,282	52,439,457
Insurance 3.7%			
Everest Re Group Ltd.	United States	79,159	26,223,002
Willis Towers Watson plc.	United States	192,950	47,191,711
			73,414,713
Interactive Media & Services 1.8%			
^b Meta Platforms, Inc., A	United States	303,489	36,521,866
IT Services 5.7%			
^b Fiserv, Inc.	United States	433,626	43,826,580
Global Payments, Inc.	United States	411,166	40,837,007
SS&C Technologies Holdings, Inc.	United States	561,101	29,210,918
			113,874,505
Machinery 2.6%			
Parker-Hannifin Corp.	United States	176,537	51,372,267
Media 3.4%			
^b Charter Communications, Inc., A	United States	109,010	36,965,291
Comcast Corp., A	United States	887,231	31,026,468
			67,991,759
Metals & Mining 1.2%			
Alcoa Corp.	United States	506,080	23,011,458
Oil, Gas & Consumable Fuels 4.8%			
BP plc.	United Kingdom	5,196,046	29,979,642
Chevron Corp.	United States	172,150	30,899,204
Williams Cos., Inc. (The)	United States	1,072,739	35,293,113
			96,171,959
Pharmaceuticals 8.0%			
^b Elanco Animal Health, Inc.	United States	2,041,057	24,941,717
Eli Lilly & Co.	United States	64,599	23,632,898
GSK plc	United States	2,211,423	38,218,961
Merck & Co., Inc.	United States	252,040	27,963,838
Novartis AG, ADR	Switzerland	488,139	44,283,970
			159,041,384
Professional Services 1.8%			
KBR, Inc.	United States	695,116	36,702,125
Real Estate Management & Development 2.3%			
^b CBRE Group, Inc., A	United States	593,625	45,685,380
Software 3.7%			
^b Avaya Holdings Corp.	United States	116	23
Gen Digital, Inc.	United States	1,404,750	30,103,793
Oracle Corp.	United States	534,295	43,673,273
			73,777,089
Specialty Retail 0.0%			
^{a,b,c} Wayne Services Legacy, Inc.	United States	2,039	—

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Technology Hardware, Storage & Peripherals 0.9%			
^b Western Digital Corp.	United States	548,355	\$17,300,600
Textiles, Apparel & Luxury Goods 2.6%			
Tapestry, Inc.	United States	1,380,395	52,565,442
Tobacco 1.4%			
British American Tobacco plc.	United Kingdom	718,730	28,430,455
Wireless Telecommunication Services 2.0%			
^b T-Mobile US, Inc.	United States	290,605	40,684,700
Total Common Stocks (Cost \$1,539,485,226)			1,855,800,656
		Warrants	
Warrants 0.0%[†]			
Diversified Telecommunication Services 0.0%[†]			
^{a,b,c} Windstream Holdings, Inc., 9/21/55	United States	34,368	329,586
Total Warrants (Cost \$436,130)			329,586
		Principal Amount[†]	
Corporate Bonds 3.8%			
Airlines 0.2%			
^d American Airlines, Inc., Senior Secured Note, 144A, 11.75%, 7/15/25	United States	2,592,000	2,785,957
Diversified Telecommunication Services 0.1%			
Frontier Communications Holdings LLC, Secured Note, 5.875%, 11/01/29	United States	2,949,278	2,285,619
Hotels, Restaurants & Leisure 0.1%			
^d Carnival Holdings Bermuda Ltd., Senior Note, 144A, 10.375%, 5/01/28	United States	2,650,200	2,725,426
Media 0.8%			
^d DISH Network Corp., Senior Secured Note, 144A, 11.75%, 11/15/27	United States	14,352,000	14,799,065
Oil, Gas & Consumable Fuels 0.7%			
^d Citgo Holding, Inc., Senior Secured Note, 144A, 9.25%, 8/01/24 . .	United States	13,861,000	13,857,284
Pharmaceuticals 0.1%			
^d Bausch Health Americas, Inc., Senior Note, 144A, 8.5%, 1/31/27 . .	United States	3,434,000	1,801,923
^d Bausch Health Cos., Inc., Senior Note, 144A, 9%, 12/15/25	United States	340,000	268,848
			2,070,771
Software 0.7%			
^d Veritas US, Inc. / Veritas Bermuda Ltd., Senior Secured Note, 144A, 7.5%, 9/01/25	United States	21,124,000	14,593,913
Specialty Retail 1.1%			
^d Staples, Inc., Senior Note, 144A, 10.75%, 4/15/27	United States	21,435,000	15,469,211
Senior Secured Note, 144A, 7.5%, 4/15/26	United States	6,845,000	5,905,455
			21,374,666
Total Corporate Bonds (Cost \$85,490,862)			74,492,701

