



FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report

June 30, 2018

Franklin Templeton Variable Insurance Products Trust



Franklin Templeton Variable Insurance Products Trust Semiannual Report

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity, indexes do not

have a cash component. Second, the funds are actively managed and, thus, are subject to management fees to cover salaries of securities analysts or portfolio managers in addition to other expenses. Indexes are unmanaged and do not include any commissions or other expenses typically associated with investing in securities. Third, indexes often contain a different mix of securities than the fund to which they are compared. Additionally, please remember that indexes are simply a measure of performance and cannot be invested in directly.



**FRANKLIN TEMPLETON
INVESTMENTS**

**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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Franklin Income VIP Fund

This semiannual report for Franklin Income VIP Fund covers the period ended June 30, 2018.

Class 2 Performance Summary as of June 30, 2018

The Fund's Class 2 Shares posted a +0.76% total return* for the six-month period ended June 30, 2018.

*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.

Fund Goal and Main Investments

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

Fund Risks

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund's portfolio includes a substantial portion of higher yielding, lower rated corporate bonds because of the relatively higher yields they offer. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. For comparison, the Fund's equity benchmark, the Standard & Poor's® 500 Index (S&P 500®), posted a +2.65% total return, and its fixed income benchmark, the Bloomberg Barclays US Aggregate Bond Index, had a -1.62% total return for the same period.¹

Economic and Market Overview

The US economy continued to grow during the six months under review. After moderating for three consecutive quarters, the economy grew faster in 2018's second quarter, driven by consumer spending, exports, business investment and government spending. The manufacturing and services sectors expanded during the period. The unemployment rate declined slightly from 4.1% in December 2017, as reported at the

Portfolio Composition

6/30/18

	% of Total Net Assets
Equity*	48.7%
Utilities	7.0%
Energy	7.0%
Financials	6.9%
Health Care	5.6%
Information Technology	5.1%
Consumer Discretionary	3.9%
Consumer Staples	3.9%
Industrials	3.6%
Materials	3.5%
Telecommunication Services	1.6%
Real Estate	0.6%
Fixed Income	47.6%
Health Care	11.6%
Financials	10.8%
Energy	7.8%
Consumer Discretionary	6.6%
Telecommunication Services	3.1%
Information Technology	1.8%
Utilities	1.7%
Industrials	1.7%
Consumer Staples	1.0%
Materials	0.9%
Real Estate	0.6%
Short-Term Investments & Other Net Assets	3.7%

*Includes convertible bonds.

beginning of the six-month period, to 4.0% at period-end.² Annual inflation, as measured by the Consumer Price Index, increased from 2.1% in December 2017, as reported at the beginning of the period, to 2.9% at period-end.²

In February 2018, the new US Federal Reserve (Fed) Chair Jerome Powell spoke before Congress for the first time and indicated the Fed saw signs of a continued strong labor market and economic growth. He reiterated the Fed's intention to gradually raise interest rates in an effort to keep the economy from overheating and as inflation increases toward the Fed's target. However, he noted there was no evidence of the economy overheating and he had yet to see a clear upward move in wages. The Fed raised its target range for the federal

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.

2. Source: Bureau of Labor Statistics.

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).

funds rate 0.25% each at its March and June 2018 meetings to 1.75%–2.00% and continued reducing its balance sheet as part of its ongoing plan to normalize monetary policy. In June, the Fed upgraded its economic forecast for 2018 and its inflation forecasts for 2018 and 2019. Furthermore, the Fed forecasted an additional rate hike for 2018 and 2019 than previously anticipated.

The 10-year Treasury yield, which moves inversely to its price, increased during the period. The yield rose to multi-year highs in February, April and May amid indications of higher inflation. However, some factors weighed on the Treasury yield at certain points during the period, including concerns about political turmoil in Italy, political uncertainties in the US, the Trump administration's protectionist trade policies, and US trade disputes between its allies and China. Overall, the 10-year Treasury yield rose from 2.40% at the beginning of the period to 2.85% at period-end.

