

SEMIANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

June 30, 2021



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Semiannual Report

Table of Contents

Important Notes to Performance Information	i
Franklin Income VIP Fund	FI-1
Index Descriptions	I-1
Shareholder Information	SI-1

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

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

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

Franklin Income VIP Fund

This semiannual report for Franklin Income VIP Fund covers the period ended June 30, 2021.

Class 2 Performance Summary as of June 30, 2021

The Fund's Class 2 Shares posted a +10.83% total return* for the six-month period ended June 30, 2021.

*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/22. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values and insurance benefits. See the contract prospectus for a complete description of these expenses, including sales charges.*

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

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. The Fund's share price and yield will be affected by interest rate movements. 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. Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall, when dividend income from investments in stocks decline, or when the Fund experiences defaults on debt securities it holds. 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.

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

+15.25% total return.¹ The Fund's secondary benchmark, the Blended Benchmark, posted a +6.35% total return.²

Portfolio Composition

6/30/21

	% of Total Net Assets
Pharmaceuticals	9.2%
Health Care Providers & Services	8.9%
Oil, Gas & Consumable Fuels	8.0%
Banks	8.0%
Electric Utilities	7.3%
Semiconductors & Semiconductor Equipment	5.7%
Multi-Utilities	3.9%
Beverages	3.6%
Diversified Financial Services	3.2%
Capital Markets	3.2%
Media	2.9%
Diversified Telecommunication Services	2.8%
Biotechnology	2.6%
Household Products	2.1%
Other*	25.8%
Short-Term Investments & Other Net Assets	2.8%

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

Economic and Market Overview

U.S. equities, as measured by the S&P 500, posted a +15.25% total return for the six months ended June 30, 2021.¹ Stocks benefited from the continued economic recovery, accommodative monetary policy, additional fiscal stimulus measures, implementation of novel coronavirus (COVID-19) vaccination programs and easing pandemic restrictions. As many businesses reopened, stimulus payments and generally high household savings contributed to increased consumer spending. The progress toward a bipartisan infrastructure bill further bolstered investor sentiment, aiding equities to reach new all-time price highs toward period-end.

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, posted a -1.60% total return for the six months ended June 30, 2021.¹ The economy continued to recover from the novel coronavirus (COVID-19) pandemic, aided by additional fiscal stimulus measures, and yields (which move inversely to prices)

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 Barclays U.S. High Yield Very Liquid Index + 25% Bloomberg Barclays 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 Statement of Investments (SOI).

increased for most bonds. The inflation rate surged during the period amid increased demand and supply-chain bottlenecks, with the price pressures coming largely from the areas particularly impacted by the shutdown, such as used vehicles, airfares, semiconductors and building materials.

The U.S. Federal Reserve (Fed) maintained the federal funds target rate at a range of 0.00%–0.25% and continued its program of open-ended purchasing of government-backed and corporate bonds as necessary to provide liquidity to bond markets. In its June 2021 meeting statement, the Fed indicated that rising inflation largely reflected transitory factors and it would monitor incoming information and adjust its monetary policy stance as needed to attain its employment and price stability goals.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted a -2.58% total return for the six-month period.¹ The 10-year U.S. Treasury yield, which began the period below one percent, rose notably amid many investors' increasing inflation expectations. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted a -0.77% total return for the period, as low interest rates led to accelerated prepayments from mortgage refinancing.¹

U.S. corporate bond performance varied significantly based on credit rating, reflecting the continued recovery of credit markets following the onset of COVID-19. Although the strengthening economy pressured corporate bonds generally, it helped temper investor concerns about credit quality, which benefited lower-rated bonds. In this environment, high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index, posted a +3.62% return, while investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, posted a -1.27% total return.¹

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; sensitivity to changes in interest rates and business conditions; and debt maturity schedules and borrowing requirements. When choosing investments for the Fund, we apply a bottom-up, value oriented, long-

Top Five Equity Holdings

6/30/21

Company Industry, Country	% of Total Net Assets
Exxon Mobil Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	2.2%
Procter & Gamble Co. (The) <i>Household Products, United States</i>	2.1%
Merck & Co., Inc. <i>Pharmaceuticals, United States</i>	2.1%
Chevron Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	2.0%
Southern Co. (The) <i>Electric Utilities, United States</i>	2.0%

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.

Manager's Discussion

During the six-month period, the Fund performed well across equity and fixed income asset classes. Increased Fund exposure to the equity markets and lower exposure to interest-rate sensitive fixed income securities led to strong Fund performance.

Dividend stocks, particularly those in value-oriented sectors, performed well. Corporate credit spreads continued to narrow during the period as economic reopening and the lingering positive effects of the record fiscal and monetary accommodation continued to support markets. Offsetting narrowing credit spreads were rising interest rates during the period's first three months, which weighed on the more duration sensitive portions of the Fund's benchmark. Ten-year U.S. Treasury yields started the period at 0.91%, peaking at 1.74% in late March before settling back to 1.47% by period-end. Fixed income returns for the Fund during the period were favorable as well. During the period, the Fund's equity weighting increased as its fixed income allocation decreased, continuing a trend from last year.

Equity holdings increased over the period. As an asset-class, equities outperformed fixed income during the period. We used considerable weakness earlier in 2020 to shift assets out of fixed income and into the equity markets. Dividend paying companies, which had lagged leading up to the period under review, were strong performers during the period. We continued to selectively add to positions across the equity markets during the period, including common stocks, convertible securities and equity linked notes.

All sectors were positive absolute contributors to Fund performance during the period. Financials and energy holdings were the largest positive absolute contributors

during the period (large contributors relative to the Fund's benchmark as well) with the industrials, materials, information technology and consumer discretionary sectors providing notable positive contributions as well.

All the Fund's equity positions in the financials sector were positive contributors during the period amid rising interest rates. Holdings of JPMorgan Chase, Bank of America, MetLife and Morgan Stanley led returns. Other notable contributors included Barclays, Citigroup, Truist Financial and U.S. Bancorp.

Energy peers Chevron and Exxon were notable positive contributors during the period, as a much better macro supply and demand forecast for the industry led to strong performance from depressed valuations.

Top performers in the Fund outside of financials and energy were Raytheon Technology within the industrials sector, CVS Health in the health care sector, General Motors in the consumer discretionary sector and Rio Tinto in the materials sector.

Despite positive absolute contributions, equity holdings in the consumer staples and consumer discretionary sectors were modest detractors in the period relative to the Fund's benchmark.

At the individual security level, the only notable detractor from performance during the period was our small position in the preferred securities of Federal National Mortgage Association (FNMA) which received an unfavorable Supreme Court ruling related to the U.S. government conservatorship actions since the global financial crisis.

During the period, the Fund used derivatives such as equity call and put options to sell and reduce positions and/or to initiate and add to positions, which generated gains during the period under review.

Fixed income holdings posted positive returns during the period. As an asset class, fixed income underperformed equities, which benefited the Fund given our decreased allocation to fixed income. The Fund's duration positioning at the front end of the yield curve in the face of rising interest rates during the first half of the period under review was a key source driving performance in addition to strong corporate credit performance.

