

SEMIANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2022



FRANKLIN  
TEMPLETON



# Franklin Templeton Variable Insurance Products Trust Semiannual Report

## Table of Contents

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<b>Important Notes to Performance Information</b> . . . . .	<b>i</b>
Franklin Income VIP Fund . . . . .	FI-1
<b>Index Descriptions</b> . . . . .	<b>I-1</b>
<b>Shareholder Information</b> . . . . .	<b>SI-1</b>

<b>Not FDIC Insured</b>	<b>May Lose Value</b>	<b>No Bank Guarantee</b>
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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 Income VIP Fund

This semiannual report for Franklin Income VIP Fund covers the period ended June 30, 2022.

## Class 1 Performance Summary as of June 30, 2022

**The Fund's Class 1 Shares posted a -7.58% total return for the six-month period ended June 30, 2022.**

*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.*

# Franklin Income VIP Fund

## Fund Goal and Main Investments

The Fund seeks to maximize income, while maintaining prospects for capital appreciation. Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities.

## 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. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. High-yield debt securities are generally considered predominantly speculative by the applicable rating agencies as their issuers are more likely to encounter financial difficulties because they may be more highly leveraged, or because of other considerations. When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall.

Changes in an issuer's financial strength or in a security's or government's credit rating may affect a security's value. The Fund's distributions to shareholders may decline when prevailing interest rates fall, when dividend income from investments in stocks decline, when the Fund experiences defaults on debt securities it holds or when it realizes a loss upon the sale of a debt security. Investing in foreign securities typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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.

## Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's primary benchmark, the Standard & Poor's® 500 Index (S&P 500®), which tracks total U.S. equity market performance, posted a -19.96% total return.<sup>1</sup> The Fund's secondary benchmark, the Blended Benchmark, posted a -10.67% total return.<sup>2</sup>

## Portfolio Composition

6/30/22

	<b>% of Total Net Assets</b>
Diversified Financial Services	10.2%
Health Care Providers & Services	7.8%
Pharmaceuticals	7.7%
Oil, Gas & Consumable Fuels	7.2%
Banks	6.3%
Semiconductors & Semiconductor Equipment	5.5%
Electric Utilities	5.4%
Media	4.7%
Aerospace & Defense	3.0%
Capital Markets	3.0%
Multi-Utilities	2.7%
Diversified Telecommunication Services	2.4%
Chemicals	2.3%
Biotechnology	2.3%
Other*	28.6%
Short-Term Investments & Other Net Assets	0.9%

\*Categories within the Other category are listed in full in the Fund's Schedule of Investments (SOI), which can be found later in this report.

## Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), posted a -19.96% total return for the six months ended June 30, 2022.<sup>1</sup> Concerns surrounding

1. Source: Morningstar.

2. Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 50% MSCI USA High Dividend Yield Index + 25% Bloomberg U.S. High Yield Very Liquid Index + 25% Bloomberg U.S. Aggregate Bond Index.

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).

higher inflation, geopolitical stability and rising interest rates pressured stocks, particularly in the second half of the period. Elevated demand combined with supply chain disruptions led to the highest inflation since 1981 and borrowing costs increased from historically low levels. Russia's invasion of Ukraine injected further uncertainty into financial markets, provoking significant volatility in commodity and equity prices.

Gross domestic product growth contracted in the first quarter of 2022 amid lower investments in inventories and a growing trade deficit. Private domestic investment slowed sharply, while government spending declined in the first quarter. Rising prices precipitated a notable decline in consumer confidence, despite high spending levels.

The inflation rate was elevated during the six-month period amid increased demand and supply chain bottlenecks. U.S. consumer spending on goods remained strong during the first half of the period, adding to pressure on the prices of many products. Energy costs also rose, as oil prices increased significantly, driven by greater global demand and sanctions on Russia, one of the world's largest oil producers. The personal consumption expenditures index, a measure of inflation, rose dramatically during the period, representing the highest 12-month increase in decades. The unemployment rate declined from 3.9% in December 2021 to 3.6% in June 2022, but a relative lack of available workers fueled wage growth, adding to some investors' inflation concerns.

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 two meetings, accelerating the rate of increase each time to end the period at a range of 1.50%–1.75%. The Fed noted in its June 2022 meeting that inflation remained elevated, as job growth was robust and the unemployment rate remained low. Furthermore, the Fed said it will continue to reduce its bond holdings, and it anticipated instituting further interest-rate increases at future meetings.

## Investment Strategy

We search for undervalued or out-of-favor securities we believe offer opportunities for income today and significant growth tomorrow. In analyzing corporate debt and equity securities, we consider such factors as a security's relative value based on anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects; the experience and strength of the company's management; the company's changing financial condition and market

recognition of the change; the company's sensitivity to changes in interest rates and business conditions; and the company's debt maturity schedules and borrowing requirements. When choosing investments for the Fund, we apply a bottom-up, value oriented, long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. We also consider a company's price/earnings ratio, profit margins and liquidation value, and we perform independent analysis of the debt securities being considered for the Fund's portfolio, rather than relying principally on the rating assigned by rating organizations.

## Manager's Discussion

During the six-month period under review, the Fund performed better than the Fund's blended benchmark across both equity and fixed income.

Dividend stocks, particularly value-oriented sectors, outperformed growth-oriented peers considerably during the period. The equity component of the Fund's blended benchmark decreased with the MSCI USA High Dividend Yield Index posting negative returns for the six-month period. The Fund's equity positions outperformed the Fund's blended benchmark. Government bond yields increased, and corporate credit spreads widened materially during the period as inflationary concerns and aggressive monetary policy tightening elevated concerns around growth prospects globally. Fixed income returns for the Fund outperformed the Fund's blended benchmark. The Bloomberg U.S. Aggregate Bond Index as well as the Bloomberg U.S. High Yield Very Liquid Index posted negative returns during the period.

The Fund entered the period with an equity weighting of over two thirds of the portfolio with the remainder in fixed income and a small position in cash equivalents. The Fund made meaningful shifts to its asset allocation over the period under review in response to the market conditions. The Fund decreased exposure to the equity markets given elevated valuations and increased exposure to the fixed income markets as yields moved higher and credit spreads increased. The Fund's equity weighting at period-end was slightly over one half of the portfolio, and the Fund's fixed income weighting was just under one half of the portfolio with a marginal position in cash equivalents.

**Top Five Fixed Income Holdings**

6/30/22

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
U.S. Treasury Notes <i>Diversified Financial Services, United States</i>	9.4%
CHS/Community Health Systems, Inc. <i>Health Care Providers &amp; Services, United States</i>	3.5%
Tenet Healthcare Corp. <i>Health Care Providers &amp; Services, United States</i>	2.2%
Bausch Health Cos., Inc. <i>Pharmaceuticals, United States</i>	1.9%
DISH DBS Corp. <i>Media, United States</i>	1.5%

**Fixed income**

Fixed income holdings posted negative returns during the period, although it performed better than the Fund's blended fixed income benchmark. As an asset class, fixed income underperformed the equity asset class, which benefited the Fund given our overweight allocation to equities relative to the Fund's blended benchmark. The Fund's duration positioning at the front end of the yield curve in the face of rising interest rates during the period was a key source driving the better performance relative to the Fund's benchmark. Offsetting this duration positioning was widening credit spreads during the period under review. The Fund actively used this period to increase exposure to the fixed income asset class given increased yields and total return prospects.

Every corporate credit sector posted negative absolute returns during the period under review, with health care, consumer discretionary, information technology (IT) and consumer staples the notable absolute detractors. Relative to the Fund's blended benchmark, positive contributors included the financials and industrials sectors, while the key detractor was health care. Our holdings in U.S. Treasuries and agency mortgage-backed securities were absolute detractors during the period, but these positions were shorter in duration and much smaller in size relative to the benchmark, so these sectors were positive contributors relative to the Fund's blended benchmark.

High-yield rated hospital peers Community Health Systems and Tenet Healthcare were detractors as increased labor costs resulted in margin pressure for the companies. Additional detractors in the health care space included pharmaceutical peers Bausch Health and Endo Pharmaceutical. Outside of health care, Dish Network in the communication services sector and Ford Motor in the consumer discretionary sector weighed on results. PBF Energy was a key corporate bond contributor to absolute performance during the period as the company experienced

increased profitability in response to tight petroleum refining market fundamentals.

**Equity**

Equity holdings posted negative returns during the period but performed better than the Fund's equity benchmark. As an asset-class, equities also performed better than fixed income during the period. We actively reduced exposure to the equity markets during the period, particularly within common stocks.

The Fund saw mixed performance across sectors during the period under review with strong positive performance from the energy, health care and utilities sectors, while experiencing negative contributions from consumer discretionary, financials and IT. Energy peers Chevron and Exxon Mobil were notable positive contributors during the period as the companies saw increased profitability amid higher commodity prices. Top performers in the Fund outside of energy were large-cap pharmaceutical players Bristol-Myers Squibb, AbbVie and Merck within the health care sector as well as Sempra Energy and American Electric Power within the utilities sector.

**Top Five Equity Holdings**

6/30/22

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Chevron Corp. <i>Oil, Gas &amp; Consumable Fuels, United States</i>	1.6%
Dominion Energy, Inc. <i>Multi-Utilities, United States</i>	1.6%
UBS AG into Chevron Corp. <i>Oil, Gas &amp; Consumable Fuels, United States</i>	1.4%
Southern Co. (The) <i>Electric Utilities, United States</i>	1.4%
Lockheed Martin Corp. <i>Aerospace &amp; Defense, United States</i>	1.4%

Key detractors included common equity positions in the financials sector as growth concerns outpaced the benefits of rising interest rates, with JPMorgan Chase and Bank of America producing negative returns. Communication services peers Amazon.com and Comcast and IT peers Intel Corporation, Workday and Texas Instruments were other notable detractors during the period. Despite positive absolute contributions, equity holdings in the health care sector were modest detractors in the period relative to the Fund's benchmark.

During the period, the Fund did not use any derivatives. At times the Fund will use derivatives such as equity call and put options to sell and reduce positions and/or to initiate and add to positions.

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

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 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 1/1/22	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 6/30/22	Fund-Level Expenses Paid During Period 1/1/22–6/30/22 <sup>1,2</sup>	Ending Account Value 6/30/22	Fund-Level Expenses Paid During Period 1/1/22–6/30/22 <sup>1,2</sup>	
1	\$1,000	\$924.20	\$2.23	\$1,022.48	\$2.34	0.47%

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 181/365 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.

