



**FRANKLIN
TEMPLETON**

Annual Report

December 31, 2018

Franklin Templeton Variable Insurance Products Trust



Internet Delivery of Shareholder Reports: Effective January 1, 2021, as permitted by regulations adopted by the SEC, you may not be receiving paper copies of the Fund's annual or semiannual shareholder reports by mail, unless you specifically request them from the insurance company that offers your variable annuity or variable life insurance contract or your financial intermediary. Instead of delivering paper copies of the report, the insurance company may choose to make the reports available on a website, and will notify you by mail each time a shareholder report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company or your financial intermediary electronically by following the instructions provided by the insurance company or by contacting your financial intermediary.

You may elect to receive all future Fund shareholder reports in paper free of charge from the insurance company. You can inform the insurance company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions provided by the insurance company or by contacting your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract with the insurance company.

This notice is not legally a part of the shareholder report.

Franklin Templeton Variable Insurance Products Trust Annual Report

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*Not part of the annual 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.

**SUPPLEMENT DATED JULY 10, 2018
TO THE PROSPECTUS DATED MAY 1, 2018
OF
FRANKLIN FLEX CAP GROWTH VIP FUND
FRANKLIN FOUNDING FUNDS ALLOCATION 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 series of Franklin Templeton Variable Insurance Products Trust)**

I. The following replaces the third paragraph in the prospectus under “Additional Information, All Funds – Fund Account Information – Fund Account Policies – Calculating Share Price:”

The Fund calculates the NAV per share each business day as of 1 p.m. Pacific time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year’s Day, Martin Luther King Jr. Day, President’s Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close, the Fund’s share price would be determined as of the time of the close of the NYSE. If, due to weather or other special or unexpected circumstances, the NYSE has an unscheduled early close on a day that it has opened for business, the Fund reserves the right to consider that day as a regular business day and accept purchase and redemption orders and calculate its share price as of the normally scheduled close of regular trading on the NYSE.

Please keep this supplement with your prospectus for future reference.

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Templeton Global Bond VIP Fund

We are pleased to bring you Templeton Global Bond VIP Fund’s annual report for the fiscal year ended December 31, 2018.

Class 2 Performance Summary as of December 31, 2018

Average annual total return of Class 2 shares* represents the average annual change in value, assuming reinvestment of dividends and capital gains. Average returns smooth out variations in returns, which can be significant; they are not the same as year-by-year results.

Periods ended 12/31/18	1-Year	5-Year	10-Year
Average Annual Total Return	+1.94%	+0.83%	+5.08%

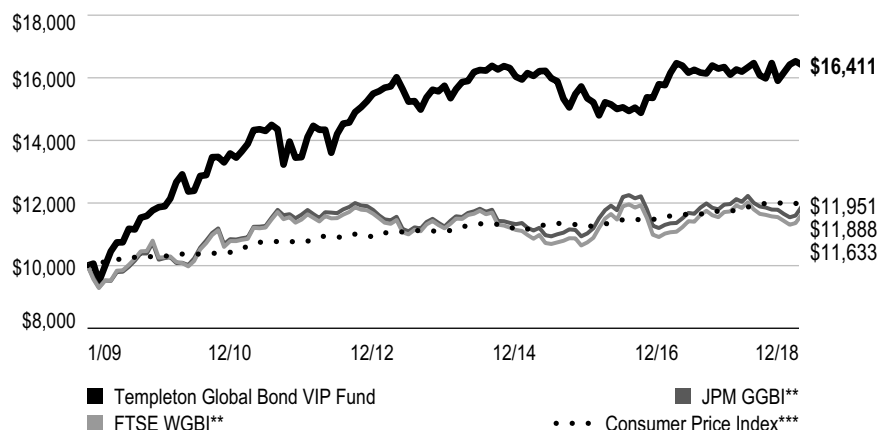
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/19. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*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.

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/09–12/31/18)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund’s performance* is compared to the performance of the J.P. Morgan (JPM) Global Government Bond Index (GGBI), the FTSE World Government Bond Index (WGBI) and the Consumer Price Index. One cannot invest directly in an index, and an index is not representative of the Fund’s portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

***Source: Bureau of Labor Statistics, bls.gov/cpi. Please see Index Descriptions following the Fund Summaries.

Fund Goal and Main Investments

The Fund seeks high current income, consistent with preservation of capital, with capital appreciation as a secondary consideration. Under normal market conditions, the Fund invests at least 80% of its net assets in bonds, which include debt securities of any maturity, such as bonds, notes, bills and debentures.

Fund Risks

All investments involve risks, including possible loss of principal. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities market. 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

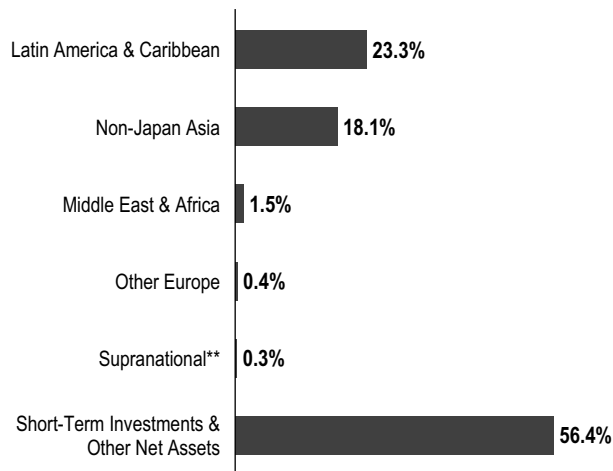
You can find the Fund's one-year total return in the Performance Summary. For comparison, the JPM GGBI had a -0.66% total return and the FTSE WGBI, the new name for the Citigroup WGBI, had a -0.84% total return for the same period.¹

Economic and Market Overview

The year began with sharply rising yields in the U.S. and Europe as reflation sentiments returned to markets. Deregulation efforts and tax cuts in the U.S. were expected to add stimulus to an already strong U.S. economy. The 10-year

Geographic Composition*

Based on Total Net Assets as of 12/31/18



*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

**The Fund's supranational investment was denominated in the Mexican peso.

U.S. Treasury (UST) yield rose 0.45% during the first two months of 2018, finishing February at 2.86%. In Europe, the 10-year German Bund yield rose 0.27% during the first month of the year, reaching its peak yield for the period at 0.77% on February 2, its highest level since 2015. Markets appeared to initially anticipate upcoming rate adjustments from the European Central Bank (ECB), but those expectations would largely disappear by the summer.

In February, Jerome Powell took over as U.S. Federal Reserve (Fed) Chair, replacing Janet Yellen. Powell indicated his intentions to continue the glide path of rate hikes and balance sheet unwinding. However, by March, the rising yield trends in the U.S. and Europe stalled and moderately reversed. U.S. protectionist policies in the form of steel and aluminum tariffs, as well as sector-specific tariffs on China, appeared to amplify risk aversion across global financial markets. Credit spreads widened across investment-grade and high-yield credit tiers in the U.S. and Europe during the month, ultimately widening even further over the rest of the year. In April, reflation sentiments briefly resurfaced, driving the 10-year UST yield above 3.00% for the first time in more than four years. However, risk aversion returned to global bond markets in the second half of May, as political turmoil in Italy raised concerns over Italian debt sustainability and the viability of the euro.

1. Source: Morningstar. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Please see Index Descriptions following the Fund Summaries.

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

Yields in Italy, Spain and much of peripheral Europe rose sharply, while yields in Germany, France and the U.S. declined on flights to quality. Several Latin American countries concurrently saw rising yields and sharp depreciations of their exchange rates on regional volatility.

In mid-June, ECB President Mario Draghi announced the net asset purchase program would be reduced to 15 billion euros per month for October, November and December, and would conclude at the end of 2018. Draghi also indicated rates would likely remain unchanged until at least the summer of 2019, quelling any remaining expectations for a 2018 rate hike. In the U.S., yields briefly rose in July as economic activity continued to strengthen. Annualized second-quarter U.S. gross domestic product came in at 4.2%, its highest level since 2014.

However, a wave of broad-based risk aversion across emerging markets arrived in late August, driving exchange rates lower against the U.S. dollar. Several perceived safe-haven assets rallied, including USTs. We viewed much of the late summer selloffs as fear-driven overreactions that often exceeded the fundamental risks in individual countries. As an asset category, emerging markets showed the highest level of undervaluation across the global fixed income markets, in our assessment, and we expected select countries with healthier or improving underlying fundamentals to rebound from the heightened volatility.

By mid-September, risk aversion across emerging markets began to diminish, as several security valuations incrementally stabilized and improved. UST yields rose sharply during the month, on expectations the Fed would hike rates at its September 26 meeting. Those trends continued through October, with the 10-year UST reaching its highest yield of the year on November 8, at 3.24%. However, market volatility escalated in December as global growth uncertainties and trade policy concerns led to rallies in perceived safe-haven assets. The 10-year UST yield dropped sharply to finish the year at 2.69%, despite the Fed's fourth rate hike of the year on December 19.

On the whole, duration exposures in the U.S. and in several parts of the world faced headwinds from rising rates during much of the period, before those trends sharply reversed in December. Select local-currency bond markets fared better than others, as valuations strengthened in places like Brazil but weakened in places like Indonesia. On the currency front, the U.S. dollar started the period weaker before significantly strengthening against global currencies over the remainder of the year. On the whole, avoiding UST duration proved important to performance during much of the period, as did

long exposure to the U.S. dollar and select positioning in emerging markets.