Every corporate credit sector generated positive absolute returns during the period under review, with energy and health care leading the way in terms of performance contribution relative to the Fund's blended benchmark. Our holdings in U.S. Treasuries and agency mortgage-backed

Top Five Fixed Income Holdings

6/30/21

Company Industry, Country	% of Total Net Assets
CHS/Community Health Systems, Inc. Health Care Providers & Services, United States	4.3%
U.S. Treasury Notes Diversified Financial Services, United States	2.7%
Tenet Healthcare Corp. Health Care Providers & Services, United States	1.8%
DISH DBS Corp. Media, United States	1.3%
Credit Suisse AG Capital Markets, Switzerland	1.1%

securities (MBS) were minor 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.

Corporate credit spreads continued to narrow during the period under review, which particularly benefited the Fund's high-yield exposures. High-yield corporate bonds are generally lower in duration than investment-grade corporate bonds. Narrowing credit spreads and increased U.S. Treasury yields certainly favored high-yield performance within the fixed income asset class.

Within energy, the largest contributor to performance was high-yield oilfield service company Weatherford International. Strong commodity price performance, increased demand outlooks as the markets looked past the lockdown environments, as well as strong business performance led to the gains. Other notable energy contributors included Calumet Specialty Products and HighPoint Energy.

The other large sector contributor to fixed income performance during the period came from debt securities in the health care sector. High-yield rated hospital peers Community Health Systems and Tenet Healthcare were notable outperformers. The companies moved past COVID-19 induced disruptions and both were able to access the capital markets during the period to reduce interest expense and improve the health of their balance sheets, which led to strong performance.

Agency MBS holdings were small absolute detractors during the period as described above. Other small detractors were health care company Endo Pharmaceutical, as it works through company specific litigation around one of its business units; and Sinclair Broadcasting/Diamond Sports, as the company deals with renewing carriage contracts in its regional sports broadcasting business. There were no other notable detractors in the period under review.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2021, 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 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (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 1/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	Ending Account Value 6/30/21	Fund-Level Expenses Paid During Period 1/1/21–6/30/21 ^{1,2}	
2	\$1,000	\$1,108.30	\$3.75	\$1,021.23	\$3.60	0.72%

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, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.65	\$16.52	\$15.26	\$16.72	\$15.87	\$14.64
Income from investment operations ^a :						
Net investment income ^b	0.27	0.59	0.75	0.71	0.69	0.67
Net realized and unrealized gains (losses)	1.44	(0.54)	1.68	(1.35)	0.87	1.34
Total from investment operations	1.71	0.05	2.43	(0.64)	1.56	2.01
Less distributions from:						
Net investment income	(0.80)	(0.91)	(0.91)	(0.82)	(0.71)	(0.78)
Net realized gains	—	(0.01)	(0.26)	—	—	—
Total distributions	(0.80)	(0.92)	(1.17)	(0.82)	(0.71)	(0.78)
Net asset value, end of period	\$16.56	\$15.65	\$16.52	\$15.26	\$16.72	\$15.87
Total return ^c	10.91%	0.97%	16.42%	(4.09)%	9.94%	14.33%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.47%	0.47%	0.46%	0.47%	0.47%	0.47%
Expenses net of waiver and payments by affiliates ^e	0.47% ^f	0.46%	0.45%	0.45%	0.45%	0.44%
Net investment income	3.34%	3.96%	4.38%	4.33%	4.22%	4.47%
Supplemental data						
Net assets, end of period (000's)	\$234,063	\$306,641	\$309,330	\$612,657	\$735,149	\$696,227
Portfolio turnover rate	18.56%	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cTotal 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.

^dRatios are annualized for periods less than one year.

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

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

Franklin Income VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.04	\$15.91	\$14.74	\$16.17	\$15.38	\$14.20
Income from investment operations ^a :						
Net investment income ^b	0.24	0.53	0.64	0.65	0.63	0.61
Net realized and unrealized gains (losses)	1.40	(0.53)	1.66	(1.30)	0.83	1.31
Total from investment operations	1.64	— ^c	2.30	(0.65)	1.46	1.92
Less distributions from:						
Net investment income	(0.77)	(0.86)	(0.87)	(0.78)	(0.67)	(0.74)
Net realized gains	—	(0.01)	(0.26)	—	—	—
Total distributions	(0.77)	(0.87)	(1.13)	(0.78)	(0.67)	(0.74)
Net asset value, end of period	\$15.91	\$15.04	\$15.91	\$14.74	\$16.17	\$15.38
Total return ^d	10.83%	0.69%	16.06%	(4.30)%	9.67%	14.02%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates	0.72%	0.72%	0.71%	0.72%	0.72%	0.72%
Expenses net of waiver and payments by affiliates ^f	0.72% ^g	0.71%	0.70%	0.70%	0.70%	0.69%
Net investment income	3.09%	3.73%	4.13%	4.08%	3.97%	4.22%
Supplemental data						
Net assets, end of period (000's)	\$3,033,420	\$3,852,709	\$4,318,156	\$4,086,652	\$5,041,498	\$5,088,556
Portfolio turnover rate	18.56%	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cAmount rounds to less than \$0.01 per share.

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

^eRatios are annualized for periods less than one year.

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

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

Franklin Income VIP Fund (continued)

	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31,				
		2020	2019	2018	2017	2016
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.45	\$16.32	\$15.08	\$16.53	\$15.71	\$14.49
Income from investment operations ^a :						
Net investment income ^b	0.24	0.53	0.64	0.64	0.62	0.61
Net realized and unrealized gains (losses)	1.43	(0.54)	1.71	(1.33)	0.85	1.33
Total from investment operations	1.67	(0.01)	2.35	(0.69)	1.47	1.94
Less distributions from:						
Net investment income	(0.75)	(0.85)	(0.85)	(0.76)	(0.65)	(0.72)
Net realized gains	—	(0.01)	(0.26)	—	—	—
Total distributions	(0.75)	(0.86)	(1.11)	(0.76)	(0.65)	(0.72)
Net asset value, end of period	\$16.37	\$15.45	\$16.32	\$15.08	\$16.53	\$15.71
Total return ^c	10.77%	0.58%	16.05%	(4.42)%	9.55%	13.87%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.82%	0.82%	0.81%	0.82%	0.82%	0.82%
Expenses net of waiver and payments by affiliates ^e	0.82% ^f	0.81%	0.80%	0.80%	0.80%	0.79%
Net investment income	2.98%	3.62%	4.03%	3.98%	3.87%	4.12%
Supplemental data						
Net assets, end of period (000's)	\$319,797	\$302,474	\$323,582	\$294,700	\$335,217	\$309,935
Portfolio turnover rate	18.56%	45.93%	25.16%	43.22%	20.96%	39.03%

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

^bBased on average daily shares outstanding.

^cTotal 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.

^dRatios are annualized for periods less than one year.