Franklin Mutual Shares VIP Fund (continued)

	Country	Principal Amount ^f	Value
^eSenior Floating Rate Interests 1.2%			
^fSoftware 1.2%			
Banff Guarantor, Inc., Second Lien, Initial Term Loan, 9.884%, (1-month USD LIBOR + 5.5%), 2/27/26	United States	6,640,700	\$6,140,589
Quest Software US Holdings, Inc., Second Lien, Initial CME Term Loan, 11.594%, (3-month SOFR + 7.5%), 2/01/30	United States	13,032,127	8,041,930
Veritas US, Inc., 2021 Dollar Term Loan, B, 9.73%, (3-month USD LIBOR + 5%), 9/01/25	United States	14,791,675	10,510,003
			24,692,522
Total Senior Floating Rate Interests (Cost \$34,188,302)			24,692,522
Asset-Backed Securities 0.1%			
Airlines 0.1%			
American Airlines Pass-Through Trust, 2013-2, A, 4.95%, 1/15/23..	United States	1,808,416	1,806,000
Total Asset-Backed Securities (Cost \$1,781,290)			1,806,000
		<u>Shares</u>	
Companies in Liquidation 0.0%			
^{a,b,g} Bosgen Liquidating Trust c/o Verdolino and Lowey P.C., Contingent Distribution	Netherlands	347,093	—
^{a,b,g} Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	6,301,000	—
Total Companies in Liquidation (Cost \$—)			—
Total Long Term Investments (Cost \$1,661,381,810)			1,957,121,465
Short Term Investments 1.9%			
	Country	Principal Amount ^f	Value
U.S. Government and Agency Securities 1.9%			
^h FHLB, 1/03/23	United States	36,200,000	36,200,000
^{h,j} U.S. Treasury Bills, 6/01/23	United States	2,000,000	1,962,771
Total U.S. Government and Agency Securities (Cost \$38,154,155)			38,162,771
Total Short Term Investments (Cost \$38,154,155)			38,162,771
Total Investments (Cost \$1,699,535,965) 100.2%			\$1,995,284,236
Other Assets, less Liabilities (0.2)%			(3,846,347)
Net Assets 100.0%			\$1,991,437,889

^fThe principal amount is stated in U.S. dollars unless otherwise indicated.

[†]Rounds to less than 0.1% of net assets.

^aFair valued using significant unobservable inputs. See Note 14 regarding fair value measurements.

^bNon-income producing.

^cSee Note 10 regarding restricted securities.

^dSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities 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. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2022, the aggregate value of these securities was \$72,207,082, representing 3.6% of net assets.

^eSee Note 1(f) regarding senior floating rate interests.

^fThe coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

Franklin Mutual Shares VIP Fund (continued)

⁹Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

^hThe security was issued on a discount basis with no stated coupon rate.

ⁱA portion or all of the security has been segregated as collateral for open forward exchange contracts. At December 31, 2022, the aggregate value of these securities pledged amounted to \$1,372,958, representing 0.1% of net assets.

At December 31, 2022, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Foreign exchange contracts					
Foreign Exchange EUR/USD	Short	39	\$5,242,575	3/13/23	\$(68,456)
Foreign Exchange GBP/USD	Short	131	9,893,775	3/13/23	179,802
Total Futures Contracts					\$111,346

*As of period end.