## Financial Highlights

## Franklin Income VIP Fund

	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31,				
		2021	2020	2019	2018	2017
<b>Class 1</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$17.47	\$15.65	\$16.52	\$15.26	\$16.72	\$15.87
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.30	0.53	0.59	0.75	0.71	0.69
Net realized and unrealized gains (losses)	(1.61)	2.09	(0.54)	1.68	(1.35)	0.87
Total from investment operations . . . . .	(1.31)	2.62	0.05	2.43	(0.64)	1.56
Less distributions from:						
Net investment income . . . . .	(0.83)	(0.80)	(0.91)	(0.91)	(0.82)	(0.71)
Net realized gains . . . . .	(0.32)	—	(0.01)	(0.26)	—	—
Total distributions . . . . .	(1.15)	(0.80)	(0.92)	(1.17)	(0.82)	(0.71)
Net asset value, end of period . . . . .	\$15.01	\$17.47	\$15.65	\$16.52	\$15.26	\$16.72
Total return <sup>c</sup> . . . . .	(7.58)%	17.00%	0.97%	16.42%	(4.09)%	9.94%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	0.47%	0.47%	0.47%	0.46%	0.47%	0.47%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	0.47% <sup>f</sup>	0.47% <sup>f</sup>	0.46%	0.45%	0.45%	0.45%
Net investment income . . . . .	3.49%	3.20%	3.96%	4.38%	4.33%	4.22%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$213,602	\$243,732	\$306,641	\$309,330	\$612,657	\$735,149
Portfolio turnover rate . . . . .	34.73%	39.27%	45.93%	25.16%	43.22%	20.96%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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. Total return is not annualized for periods less than one year.

<sup>d</sup>Ratios are annualized for periods less than one year.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Income VIP Fund** (continued)

	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31,				
		2021	2020	2019	2018	2017
<b>Class 2</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$16.76	\$15.04	\$15.91	\$14.74	\$16.17	\$15.38
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.26	0.47	0.53	0.64	0.65	0.63
Net realized and unrealized gains (losses)	(1.54)	2.02	(0.53)	1.66	(1.30)	0.83
Total from investment operations . . . . .	(1.28)	2.49	—	2.30	(0.65)	1.46
Less distributions from:						
Net investment income . . . . .	(0.78)	(0.77)	(0.86)	(0.87)	(0.78)	(0.67)
Net realized gains . . . . .	(0.32)	—	(0.01)	(0.26)	—	—
Total distributions . . . . .	(1.10)	(0.77)	(0.87)	(1.13)	(0.78)	(0.67)
Net asset value, end of period . . . . .	\$14.38	\$16.76	\$15.04	\$15.91	\$14.74	\$16.17
Total return <sup>c</sup> . . . . .	(7.72)%	16.75%	0.69%	16.06%	(4.30)%	9.67%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	0.72%	0.72%	0.72%	0.71%	0.72%	0.72%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	0.72% <sup>f</sup>	0.72% <sup>f</sup>	0.71%	0.70%	0.70%	0.70%
Net investment income . . . . .	3.24%	2.95%	3.73%	4.13%	4.08%	3.97%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$2,629,066	\$3,026,228	\$3,852,709	\$4,318,156	\$4,086,652	\$5,041,498
Portfolio turnover rate . . . . .	34.73%	39.27%	45.93%	25.16%	43.22%	20.96%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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. Total return is not annualized for periods less than one year.

<sup>d</sup>Ratios are annualized for periods less than one year.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Income VIP Fund** (continued)

	<b>Six Months Ended June 30, 2022 (unaudited)</b>	<b>Year Ended December 31,</b>				
		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Class 4</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$17.23	\$15.45	\$16.32	\$15.08	\$16.53	\$15.71
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.26	0.46	0.53	0.64	0.64	0.62
Net realized and unrealized gains (losses)	(1.58)	2.07	(0.54)	1.71	(1.33)	0.85
Total from investment operations . . . . .	(1.32)	2.53	(0.01)	2.35	(0.69)	1.47
Less distributions from:						
Net investment income . . . . .	(0.77)	(0.75)	(0.85)	(0.85)	(0.76)	(0.65)
Net realized gains . . . . .	(0.32)	—	(0.01)	(0.26)	—	—
Total distributions . . . . .	(1.09)	(0.75)	(0.86)	(1.11)	(0.76)	(0.65)
Net asset value, end of period . . . . .	\$14.82	\$17.23	\$15.45	\$16.32	\$15.08	\$16.53
Total return <sup>c</sup> . . . . .	(7.71)%	16.59%	0.58%	16.05%	(4.42)%	9.55%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	0.82%	0.82%	0.82%	0.81%	0.82%	0.82%
Expenses net of waiver and payments by affiliates <sup>e</sup> . . . . .	0.82% <sup>f</sup>	0.82% <sup>f</sup>	0.81%	0.80%	0.80%	0.80%
Net investment income . . . . .	3.14%	2.82%	3.62%	4.03%	3.98%	3.87%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$320,054	\$333,522	\$302,474	\$323,582	\$294,700	\$335,217
Portfolio turnover rate . . . . .	34.73%	39.27%	45.93%	25.16%	43.22%	20.96%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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. Total return is not annualized for periods less than one year.

<sup>d</sup>Ratios are annualized for periods less than one year.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

## Schedule of Investments (unaudited), June 30, 2022

## Franklin Income VIP Fund

	Country	Shares	Value
<b>Common Stocks 32.9%</b>			
<b>Aerospace &amp; Defense 2.0%</b>			
Lockheed Martin Corp. . . . .	United States	100,000	\$42,996,000
Raytheon Technologies Corp. . . . .	United States	225,000	21,624,750
			64,620,750
<b>Air Freight &amp; Logistics 0.9%</b>			
United Parcel Service, Inc., B . . . . .	United States	157,700	28,786,558
<b>Banks 2.8%</b>			
Bank of America Corp. . . . .	United States	370,000	11,518,100
Citigroup, Inc. . . . .	United States	250,000	11,497,500
JPMorgan Chase & Co. . . . .	United States	250,000	28,152,500
Truist Financial Corp. . . . .	United States	495,000	23,477,850
US Bancorp . . . . .	United States	325,000	14,956,500
			89,602,450
<b>Biotechnology 1.4%</b>			
AbbVie, Inc. . . . .	United States	170,000	26,037,200
Amgen, Inc. . . . .	United States	70,000	17,031,000
			43,068,200
<b>Capital Markets 0.8%</b>			
Morgan Stanley . . . . .	United States	310,000	23,578,600
<b>Chemicals 1.2%</b>			
Air Products and Chemicals, Inc. . . . .	United States	111,053	26,706,026
BASF SE . . . . .	Germany	225,000	9,843,785
			36,549,811
<b>Diversified Telecommunication Services 2.0%</b>			
BCE, Inc. . . . .	Canada	466,000	22,905,392
Verizon Communications, Inc. . . . .	United States	800,000	40,600,000
			63,505,392
<b>Electric Utilities 3.5%</b>			
American Electric Power Co., Inc. . . . .	United States	200,000	19,188,000
Duke Energy Corp. . . . .	United States	230,000	24,658,300
Edison International . . . . .	United States	450,000	28,458,000
Exelon Corp. . . . .	United States	300,000	13,596,000
Southern Co. (The) . . . . .	United States	350,000	24,958,500
			110,858,800
<b>Energy Equipment &amp; Services 0.1%</b>			
<sup>a</sup> Weatherford International plc. . . . .	United States	190,000	4,022,300
<b>Health Care Equipment &amp; Supplies 0.9%</b>			
Medtronic plc . . . . .	United States	330,000	29,617,500
<b>Health Care Providers &amp; Services 0.1%</b>			
<sup>a</sup> CHS/Community Health Systems, Inc. . . . .	United States	500,000	1,875,000
<b>Household Products 0.6%</b>			
Procter & Gamble Co. (The) . . . . .	United States	120,000	17,254,800
<b>Industrial Conglomerates 0.6%</b>			
Honeywell International, Inc. . . . .	United States	115,000	19,988,150
<b>Insurance 0.6%</b>			
MetLife, Inc. . . . .	United States	300,000	18,837,000
<b>IT Services 0.9%</b>			
International Business Machines Corp. . . . .	United States	199,679	28,192,678

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Media 0.7%</b>			
Comcast Corp., A .....	United States	550,000	\$21,582,000
<b>Metals &amp; Mining 0.3%</b>			
<sup>b</sup> Rio Tinto plc, ADR .....	Australia	150,000	9,150,000
<b>Multi-Utilities 2.1%</b>			
Dominion Energy, Inc. ....	United States	618,347	49,350,274
Sempra Energy .....	United States	105,000	15,778,350
			65,128,624
<b>Oil, Gas &amp; Consumable Fuels 4.2%</b>			
BP plc, ADR .....	United Kingdom	400,000	11,340,000
Chevron Corp. ....	United States	350,000	50,673,000
Exxon Mobil Corp. ....	United States	500,000	42,820,000
Shell plc, ADR .....	Netherlands	225,000	11,765,250
TotalEnergies SE, ADR .....	France	325,000	17,108,000
			133,706,250
<b>Personal Products 0.4%</b>			
Unilever plc. ....	United Kingdom	300,000	13,671,693
<b>Pharmaceuticals 3.5%</b>			
AstraZeneca plc, ADR .....	United Kingdom	300,000	19,821,000
Bristol-Myers Squibb Co. ....	United States	450,000	34,650,000
Johnson & Johnson .....	United States	190,000	33,726,900
Merck & Co., Inc. ....	United States	100,000	9,117,000
Pfizer, Inc. ....	United States	275,000	14,418,250
			111,733,150
<b>Road &amp; Rail 0.3%</b>			
Union Pacific Corp. ....	United States	50,000	10,664,000
<b>Semiconductors &amp; Semiconductor Equipment 2.1%</b>			
Intel Corp. ....	United States	806,856	30,184,483
Texas Instruments, Inc. ....	United States	234,000	35,954,100
			66,138,583
<b>Specialty Retail 0.3%</b>			
Home Depot, Inc. (The) .....	United States	32,000	8,776,640
<b>Tobacco 0.6%</b>			
Philip Morris International, Inc. ....	United States	200,000	19,748,000
<b>Total Common Stocks (Cost \$794,525,665) .....</b>			<b>1,040,656,929</b>
<b>Equity-Linked Securities 15.1%</b>			
<b>Automobiles 0.4%</b>			
<sup>c</sup> Citigroup Global Markets Holdings, Inc. into Ford Motor Co., 144A, 12.5%, 1/12/23 .....	United States	877,000	11,141,437
<b>Banks 2.1%</b>			
<sup>c</sup> Citigroup Global Markets Holdings, Inc. into JPMorgan Chase & Co., 144A, 8%, 8/15/22 .....	United States	232,000	26,566,564
<sup>c</sup> Credit Suisse AG into Bank of America Corp., 144A, 7.5%, 7/19/22 .....	United States	1,015,000	32,351,428
<sup>c</sup> J.P. Morgan Structured Products BV into Bank of America Corp., 144A, 9.5%, 5/12/23 .....	United States	250,000	8,373,007
			67,290,999
<b>Biotechnology 0.6%</b>			
<sup>c</sup> BNP Paribas Issuance BV into AbbVie, Inc., 144A, 8%, 2/23/23 .....	United States	125,000	18,353,543