Currency Composition*

12/31/18

	% of Total Net Assets
Americas	160.7%
United States Dollar	120.7%
Mexican Peso	20.5%
Brazilian Real	11.4%
Argentine Peso	4.4%
Colombian Peso	3.7%
Canadian Dollar	0.0%**
Middle East & Africa	1.5%
Ghanaian Cedi	1.5%
Asia Pacific	-21.9%
Indian Rupee	10.6%
Indonesian Rupiah	9.2%
Philippine Peso	1.7%
South Korean Won	0.0%**
New Zealand Dollar	0.0%**
Australian Dollar	-7.7%
Japanese Yen	-35.7%
Europe	-40.3%
Euro	-40.3%

*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

**Rounds to less than 0.1%.

Investment Strategy

We invest selectively in bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure to various currencies and regularly utilize currency and cross currency forward contracts and may also use currency and currency index futures contracts and other derivative instruments.

Manager's Discussion

During the reporting period, the strategy was positioned for rising rates in the U.S. by maintaining low portfolio duration

What is a currency forward contract?

A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date. Currency forward contracts are privately traded in the interbank market, not on a centralized exchange.

What is a futures contract?

A futures contract is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an underlying instrument or asset at a specific price on a future date.

and using interest-rate swaps to gain negative duration exposure to USTs. The strategy also continued to seek duration exposures in select emerging markets that offered positive real yields without taking undue interest-rate risk, favoring countries that have solid underlying fundamentals and prudent fiscal and monetary policies. Several emerging markets continued to offer significantly higher yields than those available in the developed markets. The strategy also held long currency exposures in a number of emerging markets and net-negative exposures to the Japanese yen, euro and Australian dollar, as directional views on the currencies and as hedges against a broadly strengthening U.S. dollar. During the period, we used currency forward contracts to actively manage currencies. We also used interest-rate swaps to tactically manage duration exposures.

What is duration?

Duration is a measure of a bond's price sensitivity to interest-rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest-rate changes than a portfolio with a higher duration.

What is an interest-rate swap?

An interest-rate swap is an agreement between two parties to exchange interest-rate payment obligations, generally one based on an interest rate fixed to maturity and the other based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper or other benchmarks).

During the period, the strategy's positive absolute performance was primarily attributable to currency positions, followed by interest-rate strategies. Sovereign credit exposures had a largely neutral effect on absolute results. Among currencies, the Fund's net-negative positions in the euro and the Australian dollar, achieved through the use of currency forward contracts,

contributed to absolute performance, while its net-negative position in the Japanese yen, also through currency forward contracts, moderately detracted. Currency positions in Latin America and Asia ex-Japan detracted from absolute results (the Brazilian real, Argentine peso and Indian rupee detracted, while the Mexican peso contributed). The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Negative duration exposure to U.S. Treasuries contributed to absolute performance, as did duration exposure in Brazil. However, duration exposure in Argentina detracted from absolute return.

The strategy's relative outperformance during the period was primarily attributable to currency positions. Interest-rate strategies detracted from relative results, while sovereign credit exposures had a largely neutral effect. Among currencies, the Fund's underweighted positions in the euro, the Australian dollar and the British pound contributed to relative performance, while its underweighted position in the Japanese yen detracted. Overweighted currency positions in Latin America and Asia ex-Japan detracted from relative results (the Brazilian real, Argentine peso and Indian rupee detracted, while the Mexican peso contributed). Select underweighted duration exposures in Europe detracted from relative performance, as did overweighted duration exposure in Argentina. However, overweighted duration exposure in Brazil contributed.

Thank you for your participation in Templeton Global Bond VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2018, 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 7/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/18	Fund-Level Expenses Paid During Period 7/1/18–12/31/18 ^{1,2}	Ending Account Value 12/31/18	Fund-Level Expenses Paid During Period 7/1/18–12/31/18 ^{1,2}	
Class 2	\$1,000	\$1,026.80	\$3.58	\$1,021.68	\$3.57	0.70%

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

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

**SUPPLEMENT DATED DECEMBER 3, 2018
TO THE PROSPECTUSES
DATED MAY 1, 2018
OF
TEMPLETON GLOBAL BOND VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)**

The prospectus is amended as follows:

I. Effective December 31, 2018, the portfolio management team under the “FUND SUMMARIES – Templeton Global Bond VIP Fund – Portfolio Managers” section on page TGB-S6 is replaced with the following:

Portfolio Managers

Michael Hasenstab, Ph.D. Executive Vice President of Advisers and portfolio manager of the Fund since 2001.

Calvin Ho, Ph.D. Portfolio Manager of Advisers and portfolio manager of the Fund since December 2018.

II. Effective December 31, 2018, the portfolio management team under the “Fund Details – Templeton Global Bond VIP Fund – Management” section on page TGB-D10 is replaced with the following:

The Fund is managed by the following dedicated professionals focused on investments of bonds issued by government and government agencies around the world:

Michael Hasenstab, Ph.D. Executive Vice President of Advisers

Dr. Hasenstab has been a lead portfolio manager of the Fund since 2001. He has primary responsibility for the investments of the Fund. Dr. Hasenstab has final authority over all aspects of the Fund’s investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. Dr. Hasenstab first joined Franklin Templeton Investments in 1995, rejoining again in 2001 after a three-year leave to obtain his Ph.D.

Calvin Ho, Ph.D. Portfolio Manager of Advisers

Dr. Ho has been has been a portfolio manager of the Fund since December 2018, providing research and advice on the purchases and sales of individual securities and portfolio risk assessment. He joined Franklin Templeton Investments in 2005.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Templeton Global Bond VIP Fund

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.17	\$16.85	\$16.34	\$18.56	\$19.15
Income from investment operations ^a :					
Net investment income ^b	0.88	0.83	0.62	0.52	0.58
Net realized and unrealized gains (losses)	(0.51)	(0.46)	(0.10)	(1.22)	(0.16)
Total from investment operations	0.37	0.37	0.52	(0.70)	0.42
Less distributions from:					
Net investment income and net foreign currency gains	—	—	—	(1.43)	(1.01)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—
Total distributions	—	(0.05)	(0.01)	(1.52)	(1.01)
Redemption fees	—	—	—	—	— ^c
Net asset value, end of year	\$17.54	\$17.17	\$16.85	\$16.34	\$18.56
Total return ^d	2.15%	2.15%	3.21%	(4.10)%	2.12%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.56%	0.53%	0.53%	0.52%	0.51%
Expenses net of waiver and payments by affiliates	0.47%	0.46%	0.48%	0.52% ^e	0.51%
Expenses net of waiver and payments by affiliates and expense reduction	0.45%	0.46% ^f	0.48% ^f	0.52% ^{e,f}	0.51% ^f
Net investment income	5.09%	4.81%	3.88%	2.99%	3.08%
Supplemental data					
Net assets, end of year (000's)	\$285,046	\$286,502	\$241,792	\$292,802	\$323,491
Portfolio turnover rate	18.22%	37.97%	59.00%	51.58%	39.14%

^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.

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

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

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Templeton Global Bond VIP Fund (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.51	\$16.25	\$15.80	\$17.99	\$18.60
Income from investment operations ^a :					
Net investment income ^b	0.81	0.76	0.56	0.46	0.52
Net realized and unrealized gains (losses)	(0.49)	(0.45)	(0.10)	(1.17)	(0.17)
Total from investment operations	0.32	0.31	0.46	(0.71)	0.35
Less distributions from:					
Net investment income and net foreign currency gains	—	—	—	(1.39)	(0.96)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—
Total distributions	—	(0.05)	(0.01)	(1.48)	(0.96)
Redemption fees	—	—	—	—	— ^c
Net asset value, end of year	\$16.83	\$16.51	\$16.25	\$15.80	\$17.99
Total return ^d	1.94%	1.93%	2.94%	(4.30)%	1.83%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.81%	0.78%	0.78%	0.77%	0.76%
Expenses net of waiver and payments by affiliates	0.72%	0.71%	0.73%	0.77% ^e	0.76%
Expenses net of waiver and payments by affiliates and expense reduction	0.70%	0.71% ^f	0.73% ^f	0.77% ^{e,f}	0.76% ^f
Net investment income	4.84%	4.56%	3.63%	2.74%	2.83%
Supplemental data					
Net assets, end of year (000's)	\$2,544,900	\$2,730,081	\$2,812,535	\$2,971,667	\$3,177,638
Portfolio turnover rate	18.22%	37.97%	59.00%	51.58%	39.14%

^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.

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

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

Templeton Global Bond VIP Fund (continued)

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.88	\$16.62	\$16.18	\$18.38	\$18.97
Income from investment operations ^a :					
Net investment income ^b	0.81	0.76	0.56	0.46	0.51
Net realized and unrealized gains (losses)	(0.50)	(0.45)	(0.11)	(1.21)	(0.18)
Total from investment operations	0.31	0.31	0.45	(0.75)	0.33
Less distributions from:					
Net investment income and net foreign currency gains	—	—	—	(1.36)	(0.92)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—
Total distributions	—	(0.05)	(0.01)	(1.45)	(0.92)
Redemption fees	—	—	—	—	— ^c
Net asset value, end of year	\$17.19	\$16.88	\$16.62	\$16.18	\$18.38
Total return ^d	1.84%	1.76%	2.87%	(4.39)%	1.69%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.91%	0.88%	0.88%	0.87%	0.86%
Expenses net of waiver and payments by affiliates	0.82%	0.81%	0.83%	0.87% ^e	0.86%
Expenses net of waiver and payments by affiliates and expense reduction	0.80%	0.81% ^f	0.83% ^f	0.87% ^{e,f}	0.86% ^f
Net investment income	4.74%	4.46%	3.53%	2.64%	2.73%
Supplemental data					
Net assets, end of year (000's)	\$94,312	\$98,934	\$96,798	\$103,045	\$111,199
Portfolio turnover rate	18.22%	37.97%	59.00%	51.58%	39.14%

^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.