Investment Strategy

We search for undervalued or out-of-favor securities we believe offer opportunities for income today and significant growth tomorrow. We generally perform independent analysis of the debt securities being considered for the Fund's portfolio, as opposed to relying principally on ratings assigned by rating agencies. In analyzing debt and equity securities, we consider a variety of factors, including a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects; the experience and strength of a company's management; a company's changing financial condition and market recognition of the change; a company's sensitivity to changes in interest rates and business conditions; and a company's debt maturity schedules and borrowing requirements.

Manager's Discussion

During the six months under review, we actively continued to manage the Fund's multi-asset strategy relative to the opportunities available to us, while also remaining focused on bottom-up investing and individual security selection. Our view has been that the investment performance of securities within the Fund should be driven primarily by company-specific initiatives and opportunities, and secondarily by broader market or interest-rate movements. We strategically reduced our equity weighting from 56.6% to 48.7% due to relative value concerns and market strength versus other asset classes, as well as higher realized and anticipated volatility. We increased our fixed

Top Five Equity Holdings

6/30/18

Company Sector/Industry	% of Total Net Assets
Wells Fargo & Co. <i>Banks</i>	2.4%
The Southern Co. <i>Utilities</i>	1.8%
Dominion Energy Inc. <i>Utilities</i>	1.8%
General Electric Co. <i>Industrials</i>	1.5%
Sempra Energy <i>Utilities</i>	1.5%

income weighting from 36.4% to 47.6% as interest rates rose. The Fund's cash position decreased from 7.0% to 3.7% of total net assets.

Within equity, most sectors represented in the Fund's portfolio delivered positive returns, with the largest contributions to absolute performance coming from information technology (IT), energy and consumer discretionary.

Within the IT sector, Microsoft, Apple and Intel contributed significantly to absolute results. In energy, companies levered to an improvement in oil prices tended to perform well, including oil and gas exploration and production companies Anadarko Petroleum, Royal Dutch Shell, Chevron, BP, Occidental Petroleum and Halliburton³. We took advantage of recent strength to reduce our positions in Royal Dutch Shell, BP and Chevron, while we added to our position in Exxon Mobile as the company has underperformed its peers thus far this year. In the consumer discretionary sector, retailer Target and automobile manufacturer General Motors³ benefited absolute results, and we reduced our holdings in the companies during the period.

In utilities, we increased our position as the sector came under pressure from rising interest rates and the negative impact of tax law changes. We added to our existing positions in Southern Co., Sempra Energy and Dominion Energy, and we initiated a position in Xcel Energy.

Equity sectors that detracted from the Fund's absolute performance included financials, largely due to fears of an economic slowdown and potential weaker loan growth. Company-specific concerns led to weakness in large bank Wells Fargo, insurer MetLife and mortgage company Fannie

3. Not held at period-end.

Mae. The industrials sector also hindered results, largely due to weakness in shares of industrial conglomerate General Electric. The consumer staples sector declined and detracted from performance, largely driven by concerns regarding growth in emerging-market economies and company-specific issues. Key sector detractors during the period included tobacco firm Philip Morris International, food and beverage company PepsiCo and beverages manufacturer Anheuser-Busch Inbev.

In fixed income, most sectors and industries represented in the Fund contributed to absolute performance, largely due to our bias toward issuers with strong credit fundamentals and bonds with shorter maturities. Hospitals and pharmaceuticals companies recovered during the period as fundamentals stabilized or improved and as upcoming maturities were extended.⁴ Contributors included hospital operator Community Health Systems, which addressed its short-term debt maturities through a successful exchange into new debt with better seniority. Fundamentals for health care services provider Tenet Healthcare stabilized, which supported its debt securities. Pharmaceuticals and medical devices firm Valeant Pharmaceuticals International also benefited the Fund's absolute performance as it continued to make progress on improving its balance sheet.

Energy holdings generally performed well during the period amid higher oil prices and stable natural gas markets. Key contributors included Chesapeake Energy, W&T Offshore, Weatherford International, Ascent Resources Utica Holdings and Calumet Specialty Products.