**Franklin Income VIP Fund** (continued)

	Country	Shares	Value
<b>Equity-Linked Securities</b> (continued)			
<b>Capital Markets 0.6%</b>			
<sup>d</sup> BNP Paribas Issuance BV into Morgan Stanley, 144A, 8%, 5/22/23	United States	125,000	\$9,895,799
<sup>d</sup> J.P. Morgan Structured Products BV into Goldman Sachs Group, Inc. (The), 144A, 8.5%, 3/09/23	United States	26,000	8,070,913
			<u>17,966,712</u>
<b>Chemicals 0.4%</b>			
<sup>d</sup> Credit Suisse AG into Air Products and Chemicals, Inc., 144A, 8.5%, 5/15/23	United States	49,560	12,053,725
<b>Communications Equipment 0.5%</b>			
<sup>d</sup> Barclays Bank plc into Cisco Systems, Inc., 144A, 7.5%, 3/10/23	United States	350,000	15,491,716
<b>Electric Utilities 0.2%</b>			
<sup>d</sup> National Bank of Canada into NextEra Energy, Inc., 144A, 8.5%, 12/05/23	United States	102,000	7,857,013
<b>Entertainment 0.4%</b>			
<sup>d</sup> Royal Bank of Canada into Walt Disney Co. (The), 144A, 10%, 5/26/23	United States	139,700	13,991,807
<b>Health Care Providers &amp; Services 0.7%</b>			
<sup>d</sup> Royal Bank of Canada into CVS Health Corp., 144A, 8%, 12/16/22	United States	250,000	22,732,782
<b>Independent Power and Renewable Electricity Producers 0.2%</b>			
<sup>d</sup> Goldman Sachs International Bank into NextEra Energy Partners LP, 144A, 10%, 7/05/23	United States	100,000	6,107,292
<b>Industrial Conglomerates 0.3%</b>			
<sup>d</sup> Goldman Sachs International Bank into Honeywell International, Inc., 144A, 8.5%, 4/04/23	United States	45,400	8,245,647
<b>Insurance 0.9%</b>			
<sup>d</sup> BNP Paribas Issuance BV into MetLife, Inc., 144A, 8.5%, 8/23/22	United States	450,000	28,201,561
<b>Interactive Media &amp; Services 0.3%</b>			
<sup>d</sup> Citigroup Global Markets Holdings, Inc. into Alphabet, Inc., 144A, 9%, 6/22/23	United States	4,800	10,365,118
<b>Internet &amp; Direct Marketing Retail 0.9%</b>			
<sup>d</sup> Merrill Lynch International & Co. CV into Amazon.com, Inc., 144A, 8.5%, 1/11/23	United States	11,700	26,948,029
<b>Machinery 0.4%</b>			
<sup>d</sup> Goldman Sachs International Bank into Cummins, Inc., 144A, 8%, 1/10/23	United States	60,000	12,054,871
<b>Media 0.6%</b>			
<sup>d</sup> Morgan Stanley Finance II Ltd. into Comcast Corp., 144A, 6%, 7/19/22	United States	485,000	19,316,188
<b>Metals &amp; Mining 1.1%</b>			
<sup>d</sup> Citigroup Global Markets Holdings, Inc. into Barrick Gold Corp., 144A, 9%, 10/13/22	Canada	1,000,000	18,050,782
<sup>d</sup> National Bank of Canada into Rio Tinto plc, 144A, 12.5%, 7/28/22	Australia	260,000	16,390,502
			<u>34,441,284</u>
<b>Oil, Gas &amp; Consumable Fuels 1.4%</b>			
<sup>d</sup> UBS AG into Chevron Corp., 144A, 10%, 8/16/22	United States	400,000	44,233,478
<b>Pharmaceuticals 0.4%</b>			
<sup>d</sup> Societe Generale SA into Pfizer, Inc., 144A, 8.5%, 6/09/23	United States	260,000	13,634,352
<b>Semiconductors &amp; Semiconductor Equipment 2.3%</b>			
<sup>d</sup> Credit Suisse AG into Intel Corp., 144A, 9%, 7/19/22	United States	384,590	14,907,031

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b>Equity-Linked Securities</b> (continued)			
<b>Semiconductors &amp; Semiconductor Equipment</b> (continued)			
Goldman Sachs International Bank into Texas Instruments, Inc., 144A, 8.5%, 12/14/22 . . . . .	United States	130,000	\$20,654,555
Mizuho Markets Cayman LP into Microchip Technology, Inc., 144A, 9%, 10/11/22 . . . . .	United States	40,000	4,778,391
Mizuho Markets Cayman LP into Microchip Technology, Inc., 144A, 10%, 6/26/23 . . . . .	United States	100,000	6,178,695
Royal Bank of Canada into Analog Devices, Inc., 144A, 10%, 5/19/23 . . . . .	United States	178,000	27,106,721
			73,625,393
<b>Software 0.4%</b>			
Societe Generale SA into Workday, Inc., 144A, 8%, 9/02/22 . . . . .	United States	90,600	13,040,623
<b>Total Equity-Linked Securities (Cost \$556,712,978)</b> . . . . .			<b>477,093,570</b>
<b>Convertible Preferred Stocks 3.3%</b>			
<b>Capital Markets 0.2%</b>			
KKR & Co., Inc., 6%, C . . . . .	United States	85,000	4,969,950
<b>Electric Utilities 1.6%</b>			
NextEra Energy, Inc., 5.279% . . . . .	United States	400,000	19,860,000
NextEra Energy, Inc., 6.219% . . . . .	United States	230,200	11,314,330
Southern Co. (The), 6.75%, 2019 . . . . .	United States	350,000	18,543,000
			49,717,330
<b>Multi-Utilities 0.6%</b>			
DTE Energy Co., 6.25% . . . . .	United States	400,000	20,568,000
<b>Semiconductors &amp; Semiconductor Equipment 0.8%</b>			
Broadcom, Inc., 8%, A . . . . .	United States	17,000	25,553,550
<b>Thriffs &amp; Mortgage Finance 0.1%</b>			
FNMA, 5.375% . . . . .	United States	475	4,631,250
<b>Total Convertible Preferred Stocks (Cost \$122,326,072)</b> . . . . .			<b>105,440,080</b>
		<b>Principal Amount</b>	
<b>Convertible Bonds 0.3%</b>			
<b>Airlines 0.1%</b>			
JetBlue Airways Corp., Senior Note, 0.5%, 4/01/26 . . . . .	United States	5,000,000	3,702,500
<b>Hotels, Restaurants &amp; Leisure 0.1%</b>			
DraftKings Holdings, Inc., Senior Note, Zero Cpn., 3/15/28 . . . . .	United States	2,500,000	1,545,000
<b>Media 0.1%</b>			
DISH Network Corp., Senior Note, 2.375%, 3/15/24 . . . . .	United States	4,555,000	4,025,481
<b>Total Convertible Bonds (Cost \$10,713,403)</b> . . . . .			<b>9,272,981</b>
<b>Corporate Bonds 36.4%</b>			
<b>Aerospace &amp; Defense 1.0%</b>			
Boeing Co. (The), Senior Note, 5.15%, 5/01/30 . . . . .	United States	15,000,000	14,410,832
Raytheon Technologies Corp., Senior Note, 3.95%, 8/16/25 . . . . .	United States	7,500,000	7,526,442
TransDigm, Inc., Senior Note, 6.375%, 6/15/26 . . . . .	United States	10,000,000	9,370,000
			31,307,274
<b>Airlines 0.4%</b>			
American Airlines Inc/AAdvantage Loyalty IP Ltd., Senior Secured Note, 144A, 5.5%, 4/20/26 . . . . .	United States	15,000,000	13,834,500