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

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

Statement of Investments, December 31, 2018

Templeton Global Bond VIP Fund

	Principal Amount*		Value
Foreign Government and Agency Securities 43.6%			
Argentina 2.9%			
Argentina Treasury Bill, Strip, 4/30/20	202,415,000	ARS \$	5,913,520
Argentine Bonos del Tesoro,			
18.20%, 10/03/21	820,823,000	ARS	16,851,908
16.00%, 10/17/23	844,288,000	ARS	18,964,292
senior note, 15.50%, 10/17/26	1,668,306,000	ARS	33,331,472
Government of Argentina,			
^a FRN, 65.509%, (ARPP7DRR), 6/21/20	10,990,000	ARS	316,360
^a FRN, 51.542%, (ARS Badlar + 2.00%), 4/03/22	24,036,000	ARS	614,417
^b Index Linked, 3.75%, 2/08/19	44,145,000	ARS	1,664,144
^b Index Linked, 4.00%, 3/06/20	4,138,000	ARS	133,128
senior note, 4.50%, 2/13/20	9,351,000		8,496,552
			<u>86,285,793</u>
Brazil 9.6%			
Letra Tesouro Nacional,			
Strip, 1/01/19	33,250 ^c	BRL	8,564,706
Strip, 7/01/19	102,840 ^c	BRL	25,705,464
Strip, 7/01/20	118,041 ^c	BRL	27,517,727
Strip, 7/01/21	24,360 ^c	BRL	5,209,520
Nota Do Tesouro Nacional,			
10.00%, 1/01/21	38,520 ^c	BRL	10,382,776
10.00%, 1/01/23	522,145 ^c	BRL	141,049,173
10.00%, 1/01/25	69,029 ^c	BRL	18,594,130
10.00%, 1/01/27	153,303 ^c	BRL	41,275,938
senior note, 10.00%, 1/01/19	10,290 ^c	BRL	2,651,546
			<u>280,950,980</u>
Colombia 3.7%			
Government of Colombia,			
senior bond, 7.75%, 4/14/21	2,386,000,000	COP	765,853
senior bond, 4.375%, 3/21/23	362,000,000	COP	105,954
senior bond, 9.85%, 6/28/27	576,000,000	COP	218,016
Titulos de Tesoreria,			
B, 7.75%, 9/18/30	140,945,200,000	COP	46,275,213
B, 7.00%, 6/30/32	5,967,000,000	COP	1,813,922
senior bond, B, 11.00%, 7/24/20	9,167,000,000	COP	3,066,111
senior bond, B, 7.00%, 5/04/22	10,237,000,000	COP	3,292,985
senior bond, B, 10.00%, 7/24/24	40,977,000,000	COP	14,859,227
senior bond, B, 7.50%, 8/26/26	77,594,200,000	COP	25,234,782
senior bond, B, 6.00%, 4/28/28	42,303,600,000	COP	12,377,949
senior note, B, 7.00%, 9/11/19	4,056,000,000	COP	1,267,970
			<u>109,277,982</u>
Ghana 1.5%			
Government of Ghana,			
24.75%, 3/01/21	690,000	GHS	153,055
16.25%, 5/17/21	7,250,000	GHS	1,387,626
24.50%, 6/21/21	80,000	GHS	17,827
24.75%, 7/19/21	1,190,000	GHS	266,329
18.75%, 1/24/22	26,840,000	GHS	5,349,184
17.60%, 11/28/22	370,000	GHS	70,291
19.75%, 3/25/24	26,840,000	GHS	5,284,055
19.00%, 11/02/26	80,510,000	GHS	15,231,633

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Ghana (continued)			
Government of Ghana, (continued)			
senior bond, 19.75%, 3/15/32	80,510,000	GHS \$	15,885,293
senior note, 21.50%, 3/09/20	1,270,000	GHS	263,990
senior note, 18.50%, 6/01/20	500,000	GHS	100,798
senior note, 18.25%, 9/21/20	480,000	GHS	96,141
senior note, 16.50%, 3/22/21	1,730,000	GHS	333,945
			44,440,167
India 8.2%			
Government of India,			
senior bond, 8.20%, 2/15/22	500,000,000	INR	7,398,304
senior bond, 8.35%, 5/14/22	212,700,000	INR	3,166,500
senior bond, 8.08%, 8/02/22	1,783,000,000	INR	26,351,853
senior bond, 8.13%, 9/21/22	28,000,000	INR	414,832
senior bond, 9.15%, 11/14/24	2,409,000,000	INR	37,636,080
senior note, 8.27%, 6/09/20	1,222,000,000	INR	17,875,944
senior note, 7.80%, 4/11/21	1,980,300,000	INR	28,894,675
senior note, 8.79%, 11/08/21	653,000,000	INR	9,791,621
senior note, 8.15%, 6/11/22	1,621,000,000	INR	24,015,591
senior note, 6.84%, 12/19/22	98,000,000	INR	1,393,581
senior note, 7.16%, 5/20/23	133,700,000	INR	1,915,041
senior note, 8.83%, 11/25/23	2,983,900,000	INR	45,571,706
senior note, 7.68%, 12/15/23	1,376,000,000	INR	20,144,149
senior note, 6.79%, 5/15/27	1,142,800,000	INR	15,799,124
			240,369,001
Indonesia 4.2%			
Government of Indonesia,			
senior bond, FR34, 12.80%, 6/15/21	324,406,000,000	IDR	25,257,635
senior bond, FR35, 12.90%, 6/15/22	71,229,000,000	IDR	5,704,260
senior bond, FR39, 11.75%, 8/15/23	5,491,000,000	IDR	437,543
senior bond, FR40, 11.00%, 9/15/25	46,856,000,000	IDR	3,749,459
senior bond, FR43, 10.25%, 7/15/22	147,832,000,000	IDR	11,047,825
senior bond, FR44, 10.00%, 9/15/24	4,454,000,000	IDR	337,550
senior bond, FR46, 9.50%, 7/15/23	226,780,000,000	IDR	16,704,139
senior bond, FR47, 10.00%, 2/15/28	12,000,000	IDR	936
senior bond, FR52, 10.50%, 8/15/30	6,960,000,000	IDR	565,367
senior bond, FR59, 7.00%, 5/15/27	47,752,000,000	IDR	3,102,720
senior bond, FR61, 7.00%, 5/15/22	244,849,000,000	IDR	16,660,114
senior bond, FR63, 5.625%, 5/15/23	258,951,000,000	IDR	16,657,152
senior bond, FR64, 6.125%, 5/15/28	37,000,000	IDR	2,270
senior bond, FR68, 8.375%, 3/15/34	81,180,000,000	IDR	5,682,884
senior bond, FR70, 8.375%, 3/15/24	78,915,000,000	IDR	5,577,278
senior bond, FR71, 9.00%, 3/15/29	51,222,000,000	IDR	3,760,612
senior bond, FR73, 8.75%, 5/15/31	85,845,000,000	IDR	6,231,523
			121,479,267
Mexico 7.1%			
Government of Mexico,			
senior bond, M, 8.00%, 6/11/20	3,814,000 ^d	MXN	19,282,628
senior bond, M, 6.50%, 6/10/21	18,568,200 ^d	MXN	90,348,767
senior note, M, 5.00%, 12/11/19	18,742,300 ^d	MXN	92,347,305

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Mexico (continued)			
°Mexican Udibonos,			
Index Linked, 4.00%, 6/13/19	482,128 ^f	MXN	\$ 2,428,379
Index Linked, 2.50%, 12/10/20	379,700 ^f	MXN	1,866,608
			<u>206,273,687</u>
Philippines 1.2%			
Government of the Philippines,			
senior note, 3.375%, 8/20/20	1,102,110,000	PHP	20,104,690
senior note, 7-56, 3.875%, 11/22/19	813,510,000	PHP	15,200,241
			<u>35,304,931</u>
South Korea 4.5%			
Korea Monetary Stabilization Bond,			
senior note, 2.06%, 12/02/19	91,389,000,000	KRW	82,224,666
senior note, 2.05%, 10/05/20	31,280,000,000	KRW	28,177,362
Korea Treasury Bond,			
senior note, 1.25%, 12/10/19	18,280,000,000	KRW	16,337,547
senior note, 3.00%, 3/10/23	3,919,000,000	KRW	3,671,472
			<u>130,411,047</u>
§ Supranational 0.3%			
Inter-American Development Bank, senior bond, 7.50%, 12/05/24	200,000,000	MXN	<u>9,526,424</u>
Ukraine 0.4%			
^{h,i,j} Government of Ukraine, 144A, VRI, GDP Linked Security, 5/31/40	18,866,000		<u>10,868,797</u>
Total Foreign Government and Agency Securities (Cost \$1,432,793,536)			<u>1,275,188,076</u>
 Short Term Investments 54.3%			
Foreign Government and Agency Securities 19.5%			
Argentina 1.7%			
^k Argentina Treasury Bill, 3/29/19 - 10/31/19	1,683,879,000	ARS	<u>50,037,660</u>
Mexico 13.2%			
^k Mexico Treasury Bill,			
1/31/19 - 11/07/19	89,813,130 ^l	MXN	44,347,625
5/23/19	328,255,360 ^l	MXN	161,691,303
7/04/19	366,093,817 ^l	MXN	178,312,030
			<u>384,350,958</u>
Philippines 0.4%			
Government of the Philippines, senior note, 7.875%, 2/19/19			
	129,560,000	PHP	2,477,446
^k Philippine Treasury Bill, 3/06/19 - 3/20/19	547,070,000	PHP	10,332,823
			<u>12,810,269</u>

Templeton Global Bond VIP Fund (continued)