Our position in DISH DBS was the main detractor during the period as its nationwide satellite video business experienced subscriber losses, due to secular changes within the industry, and as competing spectrum blocks on offer impacted the perceived value of its spectrum portfolio. However, the company continued to generate strong free cash flow to service its debt with strong asset coverage from the underlying value of its pay TV business. Smaller positions such as Belk, Rex Energy³ and Sanchez Energy also detracted. Department store operator Belk suffered from worsening comparable store sales and a decline in profitability, while the two energy holdings were impacted by their excessive debt balances amid a decline in US benchmark crude oil prices from recent highs.

During the reporting period, we modestly increased our exposure to corporate securities through select purchases of investment-grade corporate bonds, which have generally

Top Five Fixed Income Holdings and Senior Floating Rate Interests*

6/30/18

Company Sector/Industry	% of Total Net Assets
U.S. Treasury Note <i>Financials</i>	6.5%
CHS/Community Health Systems Inc. <i>Health Care</i>	3.9%
Chesapeake Energy Corp. <i>Energy</i>	2.6%
Tenet Healthcare Corp. <i>Health Care</i>	2.0%
Weatherford International Ltd. <i>Energy</i>	1.7%

*Does not include convertible bonds.

underperformed both high-yield bonds and the broader fixed income asset class, as they looked more attractive to us on a relative value basis. Key additions included Capital One Financial, Citigroup, CVS Health, General Motors, Goldman Sachs and Mylan. We initiated a position in short- and intermediate-term US Treasury securities, with a particular emphasis on shorter maturities as interest rates moved up with Fed tightening. This move was largely in response to what we viewed as fuller valuations in many other asset classes, as well as a desire to help offset potentially higher volatility in the future.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 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.

4. Hospitals and pharmaceuticals holdings are in health care in the fixed income section of the SOI.

Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract Level: (1) transaction expenses can include sales charges (loads) on purchases, surrender fees, transfer fees and premium taxes; and (2) ongoing expenses can include management fees, distribution and service (12b-1) fees, contract fees, annual maintenance fees, mortality and expense risk fees and other fees and expenses. All mutual funds and Contracts have some types of ongoing expenses. The table below shows Fund-level ongoing expenses and can help you understand these costs and compare them with those of other mutual funds offered through the Contract. The table assumes a \$1,000 investment held for the six months indicated. Please refer to the Fund prospectus for additional information on operating expenses.

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

Under the heading “Hypothetical” in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other mutual funds offered through the Contract. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds offered through the Contract.

Please note that expenses shown in the table are meant to highlight ongoing costs at the Fund level only and do not reflect any ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract levels. In addition, while the Fund does not have transaction expenses, if the transaction and ongoing expenses at the Contract level were included, the expenses shown below would be higher. You should consult your Contract prospectus or disclosure document for more information.

Share Class	Beginning Account Value 1/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 ^{1,2}	Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 ^{1,2}	
Class 2	\$1,000	\$1,007.60	\$3.48	\$1,021.32	\$3.51	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 181/365 to reflect the one-half year period.

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

Financial Highlights

Franklin Income VIP Fund

	Six Months Ended June 30, 2018 (unaudited)	2017	Year Ended December 31,			
		2016	2015	2014	2013	
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.72	\$15.87	\$14.64	\$16.48	\$16.53	\$15.47
Income from investment operations ^a :						
Net investment income ^b	0.37	0.69	0.67	0.71	0.72	0.81
Net realized and unrealized gains (losses) . . .	(0.22)	0.87	1.34	(1.78)	0.11	1.31
Total from investment operations	0.15	1.56	2.01	(1.07)	0.83	2.12
Less distributions from net investment income .	(0.82)	(0.71)	(0.78)	(0.77)	(0.88)	(1.06)
Net asset value, end of period	\$16.05	\$16.72	\$15.87	\$14.64	\$16.48	\$16.53
Total return ^c	0.87%	9.94%	14.33%	(6.84)%	4.92%	14.18%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.47%	0.47%	0.47%	0.46%	0.47%	0.47%
Expenses net of waiver and payments by affiliates ^e	0.45%	0.45%	0.44%	0.46% ^f	0.47%	0.47%
Net investment income	4.44%	4.22%	4.47%	4.47%	4.26%	5.07%
Supplemental data						
Net assets, end of period (000's)	\$695,523	\$735,149	\$696,227	\$604,228	\$714,664	\$695,004
Portfolio turnover rate	33.09%	20.96%	39.03%	31.53%	24.77%	21.71%

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

^bBased on average daily shares outstanding.