**Franklin Income VIP Fund** (continued)

	Country	Principal Amount <sup>*</sup>	Value
<b>Corporate Bonds</b> (continued)			
<b>Auto Components 0.7%</b>			
<sup>d</sup> Dornoch Debt Merger Sub, Inc., Senior Note, 144A, 6.625%, 10/15/29 .....	United States	11,945,000	\$8,836,314
Goodyear Tire & Rubber Co. (The), Senior Note, 5%, 7/15/29 .....	United States	15,000,000	12,443,506
			21,279,820
<b>Automobiles 0.4%</b>			
<sup>b</sup> Ford Motor Co., Senior Note, 4.346%, 12/08/26. ....	United States	7,000,000	6,502,476
General Motors Co., Senior Bond, 5.15%, 4/01/38. ....	United States	7,500,000	6,551,528
			13,054,004
<b>Banks 1.4%</b>			
Bank of America Corp.,			
<sup>e</sup> AA, Junior Sub. Bond, 6.1% to 3/16/25, FRN thereafter, Perpetual	United States	8,000,000	7,883,000
<sup>e</sup> X, Junior Sub. Bond, 6.25% to 9/04/24, FRN thereafter, Perpetual	United States	6,000,000	5,847,000
Senior Bond, 3.419% to 12/19/27, FRN thereafter, 12/20/28 .....	United States	5,000,000	4,660,847
Citigroup, Inc., Sub. Bond, 4.125%, 7/25/28. ....	United States	12,500,000	12,003,329
<sup>e</sup> JPMorgan Chase & Co.,			
<sup>f</sup> I, Junior Sub. Bond, FRN, 4.709%, (3-month USD LIBOR + 3.47%), Perpetual .....	United States	10,559,000	10,025,756
R, Junior Sub. Bond, 6% to 7/31/23, FRN thereafter, Perpetual ..	United States	3,200,000	3,007,904
			43,427,836
<b>Biotechnology 0.3%</b>			
AbbVie, Inc., Senior Note, 3.8%, 3/15/25. ....	United States	10,500,000	10,429,080
<b>Capital Markets 0.4%</b>			
<sup>d</sup> Coinbase Global, Inc., Senior Bond, 144A, 3.625%, 10/01/31 .....	United States	5,000,000	2,822,554
Goldman Sachs Group, Inc. (The), Senior Note, 3.272% to 9/28/24, FRN thereafter, 9/29/25 .....	United States	9,000,000	8,754,034
			11,576,588
<b>Chemicals 0.7%</b>			
<sup>d</sup> Consolidated Energy Finance SA, Senior Note, 144A, 6.5%, 5/15/26	Switzerland	10,000,000	9,227,566
<sup>d</sup> SCIH Salt Holdings, Inc.,			
<sup>b</sup> Senior Note, 144A, 6.625%, 5/01/29 .....	United States	10,000,000	7,914,847
Senior Secured Note, 144A, 4.875%, 5/01/28 .....	United States	7,900,000	6,582,162
			23,724,575
<b>Commercial Services &amp; Supplies 0.4%</b>			
<sup>d</sup> APX Group, Inc., Senior Note, 144A, 5.75%, 7/15/29. ....	United States	15,000,000	11,638,443
<b>Communications Equipment 0.8%</b>			
<sup>d</sup> CommScope Technologies LLC,			
Senior Bond, 144A, 6%, 6/15/25 .....	United States	12,602,868	10,925,867
Senior Note, 144A, 5%, 3/15/27 .....	United States	2,500,000	1,851,668
<sup>d</sup> CommScope, Inc.,			
Senior Note, 144A, 8.25%, 3/01/27 .....	United States	10,000,000	7,929,900
<sup>b</sup> Senior Note, 144A, 7.125%, 7/01/28 .....	United States	7,141,000	5,437,872
			26,145,307
<b>Consumer Finance 1.6%</b>			
Capital One Financial Corp., Sub. Note, 4.2%, 10/29/25 .....	United States	8,000,000	7,906,220
Ford Motor Credit Co. LLC,			
Senior Note, 5.125%, 6/16/25 .....	United States	20,000,000	19,140,800
Senior Note, 4.95%, 5/28/27 .....	United States	15,000,000	13,965,600
General Motors Financial Co., Inc.,			
Senior Note, 2.4%, 4/10/28 .....	United States	6,000,000	5,076,858

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Consumer Finance</b> (continued)			
General Motors Financial Co., Inc., (continued)			
Senior Note, 4.3%, 4/06/29 .....	United States	5,000,000	\$4,593,367
			<u>50,682,845</u>
<b>Containers &amp; Packaging 1.2%</b>			
<sup>d</sup> Mauser Packaging Solutions Holding Co.,			
Senior Note, 144A, 7.25%, 4/15/25 .....	United States	20,432,000	17,867,273
Senior Secured Note, 144A, 5.5%, 4/15/24 .....	United States	16,500,000	15,790,500
<sup>d</sup> Pactiv Evergreen Group Issuer, Inc./Pactiv Evergreen Group Issuer LLC, Senior Secured Note, 144A, 4%, 10/15/27 .....			
	United States	5,000,000	4,285,150
			<u>37,942,923</u>
<b>Diversified Financial Services 0.8%</b>			
<sup>d</sup> MPH Acquisition Holdings LLC,			
<sup>b</sup> Senior Note, 144A, 5.75%, 11/01/28 .....	United States	20,000,000	16,614,100
Senior Secured Note, 144A, 5.5%, 9/01/28 .....	United States	8,890,000	7,937,205
			<u>24,551,305</u>
<b>Diversified Telecommunication Services 0.4%</b>			
<sup>d</sup> Altice France SA, Senior Secured Note, 144A, 5.5%, 10/15/29 . . .	France	11,500,000	8,820,327
<sup>d</sup> CCO Holdings LLC / CCO Holdings Capital Corp., Senior Bond, 144A, 5.5%, 5/01/26 .....	United States	5,002,000	4,889,380
			<u>13,709,707</u>
<b>Electric Utilities 0.1%</b>			
<sup>d</sup> Vistra Operations Co. LLC, Senior Note, 144A, 4.375%, 5/01/29 . .	United States	5,255,000	4,411,914
<b>Energy Equipment &amp; Services 0.5%</b>			
<sup>d</sup> Weatherford International Ltd.,			
Senior Note, 144A, 11%, 12/01/24 .....	United States	3,013,000	3,039,906
Senior Note, 144A, 8.625%, 4/30/30 .....	United States	14,500,000	12,060,177
			<u>15,100,083</u>
<b>Entertainment 1.3%</b>			
<sup>d</sup> Magallanes, Inc.,			
Senior Bond, 144A, 4.279%, 3/15/32 .....	United States	6,500,000	5,815,549
Senior Note, 144A, 3.755%, 3/15/27 .....	United States	6,500,000	6,102,499
Netflix, Inc., Senior Bond, 4.875%, 4/15/28 .....	United States	22,000,000	20,749,960
<sup>d</sup> ROBLOX Corp., Senior Note, 144A, 3.875%, 5/01/30 .....	United States	9,100,000	7,403,396
			<u>40,071,404</u>
<b>Equity Real Estate Investment Trusts (REITs) 0.6%</b>			
MPT Operating Partnership LP / MPT Finance Corp., Senior Bond, 5%, 10/15/27 .....			
	United States	8,750,000	8,021,213
VICI Properties LP, Senior Bond, 5.125%, 5/15/32 .....			
	United States	10,000,000	9,444,200
			<u>17,465,413</u>
<b>Health Care Equipment &amp; Supplies 0.9%</b>			
<sup>d</sup> Medline Borrower LP,			
Senior Note, 144A, 5.25%, 10/01/29 .....	United States	18,000,000	14,839,560
Senior Secured Note, 144A, 3.875%, 4/01/29 .....	United States	16,800,000	14,366,016
			<u>29,205,576</u>
<b>Health Care Providers &amp; Services 7.0%</b>			
<sup>d</sup> CHS/Community Health Systems, Inc.,			
Secured Note, 144A, 6.875%, 4/15/29 .....	United States	70,000,000	45,353,700
Secured Note, 144A, 6.125%, 4/01/30 .....	United States	53,500,000	32,770,890
Senior Note, 144A, 6.875%, 4/01/28 .....	United States	10,000,000	5,876,517

**Franklin Income VIP Fund** (continued)

	Country	Principal Amount <sup>a</sup>	Value
<b>Corporate Bonds</b> (continued)			
<b>Health Care Providers &amp; Services</b> (continued)			
<sup>d</sup> CHS/Community Health Systems, Inc., (continued)			
Senior Secured Note, 144A, 8%, 3/15/26	United States	12,500,000	\$11,419,625
Senior Secured Note, 144A, 8%, 12/15/27	United States	10,000,000	9,098,200
Senior Secured Note, 144A, 5.25%, 5/15/30	United States	10,000,000	7,617,199
CVS Health Corp.,			
Senior Bond, 4.3%, 3/25/28	United States	8,000,000	7,923,286
Senior Note, 4.1%, 3/25/25	United States	1,225,000	1,234,005
<sup>d</sup> DaVita, Inc.,			
Senior Bond, 144A, 3.75%, 2/15/31	United States	2,500,000	1,798,925
Senior Note, 144A, 4.625%, 6/01/30	United States	20,000,000	15,660,440
HCA, Inc., Senior Secured Note, 5%, 3/15/24	United States	10,400,000	10,456,076
Tenet Healthcare Corp.,			
<sup>d</sup> Secured Note, 144A, 6.25%, 2/01/27	United States	29,000,000	26,752,500
<sup>d</sup> Senior Note, 144A, 6.125%, 10/01/28	United States	9,000,000	7,729,830
Senior Note, 6.75%, 6/15/23	United States	24,000,000	24,717,974
<sup>d</sup> Senior Secured Note, 144A, 6.125%, 6/15/30	United States	12,500,000	11,569,500
			219,978,667
<b>Hotels, Restaurants &amp; Leisure 1.9%</b>			
<sup>d</sup> Boyd Gaming Corp., Senior Bond, 144A, 4.75%, 6/15/31	United States	3,130,000	2,651,110
<sup>d</sup> Caesars Entertainment, Inc., Senior Secured Note, 144A, 6.25%, 7/01/25	United States	20,000,000	19,342,300
<sup>d</sup> Fertitta Entertainment LLC / Fertitta Entertainment Finance Co., Inc.,			
Senior Note, 144A, 6.75%, 1/15/30	United States	9,000,000	6,933,420
Senior Secured Note, 144A, 4.625%, 1/15/29	United States	4,500,000	3,849,007
<sup>d</sup> Penn National Gaming, Inc., Senior Note, 144A, 4.125%, 7/01/29	United States	8,000,000	6,081,440
<sup>d</sup> Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp.,			
Senior Bond, 144A, 5.5%, 3/01/25	United States	17,820,000	16,340,584
<sup>b</sup> Senior Note, 144A, 5.25%, 5/15/27	United States	6,000,000	5,147,010
			60,344,871
<b>Independent Power and Renewable Electricity Producers 0.4%</b>			
<sup>d,e</sup> Vistra Corp., Junior Sub. Bond, 144A, 7% to 12/14/26, FRN thereafter, Perpetual	United States	12,500,000	11,368,688
<b>Media 3.2%</b>			
<sup>d</sup> Clear Channel Outdoor Holdings, Inc.,			
Senior Note, 144A, 7.75%, 4/15/28	United States	2,800,000	2,044,406
Senior Note, 144A, 7.5%, 6/01/29	United States	10,500,000	7,581,315
<sup>d</sup> CSC Holdings LLC, Senior Bond, 144A, 5.5%, 4/15/27	United States	15,000,000	13,620,750
<sup>d</sup> Diamond Sports Group LLC / Diamond Sports Finance Co., Secured Note, 144A, 5.375%, 8/15/26	United States	15,000,000	3,768,750
<sup>d</sup> Directv Financing LLC / Directv Financing Co-Obligor, Inc., Senior Secured Note, 144A, 5.875%, 8/15/27	United States	9,500,000	8,134,897
DISH DBS Corp.,			
Senior Note, 5.875%, 7/15/22	United States	14,000,000	13,963,110
Senior Note, 5%, 3/15/23	United States	11,000,000	10,494,880
Senior Note, 5.875%, 11/15/24	United States	20,859,000	17,645,045
<sup>d</sup> Senior Secured Note, 144A, 5.25%, 12/01/26	United States	6,500,000	5,107,148
<sup>d</sup> Stagwell Global LLC, Senior Note, 144A, 5.625%, 8/15/29	United States	5,000,000	4,031,625
<sup>d</sup> Univision Communications, Inc.,			
Senior Secured Note, 144A, 5.125%, 2/15/25	United States	7,140,000	6,733,020
Senior Secured Note, 144A, 6.625%, 6/01/27	United States	8,500,000	8,109,000
			101,233,946