At December 31, 2022, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	BOFA	Buy	3,285,000	3,306,161	1/09/23	\$211,438	\$—
Euro	BOFA	Sell	449,352	459,463	1/09/23	—	(21,705)
Euro	HSBK	Buy	83,412	81,461	1/09/23	7,857	—
Euro	UBSW	Buy	128,142	136,509	1/09/23	706	—
Euro	UBSW	Sell	16,281,669	15,979,987	1/09/23	—	(1,454,531)
British Pound	BOFA	Buy	759,782	904,086	1/17/23	14,761	—
British Pound	BOFA	Sell	2,462,199	3,024,867	1/17/23	48,543	(1,349)
British Pound	UBSW	Buy	604,441	718,061	1/17/23	12,922	—
British Pound	UBSW	Sell	148,573	174,544	1/17/23	711	(5,845)
Total Forward Exchange Contracts						\$296,938	\$(1,483,430)
Net unrealized appreciation (depreciation)							\$(1,186,492)

¹In U.S. dollars unless otherwise indicated.

^aMay be comprised of multiple contracts with the same counterparty, currency and settlement date.

See Note 11 regarding other derivative information.

See Abbreviations on page MS-32.

Statement of Assets and Liabilities

December 31, 2022

	Franklin Mutual Shares VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$1,699,535,965
Value - Unaffiliated issuers	\$1,995,284,236
Cash	422,528
Foreign currency, at value (cost \$219,431)	218,114
Receivables:	
Investment securities sold	6,877,649
Capital shares sold	29,685
Dividends and interest	4,882,473
Deposits with brokers for:	
Futures contracts	494,680
Unrealized appreciation on OTC forward exchange contracts	296,938
Total assets	<u>2,008,506,303</u>
Liabilities:	
Payables:	
Investment securities purchased	8,030,779
Capital shares redeemed	5,570,098
Management fees	1,165,732
Distribution fees	417,815
Trustees' fees and expenses	1,016
Variation margin on futures contracts	1,475
Unrealized depreciation on OTC forward exchange contracts	1,483,430
Accrued expenses and other liabilities	398,069
Total liabilities	<u>17,068,414</u>
Net assets, at value	<u>\$1,991,437,889</u>
Net assets consist of:	
Paid-in capital	\$1,503,201,465
Total distributable earnings (losses)	488,236,424
Net assets, at value	<u>\$1,991,437,889</u>
	Franklin Mutual Shares VIP Fund
Class 1:	
Net assets, at value	\$105,333,523
Shares outstanding	6,783,678
Net asset value and maximum offering price per share	<u>\$15.53</u>
Class 2:	
Net assets, at value	\$1,786,501,359
Shares outstanding	117,806,225
Net asset value and maximum offering price per share	<u>\$15.16</u>
Class 4:	
Net assets, at value	\$99,603,007
Shares outstanding	6,492,336
Net asset value and maximum offering price per share	<u>\$15.34</u>

Statement of Operations

for the year ended December 31, 2022

	Franklin Mutual Shares VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$1,077,688)	
Unaffiliated issuers	\$44,032,526
Interest:	
Unaffiliated issuers	10,161,864
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	1,936
Non-controlled affiliates (Note 3e)	2,205
Other income (Note 1g)	1,261,026
Total investment income	<u>55,459,557</u>
Expenses:	
Management fees (Note 3a)	15,173,189
Distribution fees: (Note 3c)	
Class 2	5,088,712
Class 4	371,369
Custodian fees (Note 4)	39,057
Reports to shareholders fees	(678,538)
Professional fees	136,035
Trustees' fees and expenses	26,128
Dividends on securities sold short	36,916
Other	208,260
Total expenses	<u>20,401,128</u>
Expense reductions (Note 4)	(1,018)
Expenses waived/paid by affiliates (Note 3e)	<u>(6,292)</u>
Net expenses	20,393,818
Net investment income	<u>35,065,739</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	178,674,072
Foreign currency transactions	(240,362)
Forward exchange contracts	7,699,247
Futures contracts	1,422,605
Securities sold short	<u>(14,311,989)</u>
Net realized gain (loss)	<u>173,243,573</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(423,955,377)
Translation of other assets and liabilities denominated in foreign currencies	152,994
Forward exchange contracts	(2,840,902)
Futures contracts	459,460
Securities sold short	<u>24,435,973</u>
Net change in unrealized appreciation (depreciation)	<u>(401,747,852)</u>
Net realized and unrealized gain (loss)	<u>(228,504,279)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(193,438,540)</u>