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

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

Statement of Investments (unaudited), June 30, 2021

Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 51.3%			
Aerospace & Defense 1.8%			
Lockheed Martin Corp.	United States	100,000	\$37,835,000
Raytheon Technologies Corp.	United States	300,000	25,593,000
			63,428,000
Air Freight & Logistics 0.9%			
United Parcel Service, Inc., B	United States	157,700	32,796,869
Banks 6.6%			
Bank of America Corp.	United States	1,500,000	61,845,000
Barclays plc	United Kingdom	12,500,000	29,665,619
Citigroup, Inc.	United States	500,000	35,375,000
JPMorgan Chase & Co.	United States	400,000	62,216,000
Truist Financial Corp.	United States	495,000	27,472,500
US Bancorp	United States	325,000	18,515,250
			235,089,369
Beverages 3.6%			
Coca-Cola Co. (The)	United States	1,150,000	62,226,500
PepsiCo, Inc.	United States	450,000	66,676,500
			128,903,000
Biotechnology 1.2%			
AbbVie, Inc.	United States	225,000	25,344,000
Amgen, Inc.	United States	70,000	17,062,500
			42,406,500
Capital Markets 1.1%			
Morgan Stanley	United States	416,500	38,188,885
Chemicals 0.8%			
Air Products and Chemicals, Inc.	United States	7,500	2,157,600
BASF SE	Germany	325,000	25,657,589
			27,815,189
Diversified Telecommunication Services 2.1%			
BCE, Inc.	Canada	466,000	22,977,681
Verizon Communications, Inc.	United States	950,000	53,228,500
			76,206,181
Electric Utilities 5.5%			
American Electric Power Co., Inc.	United States	350,000	29,606,500
Duke Energy Corp.	United States	520,000	51,334,400
Edison International	United States	770,000	44,521,400
Exelon Corp.	United States	300,000	13,293,000
Southern Co. (The)	United States	900,000	54,459,000
Xcel Energy, Inc.	United States	67,500	4,446,900
			197,661,200
Energy Equipment & Services 0.4%			
^{a,b} Weatherford International plc.	United States	700,000	12,740,000
Health Care Providers & Services 1.0%			
^a CHS/Community Health Systems, Inc.	United States	1,000,000	15,440,000
CVS Health Corp.	United States	250,000	20,860,000
			36,300,000
Household Products 2.1%			
Procter & Gamble Co. (The)	United States	560,000	75,560,800

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Industrial Conglomerates 1.8%			
^c Honeywell International, Inc.	United States	300,000	\$65,805,000
Insurance 1.3%			
MetLife, Inc.	United States	805,108	48,185,714
IT Services 0.8%			
International Business Machines Corp.	United States	199,679	29,270,944
Machinery 0.7%			
Cummins, Inc.	United States	100,000	24,381,000
Media 0.8%			
Comcast Corp., A	United States	500,000	28,510,000
Metals & Mining 0.9%			
^b Rio Tinto plc, ADR.	Australia	400,000	33,556,000
Multi-Utilities 2.3%			
Dominion Energy, Inc.	United States	706,638	51,987,358
DTE Energy Co.	United States	100,000	12,960,000
Sempra Energy.	United States	125,000	16,560,000
			81,507,358
Oil, Gas & Consumable Fuels 6.4%			
Bonanza Creek Energy, Inc.	United States	425,000	20,004,750
BP plc, ADR	United Kingdom	550,000	14,531,000
Chevron Corp.	United States	700,000	73,318,000
Exxon Mobil Corp.	United States	1,250,000	78,850,000
Royal Dutch Shell plc, ADR, A.	Netherlands	450,000	18,180,000
TotalEnergies SE, ADR	France	550,000	24,893,000
			229,776,750
Personal Products 0.5%			
Unilever plc.	United Kingdom	300,000	17,531,344
Pharmaceuticals 5.1%			
Bristol-Myers Squibb Co.	United States	750,000	50,115,000
Eli Lilly & Co.	United States	80,000	18,361,600
Johnson & Johnson	United States	250,000	41,185,000
Merck & Co., Inc.	United States	950,000	73,881,500
			183,543,100
Road & Rail 0.6%			
Union Pacific Corp.	United States	106,500	23,422,545
Semiconductors & Semiconductor Equipment 1.3%			
Analog Devices, Inc.	United States	100,000	17,216,000
Intel Corp.	United States	250,000	14,035,000
Texas Instruments, Inc.	United States	85,000	16,345,500
			47,596,500
Specialty Retail 0.3%			
Home Depot, Inc. (The).	United States	32,000	10,204,480
Tobacco 1.4%			
Altria Group, Inc.	United States	149,700	7,137,696
Philip Morris International, Inc.	United States	427,900	42,409,169
			49,546,865
Total Common Stocks (Cost \$1,297,406,620)			1,839,933,593

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Equity-Linked Securities 13.1%			
Automobiles 1.6%			
^e National Bank of Canada into General Motors Co., Senior Note, 144A, 10%, 1/26/22	United States	1,123,500	\$58,388,955
Biotechnology 1.1%			
^e Goldman Sachs International Bank into AbbVie, Inc., 144A, 10%, 7/22/21	United States	348,000	38,962,942
Capital Markets 0.5%			
^e UBS AG into Morgan Stanley, Senior Note, 144A, 8.5%, 2/11/22 ..	United States	200,000	16,659,722
Chemicals 0.9%			
^e National Bank of Canada into Air Products and Chemicals, Inc., 144A, 8.5%, 4/13/22	United States	106,000	31,194,706
Energy Equipment & Services 0.8%			
^e Royal Bank of Canada into Schlumberger NV, 144A, 10%, 3/01/22	United States	900,000	27,674,334
Health Care Providers & Services 1.0%			
^e J.P. Morgan Structured Products BV into CVS Health Corp., Senior Note, 144A, Reg S, 8.5%, 1/25/22	United States	451,000	36,113,174
Internet & Direct Marketing Retail 0.7%			
^e J.P. Morgan Structured Products BV into Amazon.com, Inc., Senior Note, 144A, Reg S, 9.5%, 12/07/21	United States	8,000	26,830,013
Pharmaceuticals 1.8%			
^e Credit Suisse AG into Pfizer, Inc., 144A, 8%, 8/27/21	United States	1,642,000	64,613,899
Road & Rail 0.2%			
^e Goldman Sachs International Bank into Union Pacific Corp., Senior Note, 144A, 8%, 2/09/22	United States	33,000	7,416,193
Semiconductors & Semiconductor Equipment 3.4%			
^e Citigroup Global Markets Holdings, Inc. into Texas Instruments, Inc., Senior Note, 144A, 8.5%, 1/27/22	United States	234,000	42,756,187
^e Royal Bank of Canada into Analog Devices, Inc., 144A, 8.5%, 9/10/21	United States	270,000	37,287,707
^e Royal Bank of Canada into Intel Corp., Senior Note, 144A, 8.5%, 12/14/21	United States	782,000	40,502,682
			120,546,576
Software 0.5%			
^e Citigroup Global Markets Holdings, Inc. into Microsoft Corp., Senior Note, 144A, 8%, 9/24/21	United States	80,000	20,077,094
Technology Hardware, Storage & Peripherals 0.6%			
^e BNP Paribas Issuance BV into Apple, Inc., 144A, 10%, 12/22/21 ..	United States	164,000	21,999,169
Total Equity-Linked Securities (Cost \$423,247,203)			470,476,777
Convertible Preferred Stocks 4.7%			
Capital Markets 0.2%			
^b KKR & Co., Inc., 6%, C	United States	85,000	6,550,100
Electric Utilities 1.8%			
American Electric Power Co., Inc., 6.125%	United States	300,000	14,739,000
NextEra Energy, Inc., 5.279%	United States	400,000	19,584,000
NextEra Energy, Inc., 6.219%	United States	230,200	11,371,880
Southern Co. (The), 6.75%, 2019	United States	350,000	17,720,500
			63,415,380
Multi-Utilities 1.6%			
Dominion Energy, Inc., 7.25%, A	United States	175,000	16,997,750
DTE Energy Co., 6.25%	United States	400,000	19,772,000