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Metals &amp; Mining 0.7%</b>			
°Cleveland-Cliffs, Inc., Senior Secured Note, 144A, 6.75%, 3/15/26.	United States	5,000,000	\$4,972,775
°FMG Resources August 2006 Pty. Ltd., Senior Bond, 144A, 4.375%, 4/01/31	Australia	6,000,000	4,908,420
Senior Note, 144A, 5.875%, 4/15/30	Australia	5,000,000	4,508,175
°Glencore Funding LLC, Senior Bond, 144A, 2.5%, 9/01/30	Australia	10,000,000	8,155,662
			22,545,032
<b>Oil, Gas &amp; Consumable Fuels 1.3%</b>			
°Calumet Specialty Products Partners LP / Calumet Finance Corp., Senior Note, 144A, 11%, 4/15/25	United States	15,000,000	14,298,675
Senior Note, 144A, 8.125%, 1/15/27	United States	8,820,000	7,468,021
Senior Secured Note, 144A, 9.25%, 7/15/24	United States	5,185,000	5,357,271
Occidental Petroleum Corp., Senior Note, 8%, 7/15/25	United States	5,000,000	5,270,975
Senior Note, 6.625%, 9/01/30	United States	6,000,000	6,190,920
°PBF Holding Co. LLC / PBF Finance Corp., Senior Secured Note, 144A, 9.25%, 5/15/25.	United States	3,623,000	3,792,828
			42,378,690
<b>Pharmaceuticals 3.8%</b>			
°Bausch Health Americas, Inc., Senior Note, 144A, 8.5%, 1/31/27.	United States	40,000,000	28,146,000
°Bausch Health Cos., Inc., Senior Note, 144A, 9%, 12/15/25	United States	7,000,000	5,191,060
Senior Note, 144A, 6.25%, 2/15/29	United States	3,921,000	2,097,735
Senior Secured Note, 144A, 5.5%, 11/01/25	United States	18,750,000	16,500,000
Senior Secured Note, 144A, 6.125%, 2/01/27	United States	23,909,673	20,366,140
Senior Secured Note, 144A, 5.75%, 8/15/27	United States	10,000,000	8,300,000
Senior Secured Note, 144A, 4.875%, 6/01/28	United States	7,900,000	6,198,498
°Bayer US Finance II LLC, Senior Note, 144A, 4.25%, 12/15/25	Germany	11,000,000	10,874,772
Bristol-Myers Squibb Co., Senior Note, 3.4%, 7/26/29	United States	2,473,000	2,389,129
°Endo Dac / Endo Finance LLC / Endo Finco, Inc., Senior Secured Note, 144A, 5.875%, 10/15/24	United States	4,500,000	3,442,500
°Par Pharmaceutical, Inc., Senior Secured Note, 144A, 7.5%, 4/01/27	United States	8,429,000	6,432,591
Utah Acquisition Sub, Inc., Senior Note, 3.95%, 6/15/26.	United States	10,000,000	9,439,369
			119,377,794
<b>Road &amp; Rail 0.1%</b>			
°Ashtead Capital, Inc., Senior Note, 144A, 4.25%, 11/01/29	United Kingdom	4,500,000	3,963,281
<b>Semiconductors &amp; Semiconductor Equipment 0.3%</b>			
°Broadcom, Inc., Senior Bond, 144A, 4%, 4/15/29	United States	5,000,000	4,637,774
Senior Bond, 144A, 4.15%, 4/15/32	United States	5,000,000	4,519,709
			9,157,483
<b>Software 0.8%</b>			
Oracle Corp., Senior Bond, 2.875%, 3/25/31	United States	10,000,000	8,248,962
°Rocket Software, Inc., Senior Note, 144A, 6.5%, 2/15/29	United States	11,000,000	7,971,362
Workday, Inc., Senior Bond, 3.8%, 4/01/32	United States	10,000,000	9,147,698
			25,368,022
<b>Specialty Retail 0.2%</b>			
°Carvana Co., Senior Note, 144A, 10.25%, 5/01/30.	United States	5,000,000	4,116,550
°Michaels Cos., Inc. (The), Senior Secured Note, 144A, 5.25%, 5/01/28	United States	4,000,000	3,151,940
			7,268,490

**Franklin Income VIP Fund** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Technology Hardware, Storage &amp; Peripherals 0.3%</b>			
HP, Inc., Senior Bond, 5.5%, 1/15/33 .....	United States	10,000,000	\$9,766,549
<b>Tobacco 0.6%</b>			
BAT Capital Corp., Senior Note, 3.557%, 8/15/27 .....	United Kingdom	20,000,000	18,312,883
<b>Trading Companies &amp; Distributors 0.8%</b>			
United Rentals North America, Inc., Senior Bond, 4.875%, 1/15/28	United States	11,300,000	10,708,841
<sup>a</sup> WESCO Distribution, Inc., Senior Note, 144A, 7.125%, 6/15/25 .....	United States	14,000,000	13,998,250
			24,707,091
<b>Wireless Telecommunication Services 1.1%</b>			
Sprint Communications, Inc., Senior Note, 6%, 11/15/22 .....	United States	6,300,000	6,346,352
Sprint Corp.,			
Senior Note, 7.875%, 9/15/23 .....	United States	12,500,000	12,925,000
Senior Note, 7.125%, 6/15/24 .....	United States	8,200,000	8,440,670
Senior Note, 7.625%, 3/01/26 .....	United States	7,500,000	7,918,624
			35,630,646
<b>Total Corporate Bonds (Cost \$1,303,147,248)</b> .....			<b>1,150,960,730</b>
		<u>Units</u>	
<b><sup>g</sup>Index-Linked Notes 1.0%</b>			
<b>Capital Markets 1.0%</b>			
<sup>d,h</sup> Credit Suisse AG, Senior Note, 144A, 29.019%, 9/06/22 .....	Switzerland	10,332	33,267,490
<b>Total Index-Linked Notes (Cost \$34,999,753)</b> .....			<b>33,267,490</b>
		<u>Principal Amount*</u>	
<b><sup>i</sup>Senior Floating Rate Interests 0.1%</b>			
<b>Media 0.1%</b>			
<sup>i</sup> Diamond Sports Group LLC, First Lien, CME Term Loan, 9.181%, (1-month SOFR + 8%), 5/25/26 .....	United States	2,171,245	2,166,718
<b>Total Senior Floating Rate Interests (Cost \$1,996,600)</b> .....			<b>2,166,718</b>
<b>U.S. Government and Agency Securities 9.4%</b>			
U.S. Treasury Notes,			
2.75%, 5/31/23 .....	United States	50,000,000	49,935,835
1.75%, 3/15/25 .....	United States	100,000,000	96,691,406
1.875%, 2/15/32 .....	United States	24,000,000	21,746,250
2.875%, 5/15/32 .....	United States	130,000,000	128,557,813
<b>Total U.S. Government and Agency Securities (Cost \$295,611,599)</b> .....			<b>296,931,304</b>
<b>Asset-Backed Securities 0.3%</b>			
<b>Airlines 0.3%</b>			
United Airlines Pass-Through Trust, 2020-1, A, 5.875%, 10/15/27 ..	United States	8,468,417	8,335,467
<b>Total Asset-Backed Securities (Cost \$8,468,417)</b> .....			<b>8,335,467</b>
<b>Mortgage-Backed Securities 0.0%<sup>†</sup></b>			
<b>Federal National Mortgage Association (FNMA) Fixed Rate 0.0%<sup>†</sup></b>			
FNMA, 30 Year, 4%, 8/01/49 .....	United States	1,722,332	1,721,760
<b>Total Mortgage-Backed Securities (Cost \$1,824,595)</b> .....			<b>1,721,760</b>

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b>Escrows and Litigation Trusts 0.3%</b>			
<sup>a,d</sup> Chesapeake Energy Corp., Escrow Account, 144A . . . . .	United States	9,500,000	\$8,976,550
<b>Total Escrows and Litigation Trusts (Cost \$9,500,000)</b> . . . . .			<b>8,976,550</b>
<b>Total Long Term Investments (Cost \$3,139,826,330)</b> . . . . .			<b>3,134,823,579</b>
<b>Short Term Investments 1.0%</b>			
<b>Money Market Funds 0.6%</b>			
<sup>k,l</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.895% . . . . .	United States	19,514,420	19,514,420
<b>Total Money Market Funds (Cost \$19,514,420)</b> . . . . .			<b>19,514,420</b>
<b><sup>m</sup>Investments from Cash Collateral Received for Loaned Securities 0.4%</b>			
<b>Money Market Funds 0.3%</b>			
<sup>k,l</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.895% . . . . .	United States	8,787,000	8,787,000
		<b>Principal Amount*</b>	
<b>Repurchase Agreements 0.1%</b>			
<sup>n</sup> Joint Repurchase Agreement, J.P. Morgan Securities LLC, 1.48%, 7/01/22 (Maturity Value \$2,088,094) Collateralized by U.S. Treasury Notes, 0.5%, 4/30/27 - 5/31/27 (valued at \$2,129,770) . . . . .		2,088,008	2,088,008
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$10,875,008)</b> . . . . .			<b>10,875,008</b>
<b>Total Short Term Investments (Cost \$30,389,428)</b> . . . . .			<b>30,389,428</b>
<b>Total Investments (Cost \$3,170,215,758) 100.1%</b> . . . . .			<b>\$3,165,213,007</b>
<b>Other Assets, less Liabilities (0.1%)</b> . . . . .			<b>(2,490,798)</b>
<b>Net Assets 100.0%</b> . . . . .			<b>\$3,162,722,209</b>

See Abbreviations on page FI-33.