	Principal Amount*		Value
Short Term Investments (continued)			
Foreign Government and Agency Securities (continued)			
South Korea 4.2%			
Korea Monetary Stabilization Bond,			
^k 3/12/19	30,260,000,000	KRW	\$ 27,080,243
senior note, 1.85%, 10/02/19	59,950,000,000	KRW	53,962,751
senior note, 1.87%, 11/09/19	45,390,000,000	KRW	40,767,328
			<u>121,810,322</u>
Total Foreign Government and Agency Securities (Cost \$578,364,389)			<u>569,009,209</u>
U.S. Government and Agency Securities 12.1%			
United States 12.1%			
^k U.S. Treasury Bill,			
1/24/19	303,000,000		302,571,816
1/31/19 - 2/28/19	43,723,000		43,590,208
U.S. Treasury Note, 2.75%, 2/15/19	8,339,000		8,342,632
			<u>354,504,656</u>
Total U.S. Government and Agency Securities (Cost \$354,491,732)			<u>354,504,656</u>
Total Investments before Money Market Funds (Cost \$2,365,649,657)			<u>2,198,701,941</u>
		Shares	
Money Market Funds (Cost \$663,563,266) 22.7%			
United States 22.7%			
^{m,n} Institutional Fiduciary Trust Money Market Portfolio, 1.99%	663,563,266		663,563,266
Total Investments (Cost \$3,029,212,923) 97.9%			<u>2,862,265,207</u>
Other Assets, less Liabilities 2.1%			61,992,615
Net Assets 100.0%			<u>\$2,924,257,822</u>

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

^aThe coupon rate shown represents the rate at period end.

^bRedemption price at maturity and coupon payment are adjusted for inflation. See Note 1(f).

^cPrincipal amount is stated in 1,000 Brazilian Real Units.

^dPrincipal amount is stated in 100 Mexican Peso Units.

^ePrincipal amount of security is adjusted for inflation. See Note 1(f).

^fPrincipal amount is stated in 100 Unidad de Inversion Units.

^gA supranational organization is an entity formed by two or more central governments through international treaties.

^hNon-income producing.

ⁱSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2018, the value of this security was \$10,868,797, representing 0.4% of net assets.

^jThe principal represents the notional amount. See Note 1(c) regarding value recovery instruments.

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

^lPrincipal amount is stated in 10 Mexican Peso Units.

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

ⁿThe rate shown is the annualized seven-day effective yield at period end.

Templeton Global Bond VIP Fund (continued)

At December 31, 2018, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Euro	GSCO	Sell	17,044,025	19,825,780	1/04/19	\$ 289,811	\$ —
Japanese Yen	DBAB	Sell	114,245,484	1,015,344	1/04/19	—	(27,384)
Japanese Yen	JPHQ	Sell	424,150,000	3,756,465	1/04/19	—	(114,786)
Euro	DBAB	Sell	8,136,104	9,470,058	1/07/19	141,924	—
Euro	GSCO	Sell	2,045,000	2,336,331	1/07/19	—	(8,285)
Japanese Yen	SCNY	Sell	415,980,000	3,670,633	1/07/19	—	(126,984)
Euro	UBSW	Sell	8,311,299	9,662,301	1/09/19	131,612	—
Japanese Yen	HSBK	Sell	400,800,000	3,550,044	1/09/19	—	(109,590)
Japanese Yen	JPHQ	Sell	2,831,950,000	25,017,889	1/09/19	—	(840,146)
South Korean Won	HSBK	Sell	42,561,000,000	38,450,628	1/10/19	224,188	—
Australian Dollar	JPHQ	Sell	5,243,250	3,703,664	1/11/19	8,646	—
Euro	HSBK	Sell	33,800,018	39,106,621	1/11/19	340,764	—
Euro	JPHQ	Sell	14,342,996	16,538,551	1/11/19	88,307	—
Indian Rupee	JPHQ	Buy	82,107,000	1,101,812	1/11/19	77,339	—
Japanese Yen	BZWS	Sell	1,689,110,000	15,356,662	1/11/19	—	(68,833)
Japanese Yen	DBAB	Sell	770,370,000	6,868,491	1/11/19	—	(166,775)
Japanese Yen	GSCO	Sell	329,010,000	2,990,185	1/11/19	—	(14,441)
Japanese Yen	HSBK	Sell	2,816,800,000	25,074,218	1/11/19	—	(649,705)
Japanese Yen	JPHQ	Sell	2,831,950,000	25,730,614	1/11/19	—	(131,663)
Australian Dollar	JPHQ	Sell	10,486,500	7,448,666	1/14/19	58,147	—
Indian Rupee	JPHQ	Buy	179,045,721	2,395,100	1/14/19	175,574	—
Australian Dollar	CITI	Sell	19,311,633	13,736,461	1/15/19	126,000	—
Australian Dollar	JPHQ	Sell	50,143,500	35,716,463	1/15/19	376,306	—
Euro	BOFA	Sell	17,769,000	20,724,873	1/15/19	338,048	—
Euro	CITI	Sell	37,063,039	43,238,112	1/15/19	714,745	—
Euro	DBAB	Sell	25,440,500	29,684,230	1/15/19	495,698	—
Euro	GSCO	Sell	1,789,884	2,085,841	1/15/19	32,262	—
Indian Rupee	JPHQ	Buy	179,029,279	2,378,494	1/15/19	191,734	—
Japanese Yen	CITI	Sell	138,680,000	1,238,336	1/15/19	—	(28,550)
Japanese Yen	HSBK	Sell	1,798,900,000	15,987,948	1/15/19	—	(445,577)
Japanese Yen	JPHQ	Sell	1,666,680,000	14,885,856	1/15/19	—	(339,798)
Euro	BOFA	Sell	5,251,819	6,113,800	1/16/19	87,720	—
Euro	HSBK	Sell	8,692,000	10,117,749	1/16/19	144,311	—
Indian Rupee	HSBK	Buy	402,232,000	5,327,576	1/16/19	446,586	—
Japanese Yen	JPHQ	Sell	708,450,000	6,511,489	1/16/19	39,041	—
Euro	SCNY	Sell	657,000	767,609	1/17/19	13,683	—
Japanese Yen	BZWS	Sell	2,516,120,000	22,691,973	1/17/19	—	(297,360)
Indian Rupee	DBAB	Buy	1,307,630,494	18,650,462	1/18/19	117,917	—
Japanese Yen	HSBK	Sell	1,245,390,000	10,997,210	1/18/19	—	(382,627)
Euro	DBAB	Sell	8,405,717	9,742,310	1/22/19	92,222	—
Euro	GSCO	Sell	1,231,111	1,426,254	1/22/19	12,891	—
Euro	MSCO	Sell	15,372,250	17,814,132	1/22/19	166,194	—
Euro	UBSW	Sell	1,922,305	2,228,663	1/22/19	21,782	—
Japanese Yen	BZWS	Sell	490,853,752	4,406,188	1/22/19	—	(80,495)
Japanese Yen	SCNY	Sell	707,660,000	6,540,296	1/22/19	71,880	—
Euro	JPHQ	Sell	28,236,000	32,632,628	1/23/19	213,728	—
Euro	MSCO	Sell	15,372,250	17,761,098	1/23/19	111,592	—
Euro	DBAB	Sell	14,940,282	17,286,130	1/24/19	131,061	—