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Multi-Utilities (continued)			
Sempra Energy, 6.75%, B	United States	200,000	\$19,754,000
			56,523,750
Semiconductors & Semiconductor Equipment 1.0%			
Broadcom, Inc., 8%, A	United States	25,000	37,996,750
Thriffs & Mortgage Finance 0.1%			
^a FNMA, 5.375%	United States	475	3,028,125
Total Convertible Preferred Stocks (Cost \$183,058,821)			167,514,105
		Principal Amount^f	
Convertible Bonds 0.1%			
Media 0.1%			
DISH Network Corp., Senior Note, 2.375%, 3/15/24	United States	4,555,000	4,432,584
Total Convertible Bonds (Cost \$4,251,235)			4,432,584
Corporate Bonds 23.5%			
Aerospace & Defense 0.2%			
Raytheon Technologies Corp., Senior Note, 3.95%, 8/16/25	United States	7,500,000	8,344,615
Automobiles 0.5%			
Ford Motor Co., Senior Note, 4.346%, 12/08/26	United States	7,000,000	7,507,570
General Motors Co., Senior Bond, 5.15%, 4/01/38	United States	7,500,000	9,169,014
			16,676,584
Banks 1.4%			
Bank of America Corp.,			
^f AA, Junior Sub. Bond, 6.1% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	8,988,520
^f X, Junior Sub. Bond, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	6,641,250
Senior Bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28	United States	5,000,000	5,449,184
Citigroup, Inc., Sub. Bond, 4.125%, 7/25/28	United States	12,500,000	14,093,426
^f JPMorgan Chase & Co.,			
^g I, Junior Sub. Bond, FRN, 3.656%, (3-month USD LIBOR + 3.47%), Perpetual	United States	10,559,000	10,598,596
R, Junior Sub. Bond, 6% to 8/01/23, FRN thereafter, Perpetual	United States	3,200,000	3,404,000
			49,174,976
Biotechnology 0.3%			
AbbVie, Inc., Senior Note, 3.8%, 3/15/25	United States	10,500,000	11,491,193
Capital Markets 0.3%			
Goldman Sachs Group, Inc. (The), Senior Note, 3.272% to 9/29/24, FRN thereafter, 9/29/25	United States	9,000,000	9,631,194
Chemicals 0.1%			
^e SCIH Salt Holdings, Inc., Senior Note, 144A, 6.625%, 5/01/29	United States	2,000,000	2,007,500
Consumer Finance 0.9%			
Capital One Financial Corp., Sub. Note, 4.2%, 10/29/25	United States	8,000,000	8,937,449
Ford Motor Credit Co. LLC, Senior Note, 5.125%, 6/16/25	United States	20,000,000	22,050,000
			30,987,449
Containers & Packaging 0.6%			
^e Mauser Packaging Solutions Holding Co.,			
Senior Note, 144A, 7.25%, 4/15/25	United States	11,500,000	11,293,000
Senior Secured Note, 144A, 5.5%, 4/15/24	United States	10,000,000	10,112,500
			21,405,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Diversified Financial Services 0.5%			
^e MPH Acquisition Holdings LLC, Senior Note, 144A, 5.75%, 11/01/28	United States	18,000,000	\$18,112,230
Diversified Telecommunication Services 0.7%			
AT&T, Inc., Senior Bond, 4.125%, 2/17/26	United States	12,000,000	13,497,801
^e CCO Holdings LLC / CCO Holdings Capital Corp., Senior Bond, 144A, 5.5%, 5/01/26	United States	10,000,000	10,362,350
			23,860,151
Energy Equipment & Services 0.7%			
^e Weatherford International Ltd., Senior Note, 144A, 11%, 12/01/24	United States	25,000,000	26,031,750
Entertainment 0.7%			
Netflix, Inc., Senior Bond, 4.875%, 4/15/28	United States	22,000,000	25,603,160
Health Care Providers & Services 6.9%			
^e CHS/Community Health Systems, Inc., Secured Note, 144A, 6.875%, 4/15/29	United States	70,000,000	73,456,950
Secured Note, 144A, 6.125%, 4/01/30	United States	33,500,000	34,044,375
Senior Note, 144A, 6.875%, 4/01/28	United States	10,000,000	9,905,750
Senior Secured Note, 144A, 6.625%, 2/15/25	United States	10,000,000	10,587,400
Senior Secured Note, 144A, 8%, 3/15/26	United States	12,500,000	13,484,563
Senior Secured Note, 144A, 8%, 12/15/27	United States	10,000,000	11,138,550
CVS Health Corp., Senior Bond, 4.3%, 3/25/28	United States	8,000,000	9,197,843
Senior Note, 4.1%, 3/25/25	United States	1,225,000	1,359,232
HCA, Inc., Senior Bond, 5.875%, 5/01/23	United States	7,500,000	8,159,625
Senior Secured Note, 5%, 3/15/24	United States	10,400,000	11,495,687
Tenet Healthcare Corp., ^e Secured Note, 144A, 6.25%, 2/01/27	United States	29,000,000	30,305,000
Senior Note, 6.75%, 6/15/23	United States	24,000,000	26,220,000
^e Senior Note, 144A, 6.125%, 10/01/28	United States	9,000,000	9,616,410
			248,971,385
Hotels, Restaurants & Leisure 1.1%			
^e Caesars Entertainment, Inc., Senior Secured Note, 144A, 6.25%, 7/01/25	United States	18,000,000	19,102,500
^e Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Senior Bond, 144A, 5.5%, 3/01/25	United States	13,200,000	14,246,628
Senior Note, 144A, 5.25%, 5/15/27	United States	6,000,000	6,461,700
			39,810,828
Media 2.0%			
^e Diamond Sports Group LLC / Diamond Sports Finance Co., Senior Secured Note, 144A, 5.375%, 8/15/26	United States	15,000,000	9,732,000
DISH DBS Corp., Senior Note, 5.875%, 7/15/22	United States	14,000,000	14,622,300
Senior Note, 5%, 3/15/23	United States	21,000,000	22,029,840
Senior Note, 5.875%, 11/15/24	United States	9,400,000	10,105,000
^e Univision Communications, Inc., Senior Secured Note, 144A, 5.125%, 2/15/25	United States	7,140,000	7,306,041
Senior Secured Note, 144A, 6.625%, 6/01/27	United States	8,500,000	9,220,800
			73,015,981
Metals & Mining 0.1%			
^e Cleveland-Cliffs, Inc., Senior Secured Note, 144A, 6.75%, 3/15/26	United States	5,000,000	5,400,000
Oil, Gas & Consumable Fuels 1.3%			
Bonanza Creek Energy, Inc., Senior Note, 7.5%, 4/30/26	United States	6,877,144	6,961,320

Franklin Income VIP Fund (continued)