\*The principal amount is stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at June 30, 2022. See Note 1(f).

<sup>c</sup>See Note 1(e) regarding equity-linked securities.

<sup>d</sup>Security 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 June 30, 2022, the aggregate value of these securities was \$1,260,444,040, representing 39.9% of net assets.

<sup>e</sup>Perpetual security with no stated maturity date.

<sup>f</sup>The coupon rate shown represents the rate at period end.

<sup>g</sup>See Note 1(d) regarding index-linked notes.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
SCHEDULE OF INVESTMENTS (UNAUDITED)

**Franklin Income VIP Fund** (continued)

<sup>h</sup> Security pays variable interest based on the distributions of the strategy index and proceeds earned from related equity derivatives. The coupon rate shown represents the combined rate at period end. Cash payment at maturity or upon early redemption is based on the performance of the strategy index.

<sup>i</sup> See Note 1(g) regarding senior floating rate interests.

<sup>j</sup> The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

<sup>k</sup> See Note 3(e) regarding investments in affiliated management investment companies.

<sup>l</sup> The rate shown is the annualized seven-day effective yield at period end.

<sup>m</sup> See Note 1(f) regarding securities on loan.

<sup>n</sup> See Note 1(c) regarding joint repurchase agreement.

## Statement of Assets and Liabilities

June 30, 2022 (unaudited)

	<b>Franklin Income VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$3,139,826,330
Cost - Non-controlled affiliates (Note 3e) . . . . .	28,301,420
Cost - Unaffiliated repurchase agreements . . . . .	2,088,008
Value - Unaffiliated issuers (Includes securities loaned of \$10,471,865) . . . . .	\$3,134,823,579
Value - Non-controlled affiliates (Note 3e) . . . . .	28,301,420
Value - Unaffiliated repurchase agreements . . . . .	2,088,008
Cash . . . . .	1,877
Receivables:	
Capital shares sold . . . . .	1,016,885
Dividends and interest . . . . .	23,110,358
European Union tax reclaims (Note 1h) . . . . .	1,603,423
Total assets . . . . .	<u>3,190,945,550</u>
<b>Liabilities:</b>	
Payables:	
Investment securities purchased . . . . .	8,247,500
Capital shares redeemed . . . . .	6,403,633
Management fees . . . . .	1,207,019
Distribution fees . . . . .	651,671
Trustees' fees and expenses . . . . .	410
Payable upon return of securities loaned (Note 1f) . . . . .	10,875,008
Accrued expenses and other liabilities . . . . .	838,100
Total liabilities . . . . .	<u>28,223,341</u>
Net assets, at value . . . . .	<u>\$3,162,722,209</u>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$2,863,271,253
Total distributable earnings (losses) . . . . .	299,450,956
Net assets, at value . . . . .	<u>\$3,162,722,209</u>
	<b>Franklin Income VIP Fund</b>
<b>Class 1:</b>	
Net assets, at value . . . . .	\$213,601,805
Shares outstanding . . . . .	14,231,767
Net asset value and maximum offering price per share . . . . .	<u>\$15.01</u>
<b>Class 2:</b>	
Net assets, at value . . . . .	\$2,629,066,056
Shares outstanding . . . . .	182,792,132
Net asset value and maximum offering price per share . . . . .	<u>\$14.38</u>
<b>Class 4:</b>	
Net assets, at value . . . . .	\$320,054,348
Shares outstanding . . . . .	21,602,846
Net asset value and maximum offering price per share . . . . .	<u>\$14.82</u>

## Statement of Operations

for the six months ended June 30, 2022 (unaudited)

	<b>Franklin Income VIP Fund</b>
<b>Investment income:</b>	
Dividends: (net of foreign taxes of \$354,625)	
Unaffiliated issuers . . . . .	\$28,529,285
Non-controlled affiliates (Note 3e) . . . . .	36,044
Interest:	
Unaffiliated issuers . . . . .	39,824,109
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	39,099
Non-controlled affiliates (Note 3e) . . . . .	7,314
Other income (Note 1h) . . . . .	28,186
Total investment income . . . . .	<u>68,464,037</u>
<b>Expenses:</b>	
Management fees (Note 3a) . . . . .	7,909,613
Distribution fees: (Note 3c)	
Class 2 . . . . .	3,621,551
Class 4 . . . . .	578,402
Custodian fees (Note 4) . . . . .	20,458
Reports to shareholders fees . . . . .	95,801
Professional fees . . . . .	54,076
Trustees' fees and expenses . . . . .	16,523
Other . . . . .	64,783
Total expenses . . . . .	<u>12,361,207</u>
Expense reductions (Note 4) . . . . .	(216)
Expenses waived/paid by affiliates (Note 3e) . . . . .	<u>(73,300)</u>
Net expenses . . . . .	<u>12,287,691</u>
Net investment income . . . . .	<u>56,176,346</u>
<b>Realized and unrealized gains (losses):</b>	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	266,482,567
Foreign currency transactions . . . . .	8,188
Net realized gain (loss) . . . . .	<u>266,490,755</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(590,554,218)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	<u>(150,494)</u>
Net change in unrealized appreciation (depreciation) . . . . .	<u>(590,704,712)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(324,213,957)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$(268,037,611)</u>

## Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Six Months Ended June 30, 2022 (unaudited)	Year Ended December 31, 2021
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$56,176,346	\$119,675,102
Net realized gain (loss) . . . . .	266,490,755	513,668,217
Net change in unrealized appreciation (depreciation) . . . . .	(590,704,712)	10,214,847
Net increase (decrease) in net assets resulting from operations . . . . .	(268,037,611)	643,558,166
Distributions to shareholders:		
Class 1 . . . . .	(15,259,288)	(16,108,181)
Class 2 . . . . .	(187,850,088)	(184,021,190)
Class 4 . . . . .	(21,816,089)	(14,055,725)
Total distributions to shareholders . . . . .	(224,925,465)	(214,185,096)
Capital share transactions: (Note 2)		
Class 1 . . . . .	2,874,600	(92,365,384)
Class 2 . . . . .	14,443,242	(1,191,742,494)
Class 4 . . . . .	34,885,728	(3,607,701)
Total capital share transactions . . . . .	52,203,570	(1,287,715,579)
Net increase (decrease) in net assets . . . . .	(440,759,506)	(858,342,509)
Net assets:		
Beginning of period . . . . .	3,603,481,715	4,461,824,224
End of period . . . . .	\$3,162,722,209	\$3,603,481,715

# Notes to Financial Statements (unaudited)

## Franklin Income 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 and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Income 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 Fund's administrator has responsibility for oversight of valuation, 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. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

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

## Franklin Income VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### a. Financial Instrument Valuation (continued)

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 June 30, 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. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the

## Franklin Income VIP Fund (continued)

### 1. Organization and Significant Accounting Policies

(continued)

#### c. Joint Repurchase Agreement (continued)

seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Schedule of Investments, had been entered into on June 30, 2022.

#### d. Index-Linked Notes

The Fund invests in index-linked notes. Index-linked notes are senior, unsecured, subordinated debt securities issued by a financial institution, and the value is based on the price movements of the underlying index. Index-linked notes are designed to provide investors access to the returns of various market benchmarks and intended to replicate the economic effects that would apply had the Fund directly purchased the underlying referenced asset or basket of assets. The risks of investing in index-linked notes include unfavorable price movements in the underlying index and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with index-linked notes and the appreciation potential may be limited. Index-linked notes may be more volatile and less liquid than other investments held by the Fund.

#### e. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity-linked securities is recorded as realized gains in the Statement of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position. The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity-linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

#### f. 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. Additionally, at June 30, 2022, the Fund held \$32,247 in U.S. Government and Agency securities as collateral. These securities are held as collateral in segregated accounts with the Fund's custodian. The Fund cannot repledge or resell these securities held as collateral. As such, the non-cash collateral is excluded from the Statement of Assets and Liabilities. 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.

#### g. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

#### h. 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

## Franklin Income VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### h. Income and Deferred Taxes (continued)

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 June 30, 2022, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open 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.

#### i. 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 is 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.

#### j. 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.

**Franklin Income VIP Fund** (continued)

**1. Organization and Significant Accounting Policies**  
 (continued)

**k. Guarantees and Indemnifications**

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust.

Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

**2. Shares of Beneficial Interest**

At June 30, 2022, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold	412,199	\$7,151,785	2,421,558	\$40,162,495
Shares issued in reinvestment of distributions	1,008,545	15,259,288	964,562	16,108,181
Shares redeemed	(1,139,891)	(19,536,473)	(9,030,990)	(148,636,060)
Net increase (decrease)	280,853	\$2,874,600	(5,644,870)	\$(92,365,384)
<b>Class 2 Shares:</b>				
Shares sold	9,840,749	\$161,827,575	8,261,102	\$133,024,654
Shares issued in reinvestment of distributions	12,955,178	187,850,088	11,472,643	184,021,190
Shares redeemed	(20,565,487)	(335,234,421)	(95,307,859)	(1,508,788,338)
Net increase (decrease)	2,230,440	\$14,443,242	(75,574,114)	\$(1,191,742,494)
<b>Class 4 Shares:</b>				
Shares sold	2,879,430	\$48,413,623	2,779,479	\$45,895,938
Shares issued in reinvestment of distributions	1,461,225	21,816,089	851,346	14,055,725
Shares redeemed	(2,093,120)	(35,343,984)	(3,856,387)	(63,559,364)
Net increase (decrease)	2,247,535	\$34,885,728	(225,562)	\$(3,607,701)

**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 Advisers, Inc. (Advisers)	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 Income VIP Fund** (continued)

**3. Transactions with Affiliates** (continued)

**a. Management Fees**

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

Subsidiary	Affiliation
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

For the period ended June 30, 2022, the annualized gross effective investment management fee rate was 0.457% of the Fund's average daily net assets.