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

^dRatios are annualized for periods less than one year.

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

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

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Franklin Income VIP Fund (continued)

	Six Months Ended		Year Ended December 31,			
	June 30, 2018 (unaudited)	2017	2016	2015	2014	2013
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.17	\$15.38	\$14.20	\$16.00	\$16.07	\$15.07
Income from investment operations ^a :						
Net investment income ^b	0.33	0.63	0.61	0.65	0.66	0.75
Net realized and unrealized gains (losses) . . .	(0.20)	0.83	1.31	(1.73)	0.11	1.27
Total from investment operations	0.13	1.46	1.92	(1.08)	0.77	2.02
Less distributions from net investment income .	(0.78)	(0.67)	(0.74)	(0.72)	(0.84)	(1.02)
Net asset value, end of period	\$15.52	\$16.17	\$15.38	\$14.20	\$16.00	\$16.07
Total return ^c	0.76%	9.67%	14.02%	(7.05)%	4.62%	13.94%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.72%	0.72%	0.72%	0.71%	0.72%	0.72%
Expenses net of waiver and payments by affiliates ^e	0.70%	0.70%	0.69%	0.71% ^f	0.72%	0.72%
Net investment income	4.19%	3.97%	4.22%	4.22%	4.01%	4.82%
Supplemental data						
Net assets, end of period (000's)	\$4,732,266	\$5,041,498	\$5,088,556	\$4,907,599	\$6,022,804	\$6,188,045
Portfolio turnover rate	33.09%	20.96%	39.03%	31.53%	24.77%	21.71%

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

^bBased on average daily shares outstanding.

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

^dRatios are annualized for periods less than one year.

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

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

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Franklin Income VIP Fund (continued)

	Six Months Ended		Year Ended December 31,			
	June 30, 2018 (unaudited)	2017	2016	2015	2014	2013
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.53	\$15.71	\$14.49	\$16.31	\$16.36	\$15.32
Income from investment operations ^a :						
Net investment income ^b	0.33	0.62	0.61	0.65	0.66	0.75
Net realized and unrealized gains (losses) . . .	(0.21)	0.85	1.33	(1.76)	0.11	1.30
Total from investment operations	0.12	1.47	1.94	(1.11)	0.77	2.05
Less distributions from net investment income .	(0.76)	(0.65)	(0.72)	(0.71)	(0.82)	(1.01)
Net asset value, end of period	\$15.89	\$16.53	\$15.71	\$14.49	\$16.31	\$16.36
Total return ^c	0.72%	9.55%	13.87%	(7.15)%	4.52%	13.85%
Ratios to average net assets^d						
Expenses before waiver and payments by affiliates	0.82%	0.82%	0.82%	0.81%	0.82%	0.82%
Expenses net of waiver and payments by affiliates ^e	0.80%	0.80%	0.79%	0.81% ^f	0.82%	0.82%
Net investment income	4.09%	3.87%	4.12%	4.12%	3.91%	4.72%
Supplemental data						
Net assets, end of period (000's)	\$326,331	\$335,217	\$309,935	\$306,023	\$378,545	\$397,652
Portfolio turnover rate	33.09%	20.96%	39.03%	31.53%	24.77%	21.71%

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

^bBased on average daily shares outstanding.

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

^dRatios are annualized for periods less than one year.