	Country	Principal Amount ^f	Value
Corporate Bonds (continued)			
Oil, Gas & Consumable Fuels (continued)			
Calumet Specialty Products Partners LP / Calumet Finance Corp., Senior Note, 7.625%, 1/15/22	United States	1,501,000	\$1,503,875
^e Senior Note, 144A, 11%, 4/15/25	United States	15,000,000	16,353,075
Senior Note, 7.75%, 4/15/23	United States	2,000,000	1,997,200
^e Senior Secured Note, 144A, 9.25%, 7/15/24	United States	5,185,000	5,726,625
Occidental Petroleum Corp., Senior Note, 8%, 7/15/25	United States	5,000,000	5,993,900
Senior Note, 6.625%, 9/01/30	United States	6,000,000	7,207,500
			45,743,495
Pharmaceuticals 2.3%			
^e Bausch Health Cos., Inc., Senior Bond, 144A, 6.125%, 4/15/25	United States	9,110,000	9,349,138
Senior Note, 144A, 9%, 12/15/25	United States	5,000,000	5,367,750
Senior Note, 144A, 5%, 2/15/29	United States	5,000,000	4,668,850
Senior Secured Note, 144A, 5.5%, 11/01/25	United States	11,000,000	11,299,750
Senior Secured Note, 144A, 4.875%, 6/01/28	United States	4,500,000	4,611,375
^e Bayer US Finance II LLC, Senior Note, 144A, 4.25%, 12/15/25	Germany	11,000,000	12,268,164
Bristol-Myers Squibb Co., Senior Note, 3.4%, 7/26/29	United States	8,000,000	8,974,677
^e Endo Dac / Endo Finance LLC / Endo Finco, Inc., Senior Note, 144A, 6%, 6/30/28	United States	7,094,000	4,793,061
^e Par Pharmaceutical, Inc., Senior Secured Note, 144A, 7.5%, 4/01/27	United States	8,429,000	8,628,472
Utah Acquisition Sub, Inc., Senior Note, 3.95%, 6/15/26	United States	10,000,000	11,023,124
			80,984,361
Road & Rail 0.1%			
^e Ashtead Capital, Inc., Senior Note, 144A, 4.25%, 11/01/29	United Kingdom	4,500,000	4,871,250
Tobacco 0.6%			
BAT Capital Corp., Senior Note, 3.557%, 8/15/27	United Kingdom	20,000,000	21,428,820
Trading Companies & Distributors 0.7%			
United Rentals North America, Inc., Senior Bond, 4.875%, 1/15/28	United States	11,300,000	11,997,775
^e WESCO Distribution, Inc., Senior Note, 144A, 7.125%, 6/15/25	United States	14,000,000	15,147,300
			27,145,075
Wireless Telecommunication Services 1.5%			
Sprint Communications, Inc., Senior Note, 11.5%, 11/15/21	United States	15,000,000	15,578,048
Senior Note, 6%, 11/15/22	United States	6,300,000	6,678,000
Sprint Corp., Senior Note, 7.625%, 3/01/26	United States	7,500,000	9,169,725
Senior Note, 7.875%, 9/15/23	United States	12,500,000	14,216,575
Senior Note, 7.125%, 6/15/24	United States	8,200,000	9,471,000
			55,113,348
Total Corporate Bonds (Cost \$773,108,895)			845,810,845
		Units	
^hIndex-Linked Notes 1.1%			
Capital Markets 1.1%			
^e i Credit Suisse AG, Senior Note, 144A, 12.095%, 9/06/22	Switzerland	10,332	39,041,218
Total Index-Linked Notes (Cost \$34,999,753)			39,041,218

Franklin Income VIP Fund (continued)

	Country	Principal Amount [†]	Value
U.S. Government and Agency Securities 2.7%			
U.S. Treasury Notes,			
2.75%, 5/31/23	United States	50,000,000	\$52,408,203
0.5%, 3/31/25	United States	25,000,000	24,880,860
0.875%, 6/30/26	United States	20,000,000	19,991,406
Total U.S. Government and Agency Securities (Cost \$94,948,565)			97,280,469
Asset-Backed Securities 0.3%			
Airlines 0.3%			
United Airlines Pass-Through Trust, 2020-1, A, 5.875%, 10/15/27	United States	9,516,500	10,579,221
Total Asset-Backed Securities (Cost \$9,516,500)			10,579,221
Mortgage-Backed Securities 0.1%			
Federal National Mortgage Association (FNMA) Fixed Rate 0.1%			
FNMA, 30 Year, 4%, 8/01/49	United States	2,607,439	2,830,267
Total Mortgage-Backed Securities (Cost \$2,762,256)			2,830,267
		Shares	
Escrows and Litigation Trusts 0.3%			
^e Chesapeake Energy Corp., Escrow Account, 144A	United States	9,500,000	10,295,625
Total Escrows and Litigation Trusts (Cost \$9,500,000)			10,295,625
Total Long Term Investments (Cost \$2,832,799,848)			3,488,194,704
Short Term Investments 2.5%			
	Country	Shares	Value
Money Market Funds 2.3%			
^{j,k} Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	United States	83,415,064	83,415,064
Total Money Market Funds (Cost \$83,415,064)			83,415,064
^lInvestments from Cash Collateral Received for Loaned Securities 0.2%			
Money Market Funds 0.1%			
^{j,k} Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	United States	4,051,000	4,051,000

Franklin Income VIP Fund (continued)

Short Term Investments (continued)

	Principal Amount [†]	Value
Repurchase Agreements 0.1%		
^m Joint Repurchase Agreement, BofA Securities, Inc., 0.05%, 7/01/21 (Maturity Value \$1,013,001) Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$1,033,261)	1,013,000	\$1,013,000
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$5,064,000)		5,064,000
Total Short Term Investments (Cost \$88,479,064)		88,479,064
Total Investments (Cost \$2,921,278,912) 99.7%		\$3,576,673,768
Options Written (0.0)%[†]		(534,000)
Other Assets, less Liabilities 0.3%		11,140,581
Net Assets 100.0%		\$3,587,280,349
	Number of Contracts	Notional Amount[#]
ⁿ Options Written (0.0)%[†]		
Calls - Exchange-Traded		
Equity Options		
Honeywell International, Inc., September Strike Price \$240.00, Expires 9/17/21	3,000	65,805,000
		(534,000)
		(534,000)
Total Options Written (Premiums received \$1,823,887)		\$(534,000)

See Abbreviations on page FI-31.

[#] Notional amount is the number of units specified in the contract, and can include currency units, bushels, shares, pounds, barrels or other units. Currency units are stated in U.S. dollars unless otherwise indicated.

[†] The principal amount is stated in U.S. dollars unless otherwise indicated.

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

^a Non-income producing.

^b A portion or all of the security is on loan at June 30, 2021. See Note 1(g).

^c A portion or all of the security is held in connection with written option contracts open at period end.

^d See Note 1(f) regarding equity-linked securities.

^e 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, 2021, the aggregate value of these securities was \$964,826,427, representing 26.9% of net assets.

^f Perpetual security with no stated maturity date.

^g The coupon rate shown represents the rate at period end.

^h See Note 1(e) regarding index-linked notes.

ⁱ 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.

^j See Note 3(e) regarding investments in affiliated management investment companies.

^k The rate shown is the annualized seven-day effective yield at period end.

^l See Note 1(g) regarding securities on loan.

^m See Note 1(c) regarding joint repurchase agreement.

ⁿ See Note 1(d) regarding written options.