**b. Administrative Fees**

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers 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 period ended June 30, 2022, the Fund held investments in affiliated management investment companies as follows:

**Franklin Income VIP Fund** (continued)

**3. Transactions with Affiliates** (continued)

**e. Investments in Affiliated Management Investment Companies** (continued)

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income
<b>Franklin Income VIP Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.895%	\$56,779,626	\$709,493,981	\$(746,759,187)	\$—	\$—	\$19,514,420	19,514,420	\$36,044
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.895%	\$20,527,000	\$107,084,000	\$(118,824,000)	\$—	\$—	\$8,787,000	8,787,000	\$7,314
<b>Total Affiliated Securities . . .</b>	<b>\$77,306,626</b>	<b>\$816,577,981</b>	<b>\$(865,583,187)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$28,301,420</b>		<b>\$43,358</b>

**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 period ended June 30, 2022, the custodian fees were reduced as noted in the Statement of Operations.

**5. Income Taxes**

At June 30, 2022, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments . . . . .	\$3,177,949,393
Unrealized appreciation . . . . .	\$320,259,607
Unrealized depreciation . . . . .	(332,995,993)
Net unrealized appreciation (depreciation) . . . . .	\$(12,736,386)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of EU reclaims, equity-linked securities and convertible securities.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2022, aggregated \$1,176,250,651 and \$1,231,248,831, respectively.

At June 30, 2022, in connection with securities lending transactions, the Fund loaned equity investments and received \$10,875,008 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

**Franklin Income VIP Fund** (continued)

**7. Credit Risk**

At June 30, 2022, the Fund had 28.0% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

**8. 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. 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 matures 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.

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 period ended June 30, 2022, the Fund did not use the Global Credit Facility.

**11. 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.

**Franklin Income VIP Fund** (continued)

**11. Fair Value Measurements** (continued)

A summary of inputs used as of June 30, 2022, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Income VIP Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$64,620,750	\$—	\$—	\$64,620,750
Air Freight & Logistics	28,786,558	—	—	28,786,558
Banks	89,602,450	—	—	89,602,450
Biotechnology	43,068,200	—	—	43,068,200
Capital Markets	23,578,600	—	—	23,578,600
Chemicals	26,706,026	9,843,785	—	36,549,811
Diversified Telecommunication Services	63,505,392	—	—	63,505,392
Electric Utilities	110,858,800	—	—	110,858,800
Energy Equipment & Services	4,022,300	—	—	4,022,300
Health Care Equipment & Supplies	29,617,500	—	—	29,617,500
Health Care Providers & Services	1,875,000	—	—	1,875,000
Household Products	17,254,800	—	—	17,254,800
Industrial Conglomerates	19,988,150	—	—	19,988,150
Insurance	18,837,000	—	—	18,837,000
IT Services	28,192,678	—	—	28,192,678
Media	21,582,000	—	—	21,582,000
Metals & Mining	9,150,000	—	—	9,150,000
Multi-Utilities	65,128,624	—	—	65,128,624
Oil, Gas & Consumable Fuels	133,706,250	—	—	133,706,250
Personal Products	—	13,671,693	—	13,671,693
Pharmaceuticals	111,733,150	—	—	111,733,150
Road & Rail	10,664,000	—	—	10,664,000
Semiconductors & Semiconductor Equipment	66,138,583	—	—	66,138,583
Specialty Retail	8,776,640	—	—	8,776,640
Tobacco	19,748,000	—	—	19,748,000
Equity-Linked Securities	—	477,093,570	—	477,093,570
Convertible Preferred Stocks:				
Capital Markets	4,969,950	—	—	4,969,950
Electric Utilities	49,717,330	—	—	49,717,330
Multi-Utilities	20,568,000	—	—	20,568,000
Semiconductors & Semiconductor Equipment	25,553,550	—	—	25,553,550
Thriffs & Mortgage Finance	—	4,631,250	—	4,631,250
Convertible Bonds	—	9,272,981	—	9,272,981
Corporate Bonds	—	1,150,960,730	—	1,150,960,730
Index-Linked Notes	—	33,267,490	—	33,267,490
Senior Floating Rate Interests	—	2,166,718	—	2,166,718
U.S. Government and Agency Securities	—	296,931,304	—	296,931,304
Asset-Backed Securities	—	8,335,467	—	8,335,467
Mortgage-Backed Securities	—	1,721,760	—	1,721,760
Escrows and Litigation Trusts	—	8,976,550	—	8,976,550
Short Term Investments	28,301,420	2,088,008	—	30,389,428
Total Investments in Securities	\$1,146,251,701	\$2,018,961,306 <sup>a</sup>	\$—	\$3,165,213,007

<sup>a</sup>Includes foreign securities valued at \$23,515,478, 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.

**Franklin Income VIP Fund** (continued)

**12. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board (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, the FASB issued ASU No. 2021-01, 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, 2022. 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 is currently evaluating the impact, if any, of applying this ASU.

**13. 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.

**Abbreviations**

**Currency**

**USD** United States Dollar

**Selected Portfolio**

**ADR** American Depositary Receipt  
**CME** Chicago Mercantile Exchange  
**FNMA** Federal National Mortgage Association  
**FRN** Floating Rate Note  
**LIBOR** London Inter-Bank Offered Rate  
**SOFR** Secured Overnight Financing Rate

## 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.

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See [www.franklintempletondatasources.com](http://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 Bond 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 Bond 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, Fitch and Standard & Poor's 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 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** 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.

## Shareholder Information

### Board Approval of Investment Management Agreements

#### **FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST**

**Franklin Allocation VIP Fund**  
**Franklin DynaTech VIP Fund**  
**Franklin Global Real Estate VIP Fund**  
**Franklin Growth and Income VIP Fund**  
**Franklin Income VIP Fund**  
**Franklin Large Cap Growth VIP Fund**  
**Franklin Mutual Global Discovery VIP Fund**  
**Franklin Mutual Shares VIP Fund**  
**Franklin Rising Dividends VIP Fund**  
**Franklin Small Cap Value VIP Fund**  
**Franklin Small-Mid Cap Growth VIP Fund**  
**Franklin Strategic Income VIP Fund**  
**Franklin U.S. Government Securities VIP Fund**  
**Franklin VolSmart Allocation VIP Fund**  
**Templeton Developing Markets VIP Fund**  
**Templeton Foreign VIP Fund**  
**Templeton Global Bond VIP Fund**  
**Templeton Growth VIP Fund**  
 (each a Fund)

At an in-person meeting held on April 12, 2022 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAV) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin DynaTech Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreement between FAV and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAV and Templeton Global Advisors Limited (TGAL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (iv) the investment sub-advisory agreement between FAV and Brandywine Global Investment Management, LLC (BGIM), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (v) the investment sub-advisory agreement between FAV

and ClearBridge Investments, LLC (CIL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (vi) the investment sub-advisory agreement between FAV and Western Asset Management Company, LLC (WAMC), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (vii) the investment sub-advisory agreement between FAV and Western Asset Management Company Limited (WAMCL), an affiliate of FAV, on behalf of Franklin Allocation VIP Fund; (viii) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (ix) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund and Franklin Small Cap Value VIP Fund; (x) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (xi) the investment sub-advisory agreement between TAML and Franklin Templeton Investment Management Ltd. (FTIML), on behalf of Templeton Developing Markets VIP Fund; (xii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (xiii) the investment management agreement between TGAL and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. BGIM, CIL, FAV, FTIL, FTIML, FMA, TAML, TICL, TGAL, WAMC and WAMCL are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a virtual contract renewal meeting at which the Independent Trustees first conferred amongst themselves and Independent Trustee counsel about contract renewal matters; and then met

with management to request additional information that the Independent Trustees reviewed and considered at the Meeting. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of each Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the best interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Funds. The Board acknowledged the ongoing integration of the Legg Mason family of funds into the FT family of funds and developing strategies to address areas of heightened concern in the mutual fund industry, including various regulatory initiatives and recent geopolitical concerns.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to being a global leader in stewardship and sustainability and the recent addition of a senior executive focused on environmental, social and governance and climate control initiatives.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by each Manager and its affiliates to the Funds and their shareholders.

#### **Fund Performance**

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2022. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

*Franklin Allocation VIP Fund* - The Performance Universe for the Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed the Fund's performance with management and management explained that the Fund maintains a strategic equity asset allocation that is on the lower end of its peers that comprise the Performance Universe, which has negatively impacted the Fund's relative returns in a risk-on market environment in recent years. Management reminded the Board that, effective May 1, 2019, the Fund was repositioned to a direct investment fund with an actively managed allocation strategy which is not reflected in the Fund's longer-term performance.

Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including enhancements made to the Fund's investment strategies. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Income VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one- and 10-year periods was above the median of its Performance Universe, but for the three- and five-year periods was below the median of its Performance Universe. The Board considered the income-related attributes of the Fund (such as a fund's investment objective and/or investment strategy) and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given the Fund's income-related attributes and investor expectations. The Board concluded that the Fund's performance was satisfactory.

Franklin Strategic Income VIP Fund and Franklin U.S. Government Securities VIP Fund - The Performance Universe for the Franklin Strategic Income VIP Fund included the Fund and all multi-sector income funds underlying VIPs. The Performance Universe for the Franklin U.S. Government Securities VIP Fund included the Fund and all intermediate US government funds underlying VIPs. The Board noted that each Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its respective Performance Universe. The Board also noted that each Fund's annualized total return for the three-, five- and 10-year periods was below the median of its respective Performance Universe, but for the one-year period was above the median of the Fund's respective Performance Universe. The Board further noted the Franklin U.S. Government Securities VIP Fund's conservative policy of investing substantially all of its assets in Ginnie Mae obligations. The Board considered the income-related attributes of each Fund (such as a fund's investment objective and/or investment strategy) and that the evaluation of the Fund's performance relative to its peers on an income return basis was appropriate given the Fund's income-related attributes and investor expectations. The Board concluded that each Fund's performance was satisfactory.

Templeton Global Bond VIP Fund - The Performance Universe for the Fund included the Fund and all global income funds underlying VIPs. The Board noted that the Fund's annualized income return for the three-, five- and 10-year periods was above the median of its Performance Universe, but for the one-year period was below the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the three-, five-, and 10-year periods was below the median of its Performance Universe, but for the one-year period was equal to the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's relative underperformance in comparison to its Performance Universe over the three- and five-year reporting periods was largely due to the Fund's performance in 2019 and 2020. Management further explained that the underperformance was driven by the Fund's defensive positioning amid the pandemic, which restrained the Fund's participation in the risk asset rallies in the second half of 2020. Management also explained that the Fund's long exposure to emerging market local currency assets and short exposure to US Treasury duration during the three- and five-year reporting periods detracted from the Fund's relative performance versus the Performance Universe. Management further explained that after vaccines were approved toward the end of 2020 management significantly repositioned the Fund's strategies back towards risk allocations and expanded on that risk positioning throughout 2021, emphasizing specific currencies against the US dollar and the euro, as well as local currency bonds in a select set of emerging markets. Management further explained the steps the portfolio management team is taking in an effort to improve the Fund's peer rankings across all reporting periods and reduce the impact of the Fund's relative underperformance in 2019 and 2020. The Board noted management's continued confidence in the Fund's portfolio management team, commitment to an enhanced investment process for the benefit of Fund shareholders and commitment to have ongoing conversations with the Board regarding management's strategies for addressing the performance of the global macro funds as a whole. Based on the foregoing, the Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and that management's efforts and the recent improved performance of the Fund should continue to be closely monitored.