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	UBSW	Sell	11,641,500	13,478,296	1/24/19	\$ 111,029	\$ —
Indian Rupee	JPHQ	Buy	200,268,000	2,689,786	1/24/19	183,252	—
Japanese Yen	BZWS	Sell	735,200,000	6,802,746	1/24/19	81,495	—
Japanese Yen	DBAB	Sell	858,140,000	7,912,844	1/24/19	67,667	—
Japanese Yen	JPHQ	Sell	7,105,349,700	65,733,367	1/24/19	775,752	—
South Korean Won	HSBK	Sell	18,482,000,000	16,370,964	1/24/19	—	(235,412)
Euro	DBAB	Sell	4,518,681	5,220,071	1/25/19	31,068	—
Euro	HSBK	Sell	19,488,000	22,498,116	1/25/19	119,176	—
Euro	JPHQ	Sell	14,818,028	17,124,528	1/25/19	108,325	—
Indian Rupee	DBAB	Buy	838,950,988	11,218,922	1/25/19	815,663	—
Japanese Yen	CITI	Sell	913,412,000	8,480,447	1/25/19	129,284	—
Japanese Yen	JPHQ	Sell	1,407,000,000	13,052,069	1/25/19	188,118	—
Euro	BOFA	Sell	33,910,663	38,983,698	1/28/19	32,189	—
Indonesian Rupiah	HSBK	Buy	424,000,000,000	28,234,667	1/28/19	1,094,632	—
Euro	CITI	Sell	77,832,770	89,656,346	1/29/19	245,729	—
Euro	GSCO	Sell	2,855,793	3,285,019	1/29/19	4,418	—
Euro	BOFA	Sell	33,910,663	38,790,848	1/30/19	—	(167,585)
Euro	SCNY	Sell	12,300,264	14,069,042	1/30/19	—	(62,177)
Indian Rupee	HSBK	Buy	919,562,500	12,383,846	1/30/19	801,736	—
South Korean Won	HSBK	Sell	15,755,000,000	13,891,461	1/30/19	—	(267,092)
Euro	BZWS	Sell	22,495,166	25,830,411	1/31/19	—	(15,287)
Euro	DBAB	Sell	14,776,109	16,957,063	1/31/19	—	(19,868)
Euro	GSCO	Sell	13,037,050	14,959,493	1/31/19	—	(19,355)
Euro	HSBK	Sell	25,974,891	29,820,681	1/31/19	—	(23,029)
Euro	JPHQ	Sell	11,263,000	12,915,203	1/31/19	—	(25,360)
Japanese Yen	BZWS	Sell	1,079,470,000	9,688,923	1/31/19	—	(185,253)
Japanese Yen	HSBK	Sell	1,162,462,488	10,918,216	1/31/19	284,888	—
Japanese Yen	MSCO	Sell	287,615,000	2,596,764	1/31/19	—	(34,121)
Euro	JPHQ	Sell	32,859,900	37,592,711	2/01/19	—	(164,438)
Japanese Yen	JPHQ	Sell	1,719,500,000	15,361,457	2/01/19	—	(368,375)
Japanese Yen	SCNY	Sell	1,720,000,000	15,370,867	2/01/19	—	(363,539)
Indian Rupee	JPHQ	Buy	378,455,000	5,051,725	2/04/19	371,562	—
Euro	JPHQ	Sell	6,775,311	7,781,377	2/05/19	—	(6,118)
Euro	JPHQ	Sell	9,220,500	10,553,894	2/08/19	—	(46,566)
Euro	JPHQ	Sell	6,147,005	7,039,953	2/11/19	—	(28,682)
Japanese Yen	JPHQ	Sell	1,723,960,000	16,157,682	2/12/19	374,411	—
Australian Dollar	CITI	Sell	19,311,633	13,688,626	2/13/19	70,947	—
Australian Dollar	JPHQ	Sell	5,243,250	3,718,775	2/13/19	21,475	—
Japanese Yen	BZWS	Sell	1,712,605,900	15,303,996	2/13/19	—	(376,468)
Japanese Yen	CITI	Sell	1,245,045,665	11,089,202	2/13/19	—	(310,323)
Euro	HSBK	Sell	1,800,000	2,072,061	2/14/19	1,699	—
Japanese Yen	CITI	Sell	1,182,704,670	11,163,647	2/14/19	334,121	—
Australian Dollar	JPHQ	Sell	50,143,500	36,589,587	2/15/19	1,229,659	—
Euro	JPHQ	Sell	6,894,178	7,836,406	2/15/19	—	(93,904)
Japanese Yen	CITI	Sell	183,340,000	1,623,081	2/15/19	—	(55,808)
Japanese Yen	CITI	Sell	683,420,000	6,520,250	2/15/19	262,007	—
Japanese Yen	JPHQ	Sell	2,553,380,000	23,346,256	2/15/19	—	(35,667)
Euro	BOFA	Sell	10,878,191	12,397,656	2/19/19	—	(119,336)
Euro	DBAB	Sell	5,008,730	5,702,990	2/19/19	—	(60,306)

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	GSCO	Sell	1,898,500	2,164,670	2/19/19	\$ —	\$ (19,840)
Euro	JPHQ	Sell	30,863,836	35,098,200	2/19/19	—	(415,280)
Japanese Yen	GSCO	Sell	565,234,451	5,028,374	2/19/19	—	(149,125)
Japanese Yen	HSBK	Sell	413,563,000	3,783,534	2/19/19	—	(4,667)
Japanese Yen	JPHQ	Sell	709,066,000	6,491,317	2/19/19	—	(3,667)
Japanese Yen	SCNY	Sell	340,600,700	3,102,575	2/19/19	—	(17,298)
South Korean Won	HSBK	Sell	75,818,000,000	67,852,157	2/19/19	—	(338,594)
Euro	JPHQ	Sell	32,873,792	37,820,640	2/20/19	—	(8,552)
Japanese Yen	BOFA	Sell	903,250,850	8,079,311	2/20/19	—	(194,992)
Australian Dollar	CITI	Sell	13,307,000	9,717,038	2/21/19	332,461	—
Euro	BOFA	Sell	7,066,000	8,141,233	2/21/19	9,468	—
Euro	GSCO	Sell	1,230,811	1,420,860	2/21/19	4,406	—
Euro	JPHQ	Sell	19,848,799	22,884,266	2/21/19	41,672	—
Euro	SCNY	Sell	4,975,000	5,746,623	2/21/19	21,243	—
Euro	UBSW	Sell	2,600,555	2,997,647	2/21/19	4,850	—
Japanese Yen	BOFA	Sell	1,102,846,375	9,846,843	2/21/19	—	(256,608)
Japanese Yen	CITI	Sell	1,975,555,500	18,141,172	2/21/19	42,615	—
Japanese Yen	DBAB	Sell	1,635,382,000	15,022,386	2/21/19	40,244	—
Euro	BZWS	Sell	11,247,583	12,894,229	2/28/19	—	(56,912)
Euro	DBAB	Sell	14,781,916	16,844,954	2/28/19	—	(175,830)
Euro	GSCO	Sell	6,309,207	7,206,416	2/28/19	—	(58,384)
Euro	SCNY	Sell	12,544,218	14,322,988	2/28/19	—	(121,176)
Japanese Yen	BNDP	Sell	287,615,000	2,545,383	2/28/19	—	(90,876)
Japanese Yen	BZWS	Sell	1,920,010,000	17,018,574	2/28/19	—	(580,098)
Japanese Yen	DBAB	Sell	9,952,316,552	88,017,981	2/28/19	—	(3,204,230)
Japanese Yen	HSBK	Sell	1,339,587,000	11,890,793	2/28/19	—	(387,764)
Japanese Yen	JPHQ	Sell	1,375,249,000	12,219,758	2/28/19	—	(385,675)
South Korean Won	HSBK	Sell	35,277,000,000	31,351,760	2/28/19	—	(387,998)
Australian Dollar	GSCO	Sell	127,700,540	93,467,856	3/04/19	3,394,384	—
Euro	BOFA	Sell	27,627,938	31,678,423	3/04/19	—	(145,107)
Euro	GSCO	Sell	17,044,025	19,546,258	3/04/19	—	(86,081)
Japanese Yen	HSBK	Sell	1,247,125,000	11,077,186	3/04/19	—	(357,973)
Japanese Yen	JPHQ	Sell	424,150,000	3,774,601	3/04/19	—	(114,522)
Euro	GSCO	Sell	8,105,300	9,262,899	3/05/19	—	(74,115)
Euro	SCNY	Sell	17,972,751	20,547,348	3/05/19	—	(156,616)
Euro	BOFA	Sell	34,170,296	39,223,229	3/06/19	—	(143,263)
Euro	DBAB	Sell	8,136,104	9,312,844	3/06/19	—	(60,497)
Euro	UBSW	Sell	6,231,299	7,159,171	3/06/19	—	(19,707)
Euro	BZWS	Sell	7,003,000	8,022,112	3/11/19	—	(49,446)
Euro	DBAB	Sell	13,483,000	15,494,124	3/11/19	—	(46,189)
Japanese Yen	BZWS	Sell	1,720,220,000	15,392,090	3/11/19	—	(391,509)
Japanese Yen	CITI	Sell	3,966,300,000	35,476,341	3/11/19	—	(915,800)
Japanese Yen	HSBK	Sell	2,052,400,000	18,338,181	3/11/19	—	(493,282)
Euro	DBAB	Sell	25,440,500	29,251,105	3/12/19	—	(73,890)
Japanese Yen	DBAB	Sell	595,700,000	5,317,919	3/12/19	—	(148,351)
Australian Dollar	CITI	Sell	19,379,733	14,001,567	3/13/19	330,274	—
Indian Rupee	DBAB	Buy	258,123,000	3,533,511	3/13/19	148,490	—
Japanese Yen	CITI	Sell	310,702,000	2,767,638	3/13/19	—	(83,701)
Euro	JPHQ	Sell	6,775,311	7,753,395	3/14/19	—	(57,840)