Statements of Changes in Net Assets

	Franklin Mutual Shares VIP Fund	
	Year Ended December 31, 2022	Year Ended December 31, 2021
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$35,065,739	\$34,124,197
Net realized gain (loss)	173,243,573	421,824,240
Net change in unrealized appreciation (depreciation)	(401,747,852)	64,801,158
Net increase (decrease) in net assets resulting from operations	(193,438,540)	520,749,595
Distributions to shareholders:		
Class 1	(13,963,701)	(3,422,611)
Class 2	(244,802,646)	(73,136,481)
Class 4	(13,410,832)	(3,309,278)
Total distributions to shareholders	(272,177,179)	(79,868,370)
Capital share transactions: (Note 2)		
Class 1	10,288,541	(64,966,663)
Class 2	(309,666,229)	(501,789,098)
Class 4	1,247,512	(14,024,839)
Total capital share transactions	(298,130,176)	(580,780,600)
Net increase (decrease) in net assets	(763,745,895)	(139,899,375)
Net assets:		
Beginning of year	2,755,183,784	2,895,083,159
End of year	\$1,991,437,889	\$2,755,183,784

Notes to Financial Statements

Franklin Mutual Shares VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds. The Trust follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946, Financial Services - Investment Companies (ASC 946) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. Franklin Mutual Shares VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ 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. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Board has designated the Fund's investment manager as the valuation designee and has responsibility for oversight of valuation. The investment manager is assisted by the Fund's administrator in performing this responsibility, including leading the cross-functional Valuation Committee (VC). The Fund may 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 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 as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time 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.

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

Certain derivative financial instruments 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 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 Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, 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

Franklin Mutual Shares VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time 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 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2022, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

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 in 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. Derivative Financial Instruments

The Fund invested in derivative financial instruments 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 in 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.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

c. Derivative Financial Instruments (continued)

possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2022 the Fund had OTC derivatives in a net liability position of \$1,446,037 and the aggregate value of collateral pledged for such contracts was \$1,372,958.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may

be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

At December 31, 2022, the Fund received \$270,380 in U.S. Treasury Bonds and Notes as collateral for derivatives.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

The Fund entered into OTC forward exchange contracts primarily to manage 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 at a specific exchange rate on a future date.

See Note 11 regarding other derivative information.

d. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short.

Franklin Mutual Shares VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Securities Sold Short** (continued)

Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund. At December 31, 2022, the Fund had no securities sold short.

e. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair 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. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2022, the Fund had no securities on loan.

f. 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 certain restrictions on resale.

g. 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.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. Any fees associated with these filings are reflected in other expenses in the Statement of Operations. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2022, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

g. Income and Deferred Taxes (continued)

tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

h. 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. Paydown gains and losses are recorded as an adjustment to interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income and dividends declared on securities sold short are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. 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 or based on the ratio of number of shareholders of each Fund to the combined number of shareholders 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, excluding 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.

i. Accounting Estimates

The preparation of financial statements in accordance with U.S. 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 amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

j. 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.

Franklin Mutual Shares VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2022, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	393,296	\$6,327,171	318,693	\$6,213,133
Shares issued in reinvestment of distributions	997,407	13,963,701	179,100	3,422,611
Shares redeemed in-kind (Note 13)	—	—	(3,060,698)	(59,532,727)
Shares redeemed	(564,521)	(10,002,331)	(794,758)	(15,069,680)
Net increase (decrease)	826,182	\$10,288,541	(3,357,663)	\$(64,966,663)
Class 2 Shares:				
Shares sold	6,305,441	\$105,384,367	9,578,231	\$183,303,412
Shares issued in reinvestment of distributions	17,894,930	244,802,646	3,908,951	73,136,481
Shares redeemed in-kind (Note 13)	—	—	(13,941,656)	(265,295,778)
Shares redeemed	(37,562,712)	(659,853,242)	(26,387,039)	(492,933,213)
Net increase (decrease)	(13,362,341)	\$(309,666,229)	(26,841,513)	\$(501,789,098)
Class 4 Shares:				
Shares sold	365,503	\$6,240,405	337,245	\$6,316,446
Shares issued in reinvestment of distributions	968,991	13,410,832	175,002	3,309,278
Shares redeemed	(1,051,773)	(18,403,725)	(1,268,725)	(23,650,563)
Net increase (decrease)	282,721	\$1,247,512	(756,478)	\$(14,024,839)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee, calculated daily and paid monthly, to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.675%	Up to and including \$5 billion
0.645%	Over \$5 billion, up to and including \$10 billion
0.625%	Over \$10 billion, up to and including \$15 billion
0.595%	Over \$15 billion, up to and including \$20 billion
0.585%	Over \$20 billion, up to and including \$25 billion
0.565%	Over \$25 billion, up to and including \$30 billion
0.555%	Over \$30 billion, up to and including \$35 billion
0.545%	In excess of \$35 billion