Statement of Assets and Liabilities

June 30, 2021 (unaudited)

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,832,799,848
Cost - Non-controlled affiliates (Note 3e)	87,466,064
Cost - Unaffiliated repurchase agreements	1,013,000
Value - Unaffiliated issuers (Includes securities loaned of \$4,916,278)	\$3,488,194,704
Value - Non-controlled affiliates (Note 3e)	87,466,064
Value - Unaffiliated repurchase agreements	1,013,000
Receivables:	
Investment securities sold	3,709,352
Capital shares sold	2,159,528
Dividends and interest	16,282,702
European Union tax reclaims (Note 1h)	1,784,728
Total assets	<u>3,600,610,078</u>
Liabilities:	
Payables:	
Investment securities purchased	2,007,500
Capital shares redeemed	2,750,443
Management fees	1,615,763
Distribution fees	857,493
Options written, at value (premiums received \$1,823,887)	534,000
Payable upon return of securities loaned (Note 1g)	5,064,000
Accrued expenses and other liabilities	500,530
Total liabilities	<u>13,329,729</u>
Net assets, at value	<u>\$3,587,280,349</u>
Net assets consist of:	
Paid-in capital	\$2,980,482,966
Total distributable earnings (losses)	606,797,383
Net assets, at value	<u>\$3,587,280,349</u>

	Franklin Income VIP Fund
Class 1:	
Net assets, at value	<u>\$234,063,179</u>
Shares outstanding	<u>14,131,015</u>
Net asset value and maximum offering price per share	<u>\$16.56</u>
Class 2:	
Net assets, at value	<u>\$3,033,420,231</u>
Shares outstanding	<u>190,658,978</u>
Net asset value and maximum offering price per share	<u>\$15.91</u>
Class 4:	
Net assets, at value	<u>\$319,796,939</u>
Shares outstanding	<u>19,539,816</u>
Net asset value and maximum offering price per share	<u>\$16.37</u>

Statement of Operations

for the six months ended June 30, 2021 (unaudited)

**Franklin Income
VIP Fund**

Investment income:	
Dividends: (net of foreign taxes of \$451,946)	
Unaffiliated issuers	\$46,548,123
Non-controlled affiliates (Note 3e)	3,364
Interest:	
Unaffiliated issuers	39,193,051
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	43,768
Non-controlled affiliates (Note 3e)	393
Other income (Note 1h)	22,370
Total investment income.	<u>85,811,069</u>
Expenses:	
Management fees (Note 3a)	10,267,130
Distribution fees: (Note 3c)	
Class 2	4,839,479
Class 4	544,461
Custodian fees (Note 4)	14,835
Reports to shareholders	196,404
Professional fees	47,016
Trustees' fees and expenses	13,431
Other	52,911
Total expenses	<u>15,975,667</u>
Expense reductions (Note 4)	(45)
Expenses waived/paid by affiliates (Note 3e)	<u>(51,523)</u>
Net expenses	<u>15,924,099</u>
Net investment income	<u>69,886,970</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	306,634,453
Foreign currency transactions	<u>(6,940)</u>
Net realized gain (loss)	<u>306,627,513</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	80,213,986
Translation of other assets and liabilities denominated in foreign currencies	<u>(76,839)</u>
Written options	<u>1,289,887</u>
Net change in unrealized appreciation (depreciation)	<u>81,427,034</u>
Net realized and unrealized gain (loss)	<u>388,054,547</u>
Net increase (decrease) in net assets resulting from operations	<u>\$457,941,517</u>

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Six Months Ended June 30, 2021 (unaudited)	Year Ended December 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$69,886,970	\$160,490,300
Net realized gain (loss)	306,627,513	(366,440,390)
Net change in unrealized appreciation (depreciation)	81,427,034	189,780,651
Net increase (decrease) in net assets resulting from operations	457,941,517	(16,169,439)
Distributions to shareholders:		
Class 1	(16,108,183)	(16,535,949)
Class 2	(184,021,190)	(219,850,517)
Class 4	(14,055,725)	(16,548,919)
Total distributions to shareholders	(214,185,098)	(252,935,385)
Capital share transactions: (Note 2)		
Class 1	(89,376,876)	11,863,357
Class 2	(1,028,416,031)	(227,620,547)
Class 4	(507,387)	(4,380,893)
Total capital share transactions	(1,118,300,294)	(220,138,083)
Net increase (decrease) in net assets	(874,543,875)	(489,242,907)
Net assets:		
Beginning of period	4,461,824,224	4,951,067,131
End of period	\$3,587,280,349	\$4,461,824,224

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 occur

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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 securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2021, 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 Statement of Investments, had been entered into on June 30, 2021.

d. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

The Fund purchased or wrote exchange traded option contracts primarily to gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Note 9 regarding other derivative information.

e. 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.

f. 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 Statements 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.

g. 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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

g. Securities Lending (continued)

affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

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 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. 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, 2021, 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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies
(continued)

i. Security Transactions, Investment Income, Expenses and Distributions (continued)

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.

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, 2021, 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, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,927,424	\$31,809,488	2,306,541	\$33,745,188
Shares issued in reinvestment of distributions	964,562	16,108,183	1,187,928	16,535,949
Shares redeemed	(8,356,755)	(137,294,547)	(2,618,645)	(38,417,780)
Net increase (decrease)	(5,464,769)	\$(89,376,876)	875,824	\$11,863,357
Class 2 Shares:				
Shares sold	4,495,221	\$72,188,702	18,351,749	\$260,263,939
Shares issued in reinvestment of distributions	11,472,643	184,021,190	16,406,755	219,850,517
Shares redeemed	(81,444,692)	(1,284,625,923)	(49,970,834)	(707,735,003)
Net increase (decrease)	(65,476,828)	\$(1,028,416,031)	(15,212,330)	\$(227,620,547)
Class 4 Shares:				
Shares sold	643,568	\$10,556,896	2,068,153	\$30,108,099
Shares issued in reinvestment of distributions	851,346	14,055,725	1,201,809	16,548,919
Shares redeemed	(1,535,971)	(25,120,008)	(3,520,562)	(51,037,911)
Net increase (decrease)	(41,057)	\$(507,387)	(250,600)	\$(4,380,893)

Franklin Income VIP Fund (continued)

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) (formerly Franklin Templeton Distributors, Inc.)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

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, 2021, the annualized gross effective investment management fee rate was 0.456% 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

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

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, 2021, the Fund held investments in affiliated management investment companies as follows:

	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
Franklin Income VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$129,156,296	\$1,151,171,792	\$(1,196,913,024)	\$—	\$—	\$83,415,064	83,415,064	\$3,364
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%	\$8,117,000	\$200,632,000	\$(204,698,000)	\$—	\$—	\$4,051,000	4,051,000	\$393
Total Affiliated Securities	\$137,273,296	\$1,351,803,792	\$(1,401,611,024)	\$—	\$—	\$87,466,064		\$3,757

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the period ended June 30, 2021, these purchase and sale transactions aggregated \$0 and \$169,315,086, respectively.

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, 2021, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains.

At December 31, 2020, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term	\$18,659,427
Long term	396,154,822
Total capital loss carryforwards	\$414,814,249

Franklin Income VIP Fund (continued)

5. Income Taxes (continued)

At June 30, 2021, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$2,916,829,799
Unrealized appreciation	\$724,957,201
Unrealized depreciation	(65,647,231)
Net unrealized appreciation (depreciation)	\$659,309,970

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2021, aggregated \$799,997,414 and \$1,991,665,492, respectively.

At June 30, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$5,064,000 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.

7. Credit Risk

At June 30, 2021, the Fund had 18.4% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. 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. 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.