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Japanese Yen	JPHQ	Sell	335,950,000	2,987,072	3/14/19	\$ —	\$ (96,265)
Japanese Yen	SCNY	Sell	366,681,000	3,264,494	3/14/19	—	(100,891)
Euro	BOFA	Sell	5,439,095	6,181,314	3/18/19	—	(91,659)
Euro	GSCO	Sell	1,789,884	2,050,222	3/18/19	—	(14,072)
Japanese Yen	BOFA	Sell	903,250,850	8,007,756	3/18/19	—	(285,411)
Japanese Yen	CITI	Sell	1,782,638,500	15,819,029	3/18/19	—	(548,206)
Japanese Yen	DBAB	Sell	1,453,310,000	12,892,000	3/18/19	—	(451,517)
Japanese Yen	GSCO	Sell	565,336,378	5,017,051	3/18/19	—	(173,566)
Japanese Yen	HSBK	Sell	1,245,390,000	11,047,008	3/18/19	—	(387,498)
Japanese Yen	JPHQ	Sell	702,800,000	6,238,333	3/18/19	—	(214,402)
Japanese Yen	MSCO	Sell	300,000,000	2,660,848	3/18/19	—	(93,592)
Japanese Yen	DBAB	Sell	371,821,000	3,317,490	3/19/19	—	(96,697)
Indian Rupee	CITI	Buy	69,318,000	949,887	3/20/19	38,046	—
Japanese Yen	CITI	Sell	1,372,892,008	12,403,596	3/20/19	—	(203,972)
South Korean Won	CITI	Sell	4,215,000,000	3,752,003	3/20/19	—	(43,431)
South Korean Won	HSBK	Sell	7,007,000,000	6,538,515	3/20/19	229,001	—
Euro	GSCO	Sell	1,230,811	1,417,709	3/21/19	—	(2,183)
Japanese Yen	JPHQ	Sell	1,547,456,000	13,885,005	3/22/19	—	(328,336)
Japanese Yen	JPHQ	Sell	1,203,160,329	10,855,810	3/25/19	—	(198,350)
Japanese Yen	SCNY	Sell	937,086,000	8,445,868	3/25/19	—	(163,706)
Japanese Yen	CITI	Sell	1,866,452,000	16,816,731	3/26/19	—	(333,128)
Japanese Yen	DBAB	Sell	2,181,107,000	19,655,456	3/26/19	—	(385,604)
Japanese Yen	HSBK	Sell	1,621,372,000	14,592,494	3/26/19	—	(305,452)
Euro	BZWS	Sell	11,247,583	12,859,755	3/28/19	—	(123,902)
Brazilian Real	CITI	Buy	206,375,000	42,453,509	EUR 4/01/19	3,915,772	—
Japanese Yen	CITI	Sell	755,114,665	6,822,349	4/15/19	—	(128,054)
Japanese Yen	DBAB	Sell	1,406,600,000	12,699,015	4/15/19	—	(247,942)
Japanese Yen	HSBK	Sell	536,380,000	4,874,033	4/17/19	—	(63,870)
Japanese Yen	GSCO	Sell	565,234,451	5,115,383	4/18/19	—	(88,590)
Japanese Yen	HSBK	Sell	1,106,730,400	10,022,825	4/22/19	—	(169,985)
Japanese Yen	JPHQ	Sell	1,886,055,000	17,026,229	4/22/19	—	(344,036)
Japanese Yen	JPHQ	Sell	2,504,432,000	22,627,990	4/23/19	—	(439,364)
Indonesian Rupiah	JPHQ	Buy	1,721,000,000,000	109,778,657	4/26/19	7,835,438	—
Japanese Yen	BZWS	Sell	983,714,840	8,916,356	4/26/19	—	(146,542)
South Korean Won	HSBK	Sell	8,274,880,977	7,371,503	4/29/19	—	(92,216)
Japanese Yen	DBAB	Sell	115,414,516	1,043,479	4/30/19	—	(20,184)
Japanese Yen	GSCO	Sell	944,420,000	8,540,681	4/30/19	—	(163,118)
Japanese Yen	CITI	Sell	708,852,119	6,383,927	5/07/19	—	(152,715)
South Korean Won	DBAB	Sell	13,920,000,000	12,358,503	5/16/19	—	(206,060)
Japanese Yen	BZWS	Sell	490,853,752	4,380,335	5/20/19	—	(150,996)
Japanese Yen	BOFA	Sell	2,190,917,500	19,701,964	5/21/19	—	(525,255)
South Korean Won	GSCO	Sell	44,346,000,000	40,059,621	6/07/19	—	(5,831)
South Korean Won	DBAB	Sell	13,919,000,000	12,521,590	6/10/19	—	(55,472)
Total Forward Exchange Contracts						\$ 29,610,379	\$ (24,834,593)
Net unrealized appreciation (depreciation)						\$ 4,775,786	

*In U.S. dollars unless otherwise indicated.

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

Templeton Global Bond VIP Fund (continued)

At December 31, 2018, the Fund had the following interest rate swap contracts outstanding. See Note 1(c).

Interest Rate Swap Contracts

Description	Payment Frequency	Counter-party	Maturity Date	Notional Amount	Value/Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts					
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.558%	Semi-Annual		3/04/21	\$ 3,240,000	\$ (92,542)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.775%	Semi-Annual		10/04/23	13,090,000	(126,674)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.795%	Semi-Annual		10/04/23	13,090,000	(139,019)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.765%	Semi-Annual		10/07/23	13,090,000	(120,200)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.731%	Semi-Annual		7/07/24	34,000,000	(507,038)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.914%	Semi-Annual		1/22/25	114,670,000	3,976,864
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.970%	Semi-Annual		1/23/25	143,340,000	4,482,612
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.973%	Semi-Annual		1/27/25	84,590,000	2,621,575
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.937%	Semi-Annual		1/29/25	21,150,000	703,939
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.942%	Semi-Annual		1/30/25	17,910,000	591,214
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.817%	Semi-Annual		2/03/25	28,210,000	1,146,162
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.349%	Semi-Annual		2/25/41	7,460,000	(2,013,516)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.320%	Semi-Annual		2/28/41	5,600,000	(1,470,281)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.299%	Semi-Annual		3/01/41	1,870,000	(483,711)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.668%	Semi-Annual		10/04/43	6,370,000	(981,901)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.687%	Semi-Annual		10/04/43	6,370,000	(1,003,864)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.675%	Semi-Annual		10/07/43	6,370,000	(989,276)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.378%	Semi-Annual		11/18/46	122,400,000	11,340,664
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.537%	Semi-Annual		4/13/47	72,700,000	4,438,588
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.587%	Semi-Annual		7/27/47	36,700,000	1,635,337
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.980%	Semi-Annual		2/20/48	15,638,000	(603,682)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.002%	Semi-Annual		2/22/48	15,638,000	(627,831)

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Templeton Global Bond VIP Fund (continued)

Interest Rate Swap Contracts (continued)

Description	Payment Frequency	Counter- party	Maturity Date	Notional Amount	Value/ Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts (continued)					
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.019%	Semi-Annual		2/23/48	\$15,638,000	\$ (682,219)
Total Centrally Cleared Swap Contracts					<u>\$21,095,201</u>
OTC Swap Contracts					
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.523%	Semi-Annual	DBAB	3/28/21	\$14,630,000	\$ (406,137)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.347%	Semi-Annual	CITI	2/25/41	7,460,000	(1,992,395)
Total OTC Swap Contracts					<u>\$ (2,398,532)</u>
Total Interest Rate Swap Contracts					<u>\$18,696,669</u>

See Note 9 regarding other derivative information.

See Abbreviations on page TGB-34.

Financial Statements

Statement of Assets and Liabilities

December 31, 2018

	Templeton Global Bond VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,365,649,657
Cost - Non-controlled affiliates (Note 3e)	663,563,266
Value - Unaffiliated issuers	\$2,198,701,941
Value - Non-controlled affiliates (Note 3e)	663,563,266
Cash	4,066
Restricted cash for OTC derivative contracts (Note 1d)	7,370,000
Foreign currency, at value (cost \$2,685,864)	2,706,326
Receivables:	
Capital shares sold	126,152
Interest	25,549,665
Deposits with brokers for:	
OTC derivative contracts	4,900,000
Centrally cleared swap contracts	39,568,636
Unrealized appreciation on OTC forward exchange contracts	29,610,379
Other assets	1,656
Total assets	2,972,102,087
Liabilities:	
Payables:	
Capital shares redeemed	4,750,816
Management fees	949,151
Distribution fees	1,145,887
Variation margin on centrally cleared swap contracts	3,205,735
Deposits from brokers for:	
OTC derivative contracts	7,370,000
Unrealized depreciation on OTC forward exchange contracts	24,834,593
Unrealized depreciation on OTC swap contracts	2,398,532
Deferred tax	1,878,111
Accrued expenses and other liabilities	1,311,440
Total liabilities	47,844,265
Net assets, at value	\$2,924,257,822
Net assets consist of:	
Paid-in capital	\$2,901,979,238
Total distributable earnings (loss)	22,278,584
Net assets, at value	\$2,924,257,822

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)

December 31, 2018

	Templeton Global Bond VIP Fund
Class 1:	
Net assets, at value	\$ 285,046,352
Shares outstanding	16,247,983
Net asset value and maximum offering price per share	\$17.54
Class 2:	
Net assets, at value	\$2,544,899,899
Shares outstanding	151,216,065
Net asset value and maximum offering price per share	\$16.83
Class 4:	
Net assets, at value	\$ 94,311,571
Shares outstanding	5,487,633
Net asset value and maximum offering price per share	\$17.19

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

for the year ended December 31, 2018

	Templeton Global Bond VIP Fund
Investment income:	
Dividends:	
Non-controlled affiliates (Note 3e)	\$ 11,696,733
Interest: (net of foreign taxes)~	
Unaffiliated issuers	158,127,480
Total investment income	<u>169,824,213</u>
Expenses:	
Management fees (Note 3a)	14,050,169
Distribution fees: (Note 3c)	
Class 2	6,709,440
Class 4	338,750
Custodian fees (Note 4)	1,456,264
Reports to shareholders	399,898
Professional fees	111,570
Trustees' fees and expenses	21,724
Other	1,077,705
Total expenses	24,165,520
Expense reductions (Note 4)	(469,657)
Expenses waived/paid by affiliates (Note 3e)	(2,797,583)
Net expenses	<u>20,898,280</u>
Net investment income	148,925,933
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:#	
Unaffiliated issuers	(29,938,288)
Foreign currency transactions	(7,220,227)
Forward exchange contracts	69,036,333
Swap contracts	(2,482,814)
Net realized gain (loss)	<u>29,395,004</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(184,542,575)
Translation of other assets and liabilities	
denominated in foreign currencies	(444,386)
Forward exchange contracts	41,776,037
Swap contracts	23,456,839
Change in deferred taxes on unrealized appreciation	1,371,393
Net change in unrealized appreciation (depreciation)	<u>(118,382,692)</u>
Net realized and unrealized gain (loss)	(88,987,688)
Net increase (decrease) in net assets resulting from operations	<u>\$ 59,938,245</u>

~Foreign taxes withheld on interest \$ 4,550,208
#Net of foreign taxes \$ 133,955

Statements of Changes in Net Assets

	Templeton Global Bond VIP Fund	
	Year Ended December 31,	
	2018	2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 148,925,933	\$ 144,457,894
Net realized gain (loss)	29,395,004	(84,441,214)
Net change in unrealized appreciation (depreciation)	(118,382,692)	1,318,770
Net increase (decrease) in net assets resulting from operations	<u>59,938,245</u>	<u>61,335,450</u>
Distributions to shareholders: (Note 1f)		
Class 1	—	(806,829)
Class 2	—	(8,999,053)
Class 4	—	(307,109)
Total distributions to shareholders	<u>—</u>	<u>(10,112,991)</u>
Capital share transactions: (Note 2)		
Class 1	(7,760,972)	40,791,975
Class 2	(237,044,140)	(128,337,512)
Class 4	(6,392,585)	715,746
Total capital share transactions	<u>(251,197,697)</u>	<u>(86,829,791)</u>
Net increase (decrease) in net assets	<u>(191,259,452)</u>	<u>(35,607,332)</u>
Net assets:		
Beginning of year	<u>3,115,517,274</u>	<u>3,151,124,606</u>
End of year (Note 1f)	<u>\$2,924,257,822</u>	<u>\$3,115,517,274</u>

Notes to Financial Statements

Templeton Global Bond 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). Templeton Global Bond 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.