For the year ended December 31, 2022, the gross effective investment management fee rate was 0.675% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Franklin Mutual, FT Services provides administrative services to the Fund. The fee is paid by Franklin Mutual based on the Fund's average daily net assets, and is not an additional expense 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 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

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. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Fund does not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2022, the Fund held investments in affiliated management investment companies as follows:

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Mutual Shares VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 3.782%	\$—	\$47,640,000	\$(47,640,000)	\$—	\$—	\$—	—	\$2,205
Total Affiliated Securities . . .	\$—	\$47,640,000	\$(47,640,000)	\$—	\$—	\$—		\$2,205

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, 2022, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2022 and 2021, was as follows:

	2022	2021
Distributions paid from:		
Ordinary income	\$92,274,164	\$79,868,370
Long term capital gain	179,903,015	—
	<u>\$272,177,179</u>	<u>\$79,868,370</u>

At December 31, 2022, 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	<u>\$1,719,854,814</u>
Unrealized appreciation	\$398,713,324
Unrealized depreciation	(124,359,048)
Net unrealized appreciation (depreciation)	<u>\$274,354,276</u>
Distributable earnings:	
Undistributed ordinary income	\$38,347,572
Undistributed long term capital gains	175,521,979
Total distributable earnings	<u>\$213,869,551</u>

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 and wash sales.

Franklin Mutual Shares VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2022, aggregated \$1,323,715,467 and \$1,810,341,397, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At December 31, 2022, the Fund did not hold any distressed company securities for which interest recognition has been discontinued.

8. Geopolitical Risk

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. The current political and financial uncertainty surrounding Russia and Ukraine may increase market volatility and the economic risk of investing in securities in these countries and may also cause uncertainty for the global economy and broader financial markets. The ultimate fallout and long-term impact from these events are not known. The Fund will continue to assess the impact on valuations and liquidity and will take any potential actions needed in accordance with procedures approved by the Board.

9. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

10. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). 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, 2022, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Franklin Mutual Shares VIP Fund (continued)

10. Restricted Securities (continued)

Shares/ Warrants	Issuer	Acquisition Date	Cost	Value
Franklin Mutual Shares VIP Fund				
1,730,515	International Automotive Components Group Brazil LLC	4/13/06 - 12/26/08	\$1,149,241	\$60,911
2,039	Wayne Services Legacy, Inc.	1/22/20	—	—
609,467	Windstream Holdings, Inc.	9/21/20	4,827,676	5,844,739
34,368	Windstream Holdings, Inc., 9/21/55	9/21/20	436,130	329,586
Total Restricted Securities (Value is 0.3% of Net Assets).			<u>\$6,413,047</u>	<u>\$6,235,236</u>

11. Other Derivative Information

At December 31, 2022, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Mutual Shares VIP Fund				
Foreign exchange contracts				
	Variation margin on futures contracts	\$179,802 ^a	Variation margin on futures contracts	\$68,456 ^a
	Unrealized appreciation on OTC forward exchange contracts	296,938	Unrealized depreciation on OTC forward exchange contracts	1,483,430
Total		<u>\$476,740</u>		<u>\$1,551,886</u>

^aThis amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the year ended December 31, 2022, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
Franklin Mutual Shares VIP Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts				
	Futures contracts	\$1,422,605	Futures contracts	\$459,460
	Forward exchange contracts	7,699,247	Forward exchange contracts	(2,840,902)
Total		<u>\$9,121,852</u>		<u>\$(2,381,442)</u>

For the year ended December 31, 2022, the average month end notional amount of futures contracts represented \$17,029,694. The average month end contract value of forward exchange contracts was \$77,611,285.

See Note 1(c) regarding derivative financial instruments.