9. Other Derivative Information

At June 30, 2021, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Income VIP Fund				
Equity contracts	Investments in securities, at value	\$—	Options written, at value	\$534,000
Total		\$—		\$534,000

For the period ended June 30, 2021, the effect of derivative contracts in the Statement of Operations was as follows:

Franklin Income VIP Fund (continued)

9. Other Derivative Information (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
Franklin Income VIP Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity Contracts	Written options	\$—	Written options	\$1,289,887
Total		<u>\$—</u>		<u>\$1,289,887</u>

For the period ended June 30, 2021, the average month end notional amount of options represented 42,857 shares.

See Note 1(d) regarding derivative financial instruments.

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 4, 2022. 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, 2021, 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.

A summary of inputs used as of June 30, 2021, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

Franklin Income VIP Fund (continued)

11. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Income VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$63,428,000	\$—	\$—	\$63,428,000
Air Freight & Logistics	32,796,869	—	—	32,796,869
Banks	205,423,750	29,665,619	—	235,089,369
Beverages	128,903,000	—	—	128,903,000
Biotechnology	42,406,500	—	—	42,406,500
Capital Markets	38,188,885	—	—	38,188,885
Chemicals	2,157,600	25,657,589	—	27,815,189
Diversified Telecommunication Services	76,206,181	—	—	76,206,181
Electric Utilities	197,661,200	—	—	197,661,200
Energy Equipment & Services	12,740,000	—	—	12,740,000
Health Care Providers & Services	36,300,000	—	—	36,300,000
Household Products	75,560,800	—	—	75,560,800
Industrial Conglomerates	65,805,000	—	—	65,805,000
Insurance	48,185,714	—	—	48,185,714
IT Services	29,270,944	—	—	29,270,944
Machinery	24,381,000	—	—	24,381,000
Media	28,510,000	—	—	28,510,000
Metals & Mining	33,556,000	—	—	33,556,000
Multi-Utilities	81,507,358	—	—	81,507,358
Oil, Gas & Consumable Fuels	229,776,750	—	—	229,776,750
Personal Products	—	17,531,344	—	17,531,344
Pharmaceuticals	183,543,100	—	—	183,543,100
Road & Rail	23,422,545	—	—	23,422,545
Semiconductors & Semiconductor Equipment	47,596,500	—	—	47,596,500
Specialty Retail	10,204,480	—	—	10,204,480
Tobacco	49,546,865	—	—	49,546,865
Equity-Linked Securities	—	470,476,777	—	470,476,777
Convertible Preferred Stocks:				
Capital Markets	6,550,100	—	—	6,550,100
Electric Utilities	63,415,380	—	—	63,415,380
Multi-Utilities	56,523,750	—	—	56,523,750
Semiconductors & Semiconductor Equipment	37,996,750	—	—	37,996,750
Thriffs & Mortgage Finance	—	3,028,125	—	3,028,125
Convertible Bonds	—	4,432,584	—	4,432,584
Corporate Bonds	—	845,810,845	—	845,810,845
Index-Linked Notes	—	39,041,218	—	39,041,218
U.S. Government and Agency Securities	—	97,280,469	—	97,280,469
Asset-Backed Securities	—	10,579,221	—	10,579,221
Mortgage-Backed Securities	—	2,830,267	—	2,830,267
Escrows and Litigation Trusts	—	10,295,625	—	10,295,625
Short Term Investments	87,466,064	1,013,000	—	88,479,064
Total Investments in Securities	\$2,019,031,085	\$1,557,642,683 ^a	\$—	\$3,576,673,768
Liabilities:				
Other Financial Instruments:				
Options written	\$534,000	\$—	\$—	\$534,000

^aIncludes foreign securities valued at \$72,854,552, 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 London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 and 2023. 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.

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
FNMA Federal National Mortgage Association
FRN Floating Rate Note
LIBOR London Inter-Bank Offered 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.

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

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

Bloomberg Barclays 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.

Bloomberg Barclays U.S. Aggregate Bond Index measures 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 Barclays 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 Barclays 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 Barclays EM country definition, are excluded.

Bloomberg Barclays U.S. Government - Intermediate Index is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Barclays 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 Barclays 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.

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.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/21, there were 375 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the six-month period ended 6/30/21, there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

MSCI World Growth Index-NR measures large and midcap securities exhibiting overall growth style characteristics across 23 developed markets countries.

MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

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

Russell 1000® Growth Index is market capitalization weighted and measures 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 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 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® Growth Index is market capitalization weighted and measures performance of those Russell 3000® Index companies with relatively higher price-to-book ratios and higher forecasted growth rates.

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 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 Flex Cap Growth 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 a meeting held on April 20, 2021 (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. (FAI) and the Trust, on behalf of each of Franklin Allocation VIP Fund, Franklin Flex Cap 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 FAI and Franklin Templeton Institutional, LLC (FTIL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iii) the investment sub-advisory agreement between FAI and Templeton Global Advisors Limited (TGAL), an affiliate of FAI, on behalf of Franklin Allocation VIP Fund; (iv) the investment management agreement between FTIL and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (v) 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; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment sub-advisory agreement between TAML and Franklin Templeton Investment Management Ltd. (FTIML), on behalf of Templeton Developing Markets VIP Fund; (viii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (ix) 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. FAI, FTIL, FTIML, FMA, TAML, TICL and TGAL 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 telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases, requested additional information from the Managers relating to the contract. 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 noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity in the current work-from-home environment and liquidity risk management.

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 enhancing services and controlling costs, as reflected in its outsourcing of certain administrative functions, and growth opportunities,

as evidenced by its recent acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of funds.

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, 2021. 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, Franklin Income VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund and Templeton Global Bond VIP Fund - The Performance Universe for the Franklin Allocation VIP Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Performance Universe for the Franklin Income VIP Fund included the Fund and all flexible portfolio funds underlying VIPs. 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 Performance Universe for the Templeton Global Bond VIP Fund included the Fund and all global income 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 one-, three-, five- and 10-year periods was below the median of its respective Performance Universe. The Board considered that the income-oriented investment objective of each Fund is the primary focus for the Fund's portfolio management team and that the evaluation of the Fund's

performance relative to the Fund's peers on an annualized income return basis is consistent with investor expectations and the Fund's investment goals. The Board concluded that each Fund's performance was satisfactory.

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 Flex Cap Growth VIP Fund and Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Franklin Flex Cap Growth VIP Fund included the Fund and all large-cap growth funds underlying VIPs. The Performance Universe for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that each Fund's annualized total return for the ten-year period was below the median of its respective Performance Universe, but for the one-, three- and five-year periods was above the median of its respective Performance Universe. The Board further noted that it had approved at its February 2021 Board meeting various changes to the Franklin Flex Cap Growth VIP Fund expected to be effective May 1, 2021, including, among other things, changing the Fund's name, investment strategy, and primary benchmark. The Board concluded that each Fund's performance was satisfactory.