Debt securities generally trade in the over-the-counter (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.

Derivative financial instruments listed on an exchange are valued at the official closing price of the day. Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, 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.

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

Templeton Global Bond VIP Fund (continued)

decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Derivative Financial Instruments

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

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions,

including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Derivative Financial Instruments (continued)

The Fund entered into interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC interest rate swaps) or may be executed on a registered exchange (centrally cleared interest rate swaps). For centrally cleared interest rate swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

The Fund invests in value recovery instruments (VRI) primarily to gain exposure to economic growth. Periodic payments from VRI are dependent on established benchmarks for underlying variables. VRI has a notional amount, which is used to calculate amounts of payments to holders. Payments are recorded upon receipt as realized gains in the Statement of Operations. The risks of investing in VRI include growth risk, liquidity, and the potential loss of investment.

See Note 9 regarding other derivative information.

d. Restricted Cash

At December 31, 2018, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's counterparty broker and is reflected in the Statement of Assets and Liabilities.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2018, 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.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.*

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Templeton Global Bond VIP Fund (continued)

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.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as interest income in the Statement of Operations.

g. 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.

h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

*Effective during the current reporting period, it is no longer required to present certain line items in the Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Statements of Changes in Net Assets.

For the year ended December 31, 2017, distributions to shareholders were as follows:

Distributions from net realized gains:	
Class 1	\$ (806,829)
Class 2	(8,999,053)
Class 4	(307,109)

For the year ended December 31, 2017, accumulated net investment loss included in net assets was \$(7,265,628).

2. Shares of Beneficial Interest

At December 31, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	3,298,930	\$ 57,215,991	4,567,479	\$ 79,103,441
Shares issued in reinvestment of distributions	—	—	46,290	806,829
Shares redeemed	(3,741,198)	(64,976,963)	(2,272,230)	(39,118,295)
Net increase (decrease)	(442,268)	\$ (7,760,972)	2,341,539	\$ 40,791,975

Templeton Global Bond VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31,			
	2018		2017	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	10,132,393	\$ 169,096,447	10,419,624	\$ 173,987,516
Shares issued in reinvestment of distributions	—	—	535,977	8,999,053
Shares redeemed	(24,289,543)	(406,140,587)	(18,675,809)	(311,324,081)
Net increase (decrease)	(14,157,150)	\$(237,044,140)	(7,720,208)	\$(128,337,512)
Class 4 Shares:				
Shares sold	816,409	\$ 13,930,984	1,027,651	\$ 17,546,285
Shares issued in reinvestment of distributions	—	—	17,886	307,109
Shares redeemed	(1,191,456)	(20,323,569)	(1,005,305)	(17,137,648)
Net increase (decrease)	(375,047)	\$(6,392,585)	40,232	\$ 715,746

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

a. Management Fees

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

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

For the year ended December 31, 2018, the gross effective investment management fee rate was 0.458% 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.

Templeton Global Bond VIP Fund (continued)

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.25% and 0.35% per year of its average daily net assets of Class 2 and Class 4, respectively. 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 for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 1.99%	664,514,279	787,975,800	(788,926,813)	663,563,266	\$663,563,266	\$11,696,733	\$ —	\$ —

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2018, 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, 2018, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:	
Short Term	\$ 1,830,066
Long Term	<u>23,760,579</u>
Total capital loss carryforwards	<u>\$25,590,645</u>

The tax character of distributions paid during the years ended December 31, 2018 and 2017, was as follows:

	<u>2018</u>	<u>2017</u>
Distributions paid from:		
Long term capital gain	—	<u>10,104,459</u>

Templeton Global Bond VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2018, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$3,042,317,202
Unrealized appreciation	\$ 105,836,230
Unrealized depreciation	(259,541,972)
Net unrealized appreciation (depreciation)	\$ (153,705,742)
Distributable earnings-undistributed ordinary income	\$ 204,245,475

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of bond discounts and premiums.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2018, aggregated \$310,869,546 and \$723,082,602, respectively.

7. Credit Risk

At December 31, 2018, the Fund had 16.5% of its portfolio invested in high yield 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. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Other Derivative Information

At December 31, 2018, the Fund's 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
Interest rate contracts	Variation margin on centrally cleared swap contracts	\$30,936,955 ^a	Variation margin on centrally cleared swap contracts	\$ 9,841,754 ^a
	Unrealized appreciation on OTC swap contracts	—	Unrealized depreciation on OTC swap contracts	2,398,532
Foreign exchange contracts	Unrealized appreciation on OTC forward exchange contracts	29,610,379	Unrealized depreciation on OTC forward exchange contracts	24,834,593

Templeton Global Bond VIP Fund (continued)

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
Value recovery instruments	Investments in securities, at value	\$10,868,797 ^b		
Totals		<u>\$71,416,131</u>		<u>\$37,074,879</u>

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

^bVRI are included in investments in securities, at value in the Statement of Assets and Liabilities.

For the year ended December 31, 2018, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Swap contracts	\$ (2,482,814)	Swap contracts	\$23,456,839
Foreign exchange contracts	Forward exchange contracts	69,036,333	Forward exchange contracts	41,776,037
Value recovery instruments	Investments	1,517,139 ^a	Investments	(1,446,885) ^a
Totals		<u>\$68,070,658</u>		<u>\$63,785,991</u>

^aVRI are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

For the year ended December 31, 2018, the average month end notional amount of swap contracts represented \$814,006,462. The average month end contract value and fair value of forward exchange contracts and VRI, was \$3,257,769,303 and \$16,900,982, respectively.

See Note 1(c) regarding derivative financial instruments.

At December 31, 2018, the Fund's OTC derivative assets and liabilities are as follows:

	Gross Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets ^a	Liabilities ^a
Derivatives		
Forward exchange contracts	\$29,610,379	\$24,834,593
Swap contracts	—	2,398,532
Total	<u>\$29,610,379</u>	<u>\$27,233,125</u>

^aAbsent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

Templeton Global Bond VIP Fund (continued)

9. Other Derivative Information (continued)

At December 31, 2018, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

Counterparty	Gross Amounts of Assets Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Received ^{a,b}	Cash Collateral Received ^b	
BNDP	\$ —	\$ —	\$ —	\$ —	\$ —
BOFA	467,425	(467,425)	—	—	—
BZWS	81,495	(81,495)	—	—	—
CITI	6,542,001	(4,796,083)	—	(1,745,918)	—
DBAB	2,081,954	(2,081,954)	—	—	—
GSCO	3,738,172	(876,986)	—	(2,861,186)	—
HSBK	3,686,981	(3,686,981)	—	—	—
JPHQ	12,358,486	(4,801,792)	(7,556,694)	—	—
MSCO	277,786	(127,713)	—	(150,073)	—
SCNY	106,806	(106,806)	—	—	—
UBSW	269,273	(19,707)	(249,566)	—	—
Total	\$29,610,379	\$(17,046,942)	\$(7,806,260)	\$(4,757,177)	\$ —

At December 31, 2018, the Fund's OTC derivative liabilities, which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, are as follows:

Counterparty	Gross Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	
BNDP	\$ 90,876	\$ —	\$ —	\$ —	\$ 90,876
BOFA	1,929,216	(467,425)	—	(810,000)	651,791
BZWS	2,523,101	(81,495)	—	(1,410,000)	1,031,606
CITI	4,796,083	(4,796,083)	—	—	—
DBAB	5,852,933	(2,081,954)	—	(2,290,000)	1,480,979
GSCO	876,986	(876,986)	—	—	—
HSBK	5,102,331	(3,686,981)	—	—	1,415,350
JPHQ	4,801,792	(4,801,792)	—	—	—
MSCO	127,713	(127,713)	—	—	—
SCNY	1,112,387	(106,806)	—	(390,000)	615,581
UBSW	19,707	(19,707)	—	—	—
Total	\$27,233,125	\$(17,046,942)	\$ —	\$(4,900,000)	\$5,286,183

^aAt December 31, 2018, the Fund received United Kingdom Treasury Bonds and U.S. Treasury Bills, Bonds and Notes as collateral for derivatives.

^bIn some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

See Abbreviations on page TGB-34.

Templeton Global Bond VIP Fund (continued)

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 billion (Global Credit Facility) which matured on February 8, 2019. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 8, 2019, the Funds renewed the Global Credit Facility for a one year term, maturing February 7, 2020, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2018, 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 December 31, 2018, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Foreign Government and Agency Securities	\$ —	\$ 1,275,188,076	\$ —	\$ 1,275,188,076
Short Term Investments	1,009,725,290	577,351,841	—	1,587,077,131
Total Investments in Securities	\$ 1,009,725,290	\$ 1,852,539,917	\$ —	\$ 2,862,265,207
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 29,610,379	\$ —	\$ 29,610,379
Swap Contracts	—	30,936,955	—	30,936,955
Total Other Financial Instruments	\$ —	\$ 60,547,334	\$ —	\$ 60,547,334
Liabilities:				
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 24,834,593	\$ —	\$ 24,834,593
Swap Contracts	—	12,240,286	—	12,240,286
Total Other Financial Instruments	\$ —	\$ 37,074,879	\$ —	\$ 37,074,879

^aFor detailed categories, see the accompanying Statement of Investments.