Franklin Mutual Shares VIP Fund (continued)

12. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matured on February 3, 2023. 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 February 3, 2023, the Borrowers renewed the Global Credit Facility for a one-year term, maturing February 2, 2024, for a total of \$2.675 billion.

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 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2022, the Fund did not use the Global Credit Facility.

13. Redemption In-Kind

During the year ended December 31, 2021, the Fund realized \$91,591,427 of net gains resulting from a redemption in-kind in which a shareholder redeemed fund shares for cash and securities held by the Fund. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they are reclassified from accumulated net realized gains to paid-in capital.

14. 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 input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2022, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Auto Components	\$—	\$—	\$60,911	\$60,911
Automobiles	33,551,392	—	—	33,551,392
Banks	187,945,550	29,509,576	—	217,455,126
Building Products	51,129,408	—	—	51,129,408
Capital Markets	47,403,804	—	—	47,403,804
Chemicals	31,678,338	—	—	31,678,338

Franklin Mutual Shares VIP Fund (continued)

14. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Consumer Finance	\$33,952,448	\$—	\$—	\$33,952,448
Containers & Packaging	23,016,622	—	—	23,016,622
Diversified Financial Services	38,834,501	—	—	38,834,501
Diversified Telecommunication Services	—	—	5,844,739	5,844,739
Electronic Equipment, Instruments & Components	42,516,101	—	—	42,516,101
Energy Equipment & Services	50,787,214	—	—	50,787,214
Entertainment	76,443,012	—	—	76,443,012
Equity Real Estate Investment Trusts (REITs)	29,626,788	—	—	29,626,788
Food Products	53,483,902	—	—	53,483,902
Health Care Equipment & Supplies	34,224,235	—	—	34,224,235
Health Care Providers & Services	116,806,956	—	—	116,806,956
Household Durables	52,439,457	—	—	52,439,457
Insurance	73,414,713	—	—	73,414,713
Interactive Media & Services	36,521,866	—	—	36,521,866
IT Services	113,874,505	—	—	113,874,505
Machinery	51,372,267	—	—	51,372,267
Media	67,991,759	—	—	67,991,759
Metals & Mining	23,011,458	—	—	23,011,458
Oil, Gas & Consumable Fuels	66,192,317	29,979,642	—	96,171,959
Pharmaceuticals	120,822,423	38,218,961	—	159,041,384
Professional Services	36,702,125	—	—	36,702,125
Real Estate Management & Development	45,685,380	—	—	45,685,380
Software	73,777,089	—	—	73,777,089
Specialty Retail	—	—	— ^a	—
Technology Hardware, Storage & Peripherals	17,300,600	—	—	17,300,600
Textiles, Apparel & Luxury Goods	52,565,442	—	—	52,565,442
Tobacco	—	28,430,455	—	28,430,455
Wireless Telecommunication Services	40,684,700	—	—	40,684,700
Warrants	—	—	329,586	329,586
Corporate Bonds	—	74,492,701	—	74,492,701
Senior Floating Rate Interests	—	24,692,522	—	24,692,522
Asset-Backed Securities	—	1,806,000	—	1,806,000
Companies in Liquidation	—	—	— ^a	—
Short Term Investments	—	38,162,771	—	38,162,771
Total Investments in Securities	<u>\$1,723,756,372</u>	<u>\$265,292,628^b</u>	<u>\$6,235,236</u>	<u>\$1,995,284,236</u>
Other Financial Instruments:				
Forward exchange contracts	\$—	\$296,938	\$—	\$296,938
Futures contracts	179,802	—	—	179,802
Total Other Financial Instruments	<u>\$179,802</u>	<u>\$296,938</u>	<u>\$—</u>	<u>\$476,740</u>
Liabilities:				
Other Financial Instruments:				
Forward exchange contracts	\$—	\$1,483,430	\$—	\$1,483,430
Futures contracts	68,456	—	—	68,456
Total Other Financial Instruments	<u>\$68,456</u>	<u>\$1,483,430</u>	<u>\$—</u>	<u>\$1,551,886</u>

^aIncludes financial instruments determined to have no value at December 31, 2022.

^bIncludes foreign securities valued at \$126,138,634, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the year.