Franklin Growth and Income VIP Fund - The Performance Universe for the Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin DynaTech VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund - The Performance Universe for the Franklin DynaTech VIP Fund included the Fund and all large-cap growth funds underlying VIPs. The Performance Universe for the Franklin Mutual Shares VIP Fund included the Fund and all multi-cap value funds underlying VIPs. The Performance Universe for the Templeton Foreign VIP Fund included the Fund and all international multi-cap value funds underlying VIPs. The Performance Universe for the Templeton Growth VIP Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that each Fund's annualized total return for the one-, three-, five and 10-year periods was below the median of its respective Performance Universe. The Board further noted that, effective May 1, 2021, the Franklin DynaTech VIP Fund changed its name, investment strategy, and primary benchmark to align with the Franklin DynaTech Fund and that it would need more time to assess the implication of these changes on Fund performance.

The Board also noted management's explanation that the Franklin Mutual Shares VIP Fund's underperformance in 2017 was material and continues to adversely impact the Fund's ranking over longer-term periods. Management reminded the Board of the primary factors that impacted the 2017 performance, including, among factors, exposure to non-US equities and stock selection. Management explained that the Fund has a more value oriented tilt and underweight position in US securities as compared to its Performance Universe, both of which detracted from the Fund's relative performance during a period of historic and sustained outperformance of growth over value. Management further explained that key detractors from the Fund's three-year performance included the Fund's stock selection in the financials and industrials sectors and the Fund's underweight position in the industrials sector. Management reviewed with the Board ongoing enhancements to the Fund's investment team and processes in an effort to improve performance.

The Board discussed Templeton Foreign VIP Fund's performance with management and management explained the Fund's relative performance over the reporting periods was negatively impacted by the Fund's overweight positions in cash and the information technology and energy sectors,

and underweight positions in the financials, consumer staples and communication services sectors as compared to the Performance Universe. Management then noted that the Fund outperformed its benchmark, the MSCI All Country World ex-US Index-NR, for the one-year period, more than doubling the gains of the index. Management discussed with the Board the actions that are being taken in an effort to improve the performance of the Fund and the global equity funds as a whole. Management specifically highlighted the strategic initiatives being undertaken in the Templeton Global Equity Group, including enhancements to the leadership of the group and the commitment of additional resources important to delivering sustainable returns.

The Board discussed Templeton Growth VIP Fund's performance with management and management explained that the Fund's relative performance over the reporting periods was negatively impacted by the Fund's overweight positions in cash and the consumer discretionary sector and underweight position in the financials sector as compared to the Performance Universe. Management also explained that the Fund's one-year relative underperformance was primarily attributable to stock-specific weakness and underweight allocations in the US market and the information technology sector. Management then discussed with the Board the actions that are being taken in an effort to improve the performance of the Fund and the global equity funds as a whole. Management specifically highlighted the strategic initiatives being undertaken in the Templeton Global Equity Group, including enhancements to the leadership of the group and the commitment of additional resources important to delivering sustainable returns.

The Board concluded that the Funds' Management Agreements should be continued for an additional one-year period, and management's efforts should continue to be closely monitored.

Franklin Global Real Estate VIP Fund - The Performance Universe for the Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was above the median of its Performance Universe, but for the three- and five-year periods was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's three- and five-year annualized total returns were 7.98% and 7.55%, respectively. The Board concluded that the Fund's performance was satisfactory.

Franklin Large Cap Growth VIP Fund - The Performance Universe for the Franklin Large Cap Growth VIP Fund included the Fund and all multi-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and five-year periods was above the median of its Performance Universe, but for the 10-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Templeton Developing Markets VIP Fund and Franklin Small Cap Value VIP Fund - The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Performance Universe for the Franklin Small Cap Value VIP Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that each Fund's annualized total return for the three-, five and 10-year periods was above the median of its respective Performance Universe, but for the one-year period was below the median of its respective Performance Universe (noting the one-year annualized total return for the Franklin Small Cap Value VIP Fund exceeded 20%). The Board concluded that each Fund's performance was satisfactory.

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for the Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and 10-year periods was above the median of its Performance Universe, but for the five-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Rising Dividends VIP Fund - The Performance Universe for the Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe, but for the five- and 10-year periods was below the median of its Performance Universe. The Board further noted that, while below the median, the Fund's five- and 10-year annualized total returns were 15.42% and 13.68%, respectively. The Board concluded that the Fund's performance was satisfactory.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for the Fund included the Fund and all flexible portfolio funds underlying VIPs. The Board noted that the Fund incepted on April 1, 2013 and has been in operation for less than 10 years. The Board further noted that its annualized total return for the one-, three- and five-year periods was above the median and in the first quintile (best)

of its Performance Universe. The Board also noted that its annualized income return for the one- and three-year periods was above the median of its Performance Universe, but for the five-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe and exceeded 16.35%. The Board concluded that the Fund's performance was acceptable.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual or semi-annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Allocation VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Small Cap Value VIP Fund, Templeton Global Bond VIP Fund, Franklin DynaTech VIP Fund, Franklin Rising Dividends VIP Fund and Franklin Small-Mid Cap Growth VIP Fund - The

Expense Group for the Franklin Allocation VIP Fund included the Fund and 10 other mixed-asset target allocation growth funds underlying VIPs. The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and 11 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and 11 other flexible portfolio funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 10 other global income funds underlying VIPs. The Expense Group for the Franklin DynaTech VIP Fund included the Fund and 12 other large-cap growth funds underlying VIPs. The Expense Group for the Franklin Rising Dividends VIP Fund included the Fund and 11 other large-cap core funds underlying VIPs. The Expense Group for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and 11 other mid-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were below the medians of its respective Expense Group. The Board also noted that the Franklin Allocation VIP Fund, Franklin DynaTech VIP Fund and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board further noted that the Franklin Allocation VIP Fund's sub-advisers are paid by FAV out of the management fee FAV receives from the Fund and that the allocation of the fee between FAV and each sub-adviser reflected the services provided by each to the Fund. After consideration of the above, the Board concluded that the Management Rate charged to each Fund and the sub-advisory fee paid to each sub-adviser of the Franklin Allocation VIP Fund are reasonable.

Franklin U.S. Government Securities VIP Fund - The Expense Group for the Fund included the Fund, three other intermediate US government funds underlying VIPs and 11 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for the Fund was below the median of its Expense Group, and the actual total expense ratio for the Fund was slightly above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Developing Markets VIP Fund, Templeton Growth VIP Fund, Templeton Foreign VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin VolSmart Allocation VIP Fund and Franklin Strategic Income VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate

funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, two global multi-cap core funds underlying VIPs, and two global multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Mutual Shares VIP Fund included the Fund and 12 other multi-cap value funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 13 other emerging markets funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, two global multi-cap core funds underlying VIPs, and two global multi-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, nine other international multi-cap value funds underlying VIPs and four international large-cap value funds underlying VIPs. The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 11 other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin VolSmart Allocation VIP Fund included the Fund, three other flexible portfolio funds underlying VIPs, and three mixed-asset target allocation growth fund underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and nine other multi-sector income funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund were above the median of its respective Expense Group.

With respect to the Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in the debt and equity of distressed companies and merger arbitrage securities that are specialized in nature and therefore require additional expertise and resources, whereas the Fund's Expense Group generally does not make such investments. With respect to the Franklin Large Cap Growth VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund and Templeton Developing Markets VIP Fund, the Board noted that each Fund's Management Rate and actual total expense ratio were less than 5 basis points above the respective median of the Fund's Expense Group. With respect to each of the Templeton Foreign VIP Fund and the Templeton Growth VIP Fund, the Board noted management's explanation that the Expense Group for each Fund is not directly comparable to the Fund because funds that comprise the Expense Group have a higher allocation to domestic equity than the Fund. Management further explained that when each Fund is compared to a subset of its Expense Group that has a smaller allocation to domestic equity similar to the Fund, the Fund's actual total expense ratio is more aligned with peers. The Board

discussed with management the expenses of both of these Funds and management agreed to implement a reduction in the Management Rate for the Templeton Foreign VIP Fund and implement an expense cap on the Templeton Growth VIP Fund's actual total expense ratio of 0.87%, effective May 1, 2022. The Board also noted that the Franklin VolSmart Allocation VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board further noted that the Templeton Developing Markets VIP Fund's sub-adviser is paid by TAML out of the management fee TAML receives from the Fund and that the allocation of the fee between TAML and the sub-adviser reflected the services provided by each to the Fund. After consideration of the above, the Board concluded that the Management Rate charged to each Fund and the sub-advisory fee paid to the Templeton Developing Markets VIP Fund's sub-adviser are reasonable.

### **Profitability**

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2021, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered management's outsourcing of certain operations, which effort has required considerable up-front expenditures by the Managers but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to

the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints for each Fund (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund), which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered management's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager incurs across the FT family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure (except for the Franklin Allocation VIP Fund and the Franklin VolSmart Allocation VIP Fund) provided a sharing of benefits with the Fund and its shareholders as the Fund grows. The Board recognized that there would not likely be any economies of scale for the Franklin DynaTech VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund until each Fund's assets grow. The Board also recognized that given the decline in assets over the past three calendar years for each of the Franklin Income VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Global Bond VIP Fund and Templeton Growth VIP Fund, these Funds are not expected to experience additional economies of scale in the foreseeable future. The Board concluded that

to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

### Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

## Liquidity Risk Management Program

Each Fund has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for Franklin Templeton and Legg Mason products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Legal, Investment Compliance,

Investment Operations, Valuation Committee, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2022, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2021. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

## 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](http://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](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://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](http://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.



**FRANKLIN  
TEMPLETON**

**Semiannual 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