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-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that, effective September 3, 2019, a change was made to the Fund's portfolio management. Management represented that since this change in the Fund's portfolio management team relative Fund performance has generally been positive, outperforming the Fund's benchmark by approximately 150 basis points. Management explained that the Fund's relative performance lagged that of peers due to the Fund's focus on sustainable cash flow growth at a time when the market returned to a focus on value post the favorable news regarding vaccine results in mid-November. Management further explained that key detractors that contributed to the Fund's one-year underperformance included the Fund's exposure to technology-adjacent subsectors such as logistics and cellular towers, which outperformed prior to

the favorable vaccine news, but underperformed thereafter. Management reviewed with the Board the enhancements to the Fund's investment processes in an effort to improve performance, which included making specific portfolio holding changes. 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 Large Cap Growth VIP Fund and Templeton Developing Markets 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 Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that each Fund's annualized total return for the one-, three-, five- and 10-year periods was above the median of its respective Performance Universe. 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- and five-year periods was below the median of its Performance Universe, but for the three- and 10-year periods was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the 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 further explained that the Fund is one of the few funds in its Performance Universe that hedges exposures to non-US currencies which detracted 81 basis points from the Fund's performance relative to its benchmark index, the MSCI World Value Index - NR, in 2020. Management also explained that key detractors from the Fund's one-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 recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. 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 Mutual Shares VIP Fund - The Performance Universe for the Fund included the Fund and all multi-cap value funds underlying VIPs. The Board 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 this performance with management and management explained that the 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 also explained that the Fund's underweight position in US securities as compared to its peers detracted from the Fund's relative performance. Management further explained that key detractors from the Fund's one-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 recent leadership changes implemented for the Manager, as well as enhancements made to the Fund's investment processes in an effort to improve performance. 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 Rising Dividends VIP Fund - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all large-cap core funds underlying VIPs. The Board noted that the Fund's annualized total 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 further noted that, while below the median, the Fund's one-year annualized total return was 14.22% and only slightly below the Performance Universe median of 14.79%. The Board concluded that the Fund's performance was acceptable.

Franklin Small Cap Value VIP Fund - The Performance Universe for the Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that the Fund's annualized total 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 further noted that, while below the median, the Fund's one-year annualized total return was 11.47%. The Board concluded that the Fund's performance was acceptable.

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 of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Templeton Foreign VIP Fund - The Performance Universe for the Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board 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 this performance with management and management explained that the Fund has a more intense value tilt than the Performance Universe, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value. Management further explained that the Fund's shorter-term relative returns were also negatively impacted by the Fund's larger allocation to the energy sector versus peers, which underperformed the broader market. Management also explained that the Fund's one-year relative underperformance was primarily attributable to the Fund's health care holdings. 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 to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. 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.

Templeton Growth VIP Fund - The Performance Universe for this 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 three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above the median of its Performance Universe. The Board discussed this performance with management and management explained that the Fund's higher exposure to value stocks, which have experienced a period of historic underperformance, and underweight position in US stocks, which have led market returns in recent years, contributed to the Fund's relative longer-term underperformance versus its Performance Universe. Management also explained that weightings in particular sectors (such as consumer discretionary, energy, financials, information technology and health care) and

overall stock selection contributed to the Fund's relative underperformance. Management then discussed with the Board the actions that are being taken/have been taken in an effort to address the sources of the Fund's underperformance, including enhancements to the Fund's portfolio management team and a focus on constructing a more diversified and high-conviction portfolio. The Board noted that the Fund's one-year annualized total return was 6.84% and in the second quintile of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

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 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 and Templeton Global Bond 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 12 other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and 10 other flexible portfolio funds underlying VIPs. The

Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and 10 other small-cap value funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and 11 other global income 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 and Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board noted that the Franklin Allocation VIP Fund's sub-advisers, FTIL and TGAL, are paid by FAI out of the management fee FAI receives from the Fund.

Franklin Small-Mid Cap Growth VIP Fund and Franklin U.S. Government Securities VIP Fund - 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 Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund, two other intermediate US government funds underlying VIPs and 10 inflation-protected bond funds underlying VIPs. The Board noted that the Management Rate for each Fund was below the median of its respective Expense Group, and the actual total expense ratio for each Fund was equal to the median of its respective Expense Group. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Rising Dividends VIP Fund - The Expense Group for the Fund included the Fund and 12 other large-cap core funds underlying VIPs. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group, and the actual total expense ratio for the Fund was below the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Large Cap Growth VIP Fund and Franklin VolSmart Allocation VIP Fund - The Expense Group for the Franklin Large Cap Growth VIP Fund included the Fund and 10 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 one mixed-asset target allocation growth fund underlying VIPs. The Board noted that the Management Rate for each Fund was equal to the median of its respective Expense Group, and the actual total expense ratio for each Fund was above the median of its respective Expense Group. The

Board also noted that the Franklin VolSmart Allocation VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Flex Cap Growth VIP Fund and Templeton Foreign VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and 12 other large-cap growth funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, seven other international multi-cap value funds underlying VIPs and five international large-cap value funds underlying VIPs. The Board noted that the Management Rate for each Fund was above the median of its respective Expense Group, but its actual total expense ratio was below the median of its respective Expense Group. The Board further noted that the Management Rate for the Templeton Foreign VIP Fund was approximately six basis points above the median of its Expense Group and that the Franklin Flex Cap Growth VIP Fund's actual total expense ratio reflected a fee waiver from management. The Board also noted that, in connection with the changes discussed above that are expected to be made to the Franklin Flex Cap Growth VIP Fund, the Fund would experience a reduction in its Management Rate. The Board concluded that the Management Rate charged to each Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Franklin Strategic Income VIP Fund, Templeton Developing Markets VIP Fund and Templeton Growth VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and eight 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, three global multi-cap core funds underlying VIPs, and four 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 Franklin Strategic Income VIP Fund included the Fund and 11 other multi-sector income funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and 14 other emerging markets funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap fund underlying VIPs, three global multi-cap core funds underlying VIPs, and four global multi-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for each Fund was above the median of its respective Expense Group. With

respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the Fund was the second smallest fund in its Expense Group and had experienced declining assets under management resulting in higher other expenses. The Board then noted that the Fund's actual total expense ratio reflected a fee waiver from management and that management agreed to decrease the current expense cap on the Fund's total annual operating expenses from 1.00% to 0.90%, effective May 1, 2021. 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 Mutual Shares VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were each less than 3 basis points above the respective median of the Fund's Expenses Group. With respect to the Franklin Strategic Income VIP Fund, the Board noted that the Fund's Management Rate and actual total expense ratio were less than 2 basis points and 5 basis points, respectively, above the applicable median of the Fund's Expenses Group. With respect to the Templeton Developing Markets VIP Fund, the Board noted that the Fund's Management Rate was three basis points and the Fund's actual total expense ratio was less than three basis points above the respective median of the Fund's Expenses Group. With respect to the Templeton Growth VIP Fund, the Board noted management's explanation that the Fund's total expense ratio is above median due to the depth of the Fund's fundamental research process which includes extensive fundamental research to model a company's potential future earnings, cash flow, and asset value relative to its stock price. The Board concluded that the Management Rate charged to each Fund is reasonable. In doing so, the Board 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.

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, 2020, 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 further noted management's representation that the profitability analysis excluded the impact of the recent acquisition of the Legg Mason companies and that management expects to incorporate the legacy Legg Mason companies into the profitability analysis beginning next year. 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 Flex Cap Growth 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 Allocation VIP Fund, Franklin Income 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 Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign 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-Funds no HLIM

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 FT products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, 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 2021, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2020. 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. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Franklin Templeton Variable Insurance Products Trust (FTVIP) shares are not offered to the public; they are offered and sold only to: (1) insurance company separate accounts (Separate Account) to serve as the underlying investment vehicle for variable contracts; (2) certain qualified plans; and (3) other mutual funds (funds of funds).

Authorized for distribution to investors in Separate Accounts only when accompanied or preceded by the current prospectus for the applicable contract, which includes the Separate Account and the FTVIP prospectuses. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**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