Franklin Mutual Shares VIP Fund (continued)

15. New Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021 and December 2022, the FASB issued ASU No. 2021-01 and ASU No. 2022-06, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the LIBOR and other interbank-offered based reference rates as of the end of 2021 for certain LIBOR settings and 2023 for the remainder. The ASUs are effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2024. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

In June 2022, the FASB issued ASU No. 2022-03, Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in the ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value. The ASU is effective for interim and annual reporting periods beginning after December 15, 2023, with the option of early adoption. Management has reviewed the requirements and believes that the adoption of the ASU will not have a material impact on the financial statements.

16. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the financial statements.

Abbreviations

Counterparty

BOFA	Bank of America N.A.
HSBK	HSBC Bank plc
UBSW	UBS AG

Currency

EUR	Euro
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
CME	Chicago Mercantile Exchange
FHLB	Federal Home Loan Banks
FRN	Floating Rate Note
LIBOR	London Inter-Bank Offered Rate
SOFR	Secured Overnight Financing Rate

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Mutual Shares VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Franklin Mutual Shares VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2022, the related statement of operations for the year ended December 31, 2022, the statement of changes in net assets for each of the two years in the period ended December 31, 2022, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2022 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2022, 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 ended December 31, 2022 and the financial highlights for each of the five years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2022 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
San Francisco, California
February 17, 2023

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

Tax Information (unaudited)

Franklin Mutual Shares VIP Fund

By mid-February, tax information related to a shareholder's proportionate share of distributions paid during the preceding calendar year will be received, if applicable. Please also refer to www.franklintempleton.com for per share tax information related to any distributions paid during the preceding calendar year. Shareholders are advised to consult with their tax advisors for further information on the treatment of these amounts on their tax returns.

The following tax information for the Fund is required to be furnished to shareholders with respect to income earned and distributions paid during its fiscal year.

The Fund hereby reports the following amounts, or if subsequently determined to be different, the maximum allowable amounts, for the fiscal year ended December 31, 2022:

	Pursuant to:	Amount Reported
Long-Term Capital Gain Dividends Distributed	§852(b)(3)(C)	\$179,903,015
Income Eligible for Dividends Received Deduction (DRD)	§854(b)(1)(A)	\$26,232,472
Interest Earned from Federal Obligations	Note (1)	\$547,284

Note (1) - The Law varies in each state as to whether and what percentage of dividend income attributable to Federal obligations is exempt from state income tax. Shareholders are advised to consult with their tax advisors to determine if any portion of the dividends received is exempt from state income taxes.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

For Russell Indexes: Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company.

See www.franklintempletondatasources.com for additional data provider information.

Bloomberg 1-3 Month U.S. Treasury Bill Index measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

Bloomberg U.S. Aggregate Bond Index measures the performance of the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and nonagency).

Bloomberg U.S. Corporate Investment Grade Index measures the performance of the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Index measures the performance of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Standard & Poor's, and Fitch is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets (EM) country of risk, based on Bloomberg EM country definition, are excluded.

Bloomberg U.S. Government - Intermediate Index is the intermediate component of the Bloomberg U.S. Government Index, which includes U.S. dollar-denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures (securities issued by U.S. government-owned or government-sponsored entities, and debt explicitly guaranteed by the U.S. government).

Bloomberg U.S. High Yield Very Liquid Index is a component of the Bloomberg U.S. Corporate High Yield Index that is designed to track a more liquid component of the U.S. dollar-denominated, high-yield, fixed-rate corporate bond market.

Bloomberg U.S. Mortgage-Backed Securities (MBS) Index tracks the performance of fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). Effective June 1, 2017, hybrid adjustable-rate mortgages were removed from the index.

Bloomberg U.S. Treasury Index measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

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 World Government Bond Index (WGBI) measures the performance of fixed-rate, local currency, investment-grade sovereign bonds and is stated in U.S. dollar terms.

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.

MSCI All Country Asia Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of developed and emerging markets in Asia.

MSCI All Country World Index (ACWI)-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global developed and emerging markets.

MSCI All Country World Index (ACWI) ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global developed and emerging markets, excluding the U.S.

MSCI Emerging Markets (EM) Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global emerging markets.

MSCI Europe Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

MSCI USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI USA Index is designed to measure the performance of the large- and mid-capitalization segments of the U.S. market. With 627 constituents, the index covers approximately 85% of the free float adjusted market capitalization in the U.S.

MSCI World ex USA Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global developed markets, excluding the U.S.