Templeton Global Bond VIP Fund (continued)

12. Subsequent Events

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

Abbreviations

Counterparty/Exchange		Currency		Selected Portfolio	
BOFA	Bank of America Corp.	ARS	Argentine Peso	BADLAR	Argentina Deposit Rates Badlar Private Banks ARS
BNDP	BNP Paribas SA	BRL	Brazilian Real	FRN	Floating Rate Note
BZWS	Barclays Bank PLC	COP	Colombian Peso	GDP	Gross Domestic Product
CITI	Citigroup, Inc.	EUR	Euro	LIBOR	London InterBank Offered Rate
DBAB	Deutsche Bank AG	GHS	Ghanaian Cedi	VRI	Value Recovery Instrument
GSCO	The Goldman Sachs Group, Inc.	IDR	Indonesian Rupiah		
HSBK	HSBC Bank PLC	INR	Indian Rupee		
JPHQ	JP Morgan Chase & Co.	KRW	South Korean Won		
MSCO	Morgan Stanley	MXN	Mexican Peso		
SCNY	Standard Chartered Bank	PHP	Philippine Peso		
UBSW	UBS AG	USD	United States Dollar		

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Templeton Global Bond VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Global Bond VIP Fund (the "Fund") as of December 31, 2018, the related statement of operations for the year ended December 31, 2018, the statement of changes in net assets for each of the two years in the period ended December 31, 2018, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2018 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2018 and the financial highlights for each of the five years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 15, 2019

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

Tax Information (unaudited)

Templeton Global Bond VIP Fund

At December 31, 2018, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2019 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges.

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 U.S. Aggregate Bond Index is a market capitalization-weighted index representing the U.S. investment-grade, fixed-rate, taxable bond market with index components for government and corporate, mortgage pass-through and asset-backed securities. All issues included are SEC registered, taxable, dollar denominated and nonconvertible, must have at least one year to final maturity and must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, Standard & Poor's and Fitch, respectively.

Bloomberg Barclays U.S. Government Index: Intermediate Component 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.

Consumer Price Index (CPI) is a commonly used measure of the inflation rate.

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 is a market capitalization-weighted index consisting of investment-grade world government bond markets.

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 allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/18, there were 320 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/18, there were 81 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/18, there were 56 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

MSCI All Country World Index (ACWI) ex USA Index captures large- and mid-capitalization representation across 22 of 23 developed markets countries (excluding the U.S.) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the U.S.

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

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

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

Russell 1000® Index is market capitalization weighted and measures performance of the largest companies in the Russell 3000® Index, which represents the majority of the U.S. market's total capitalization.

Russell 2000® Index is market capitalization weighted and measures performance of the 2,000 smallest companies in the Russell 3000® Index, which 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 lower price-to-book ratios and lower forecasted growth values.

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

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

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

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which represents a modest amount of the Russell 1000® Index's total market capitalization.

Standard & Poor's® 500 Index (S&P 500®) is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

Standard & Poor's®/International Finance Corporation Investable (S&P/IFCI) Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance in global emerging markets.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	136	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	112	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present)
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	136	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison—United States Treasury Department (1988-1989).				
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	136	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	136	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	112	None
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Principal Occupation During at Least the Past 5 Years:

President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing) (2002-present); Senior Advisor, McKinsey & Co. (consulting) (2017-present); serves on private and non-profit boards; and **formerly**, President, Staples International and Head of Global Transformation (office supplies) (2012-2016); Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	150	None

Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	136	None
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Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 40 of the investment companies in Franklin Templeton Investments.

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

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 28 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since January 2019	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since December 2018	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; and officer of nine of the investment companies in Franklin Templeton Investments (since December 2018).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 44 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 44 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 44 of the investment companies in Franklin Templeton Investments.				

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

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

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

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2007. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

Franklin Founding Funds Allocation VIP Fund (Fund)

At a meeting held on October 23, 2018 (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 (i) a new investment management agreement between Franklin Advisers, Inc. (FAV) and the Trust, on behalf of the Fund, and (ii) new investment sub-advisory agreements (each a Sub-Advisory Agreement) between FAV and each of Franklin Templeton Institutional, LLC and Templeton Global Advisors Limited (each a Sub-Adviser), affiliates of FAV, on behalf of the Fund (each a Management Agreement) for an initial two year period effective on or about May 1, 2019, subject to prior approval of the shareholders of the Fund. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each new Management Agreement. FAV and the Sub-Advisers are each referred to herein as a Manager.

The Board reviewed and considered information provided by each Manager at the Meeting. The Board also considered a form of Management Agreement and Sub-Advisory Agreement, which have terms that are consistent with the current investment management agreements and investment sub-advisory agreements used for other funds in the Franklin Templeton Investments (FTI) fund complex. The Board further considered the code of ethics applied to the employees of each Manager and compliance policies and procedures applied to the employees of each Manager. The Board noted that the Fund currently maintains a static allocation to underlying funds and so does not currently have an investment manager, nor pay investment management fees. The Board discussed with FAV the reasons for its request that the Board approve the new Management Agreements, including the proposed repositioning of the Fund from a fund-of-funds with a static allocation strategy to a direct investment fund with an actively managed dynamic allocation strategy. The Board noted FAV’s explanation that, as currently structured, the Fund generally does not meet the eligibility criteria for insurance companies’ living benefits products. The Board also noted that the Fund’s assets have declined substantially, from \$4.2 billion as of

August 31, 2012, to \$923 million as of August 31, 2018. The Board further noted management’s belief that the proposed repositioning will enable the Fund to be more widely distributed across insurance company platforms, reduce the volatility of the Fund’s returns and reduce the Fund’s overall expenses.

The Board reviewed and considered all of the factors it deemed relevant in approving each new Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services to be provided by each Manager; (ii) the investment performance of the Fund; (iii) the costs of the services to be provided to the Fund; and (iv) the extent to which economies of scale are expected to be realized. The Board noted management’s proposal to request shareholder approval to allow the Fund to use a manager-of-manager structure as many other funds in the FTI fund complex have in place. The Board also noted that the Fund’s name would be changed to the “Franklin Allocation VIP Fund” to better reflect the repositioned strategy and structure of the Fund. In determining that the terms of each Management Agreement are fair and reasonable, the Board noted the level of services to be provided under each Management Agreement and the anticipated decrease in the overall fees and expenses of the Fund.

Nature, Extent and Quality of Services

The Board considered information regarding the nature, extent and quality of investment management services to be provided by each Manager and its affiliates to the Fund and its shareholders. In particular, the Board took into account management’s belief that the proposed repositioning, including the change from a static allocation fund-of-funds to a direct investment allocation fund, will enable the Fund to be more widely distributed across insurance company platforms and reduce the Fund’s overall expenses. The Board noted each Manager’s experience as manager of other funds and accounts, including those within the FTI organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Manager and each Manager’s capabilities, as demonstrated by, among other things, their policies and procedures designed to prevent violations of the Federal securities laws, which had previously been approved by the Board in connection with its oversight of other funds in the FTI organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be

provided by each Manager and its affiliates to the Fund and its shareholders.

Fund Performance

The Board reviewed and considered the performance results of the Fund over various time periods ended August 31, 2018. The Board considered the performance returns for the 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 the Performance Universe. The Board also considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all mixed-asset target allocation growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. Given the Fund's income-oriented focus, the Board concluded that the Fund's performance was satisfactory, but noted that it did not consider the current performance of the Fund to be a material factor in its consideration of the Management Agreements given the proposed repositioning and restructuring of the Fund.

Comparative Fees and Expenses

The Board reviewed and considered information regarding the Fund's proposed 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 considered the proposed total expense ratio and, separately, the proposed contractual management fee rate, without the effect of fee waivers (Management Rate), if any, of the 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 as proposed for 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, and the proposed total expense ratio was shown for Class 4 of the Fund and an actual total expense ratio was shown for Class B, Class 2, Class II, Service Class and Class S of the other funds in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in the Expense Group.

The Expense Group for the Fund included the Fund and seven other mixed-asset target allocation growth funds underlying VIPs. The Board noted that the Management Rate and proposed total expense ratio were below the medians of its Expense Group. The Board concluded that the Management Rate to be charged to the Fund is reasonable. In doing so, the Board noted that the Fund's proposed total expense ratio reflected a fee waiver from management and that the Sub-Advisers would be paid by FAV out of the management fee FAV would receive from the Fund.

Profitability

The Board then noted that FAV and its affiliates could not report any financial results from their relationships with the Fund because the Fund does not currently have an investment manager, nor pay investment management fees, and thus, the Board could not evaluate FAV's or its affiliates' profitability with respect to the Fund. The Board noted that investment management fees are currently paid by the underlying funds in which the Fund invests.

Economies of Scale

The Board considered the extent to which FAV and its affiliates may realize economies of scale, if any, and whether the Fund's proposed management fee structure reflects any economies of scale for the benefit of shareholders. The Board noted that FAV (and its affiliates) could not report on any potential economies of scale at this time given the repositioning and restructuring of the Fund, but would be able to do so in connection with the Fund's annual contract renewal process.

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 each Management Agreement for an initial two year period effective

on or about May 1, 2019, subject to prior approval of the shareholders of 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 on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

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Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

Franklin Advisers, Inc.
Franklin Advisory Services, LLC
Franklin Mutual Advisers, LLC
Franklin Templeton Institutional, LLC
Templeton Asset Management Ltd.
Templeton Global Advisors Limited
Templeton Investment Counsel, LLC

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton Distributors, Inc.

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

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

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