MSCI World Value Index-NR is a free float-adjusted, market capitalization-weighted index designed to measure the performance of stocks exhibiting overall value style characteristics in global developed markets.

Russell 1000® Growth Index is market capitalization weighted and measures the performance of those Russell 1000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell 1000® Index is market capitalization weighted and measures the performance of the approximately 1,000 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 the performance of those Russell 1000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

Russell 2000® Index is market capitalization weighted and measures the performance of the approximately 2,000 smallest companies in the Russell 3000® Index that represent a small amount of the total market capitalization of the Russell 3000® Index.

Russell 2000® Value Index is market capitalization weighted and measures the performance of those Russell 2000® Index companies with relatively lower price-to-book ratios and lower forecasted growth rates.

Russell 2500™ Index is market capitalization weighted and measures the performance of the approximately 2,500 smallest companies in the Russell 3000® Index that represent a modest amount of the Russell 3000® Index's total market capitalization.

Russell 3000® Index is market capitalization weighted and measures the performance of the largest 3,000 U.S. companies representing the majority of the U.S. market's total capitalization.

Russell Midcap® Growth Index is market capitalization weighted and measures the performance of those Russell Midcap® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

Russell Midcap® Index is market capitalization weighted and measures the performance of the approximately 800 smallest companies in the Russell 1000® Index that 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.

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 occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton/Legg Mason 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	119	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).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	119	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	120	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-2020).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

Independent Board Members (continued)

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
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	120	Hess Corporation (exploration of oil and gas) (1993-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and formerly , Canadian National Railway (railroad) (2001-2021), White Mountains Insurance Group, Ltd. (holding company) (2004-2021), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

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	120	Boeing Capital Corporation (aircraft financing) (2006-2010).
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Principal Occupation During at Least the Past 5 Years:

Counselor and Special Advisor to the CEO and Board of Directors of the Coca-Cola Company (beverage company) (2021-present); and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (2019-2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	120	Graham Holdings Company (education and media organization) (2011-2021); The Southern Company (energy company) (2014-2020; previously 2010-2012) and Cbeyond, Inc. (business communications provider) (2010-2012).
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Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); 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).

Independent Board Members (continued)

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
Valerie M. Williams (1956) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2021	111	Omnicom Group, Inc. (advertising and marketing communications services) (2016-present), DTE Energy Co. (gas and electric utility) (2018-present), Devon Energy Corporation (exploration and production of oil and gas) (January 2021-present); and formerly , WPX Energy, Inc. (exploration and production of oil and gas) (2018-2021).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Regional Assurance Managing Partner, Ernst & Young LLP (public accounting) (2005-2016), various roles of increasing responsibility at Ernst & Young (1981-2005).

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
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since January 2023 and Trustee since 2013	131	None

Principal Occupation During at Least the Past 5 Years:

Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex; Vice Chairman, Investment Company Institute; and **formerly**, Chief Executive Officer (2013-2020) and President (1994-2015) Franklin Resources, Inc.

**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	120	None
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Principal Occupation During at Least the Past 5 Years:

Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, 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 certain funds in the Franklin Templeton/Legg Mason fund complex.

Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.

Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since 2020	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Interested Board Members and Officers (continued)

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
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Distributors, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer - Finance and Administration	Since 2017	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Vice President, Franklin Templeton Services, LLC; officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and formerly, Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).

Susan Kerr (1949) 620 Eighth Avenue New York, NY 10018	Vice President - AML Compliance	Since 2021	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Compliance Analyst, Franklin Templeton; Chief Anti-Money Laundering Compliance Officer, Legg Mason & Co., or its affiliates; Anti Money Laundering Compliance Officer; Senior Compliance Officer, LMIS; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Christopher Kings (1974) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since January 2022	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Treasurer, U.S. Fund Administration & Reporting; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer - Investment Management	Since 2018	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

President and Director, Franklin Advisers, Inc.; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since 2019	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

Interested Board Members and Officers (continued)

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton/Legg Mason fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

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 Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007-2020) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi 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. Ms. Choksi 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) DIAL BEN/342-5236 to request the SAI.

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 Schedule of Investments

The Trust files a complete schedule of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT 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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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 help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

Franklin Advisers, Inc.
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
Distributors, LLC