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

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

Statement of Investments, June 30, 2018 (unaudited)
Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 39.0%			
Consumer Discretionary 1.9%			
Comcast Corp., A	United States	800,000	\$ 26,248,000
Ford Motor Co.	United States	3,138,995	34,748,675
Target Corp.	United States	650,000	49,478,000
			<u>110,474,675</u>
Consumer Staples 3.9%			
Anheuser-Busch InBev SA/NV, ADR	Belgium	512,500	51,639,500
The Coca-Cola Co.	United States	700,000	30,702,000
Nestle SA	Switzerland	400,000	31,058,158
PepsiCo Inc.	United States	384,000	41,806,080
Philip Morris International Inc.	United States	350,000	28,259,000
The Procter & Gamble Co.	United States	500,000	39,030,000
			<u>222,494,738</u>
Energy 5.7%			
^a Anadarko Petroleum Corp.	United States	400,000	29,300,000
Baker Hughes a GE Co., A	United States	725,000	23,946,750
BP PLC, ADR	United Kingdom	750,000	34,245,000
Chevron Corp.	United States	400,000	50,572,000
Exxon Mobil Corp.	United States	500,000	41,365,000
Occidental Petroleum Corp.	United States	286,000	23,932,480
Royal Dutch Shell PLC, A, ADR	United Kingdom	1,100,000	76,153,000
^b Talos Energy Inc.	United States	506,006	16,257,973
TransCanada Corp.	Canada	350,000	15,120,000
^b Weatherford International PLC	United States	143,200	471,128
The Williams Cos. Inc.	United States	500,000	13,555,000
			<u>324,918,331</u>
Financials 5.7%			
Bank of America Corp.	United States	1,000,000	28,190,000
HSBC Holdings PLC	United Kingdom	3,500,000	32,849,263
JPMorgan Chase & Co.	United States	600,000	62,520,000
MetLife Inc.	United States	1,095,108	47,746,709
U.S. Bancorp.	United States	700,000	35,014,000
Wells Fargo & Co.	United States	2,200,000	121,968,000
			<u>328,287,972</u>
Health Care 5.1%			
AstraZeneca PLC	United Kingdom	900,000	62,434,003
Eli Lilly & Co.	United States	300,000	25,599,000
Johnson & Johnson	United States	230,000	27,908,200
^a Medtronic PLC	United States	525,000	44,945,250
Merck & Co. Inc.	United States	806,100	48,930,270
Pfizer Inc.	United States	2,238,975	81,230,013
Sanofi, ADR	France	89,292	3,572,573
			<u>294,619,309</u>
Industrials 2.5%			
3M Co.	United States	125,000	24,590,000
^{b,c} CEVA Logistics AG	Switzerland	283,295	6,378,320
Cummins Inc.	United States	200,000	26,600,000
General Electric Co.	United States	6,500,000	88,465,000
			<u>146,033,320</u>

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

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Information Technology 2.1%			
Analog Devices Inc.	United States	150,000	\$ 14,388,000
Apple Inc.	United States	153,317	28,380,510
Applied Materials Inc.	United States	286,000	13,210,340
Microsoft Corp.	United States	632,500	62,370,825
			118,349,675
Materials 3.5%			
BASF SE	Germany	700,000	66,989,684
DowDuPont Inc.	United States	1,000,000	65,920,000
Rio Tinto PLC, ADR.	United Kingdom	1,250,000	69,350,000
			202,259,684
Real Estate 0.6%			
Host Hotels & Resorts Inc.	United States	1,500,000	31,605,000
Telecommunication Services 1.6%			
BCE Inc.	Canada	466,000	18,878,283
Verizon Communications Inc.	United States	1,475,000	74,207,250
			93,085,533
Utilities 6.4%			
Dominion Energy Inc.	United States	1,501,638	102,381,679
Duke Energy Corp.	United States	702,500	55,553,700
Sempra Energy	United States	720,000	83,599,200
The Southern Co.	United States	2,250,000	104,197,500
Xcel Energy Inc.	United States	500,000	22,840,000
			368,572,079
Total Common Stocks (Cost \$1,903,937,850)			2,240,700,316
^dEquity-Linked Securities 6.8%			
Consumer Discretionary 2.0%			
^e Merrill Lynch International & Co. CV into General Motor Co., 8.00%, 144A	United States	1,425,000	58,006,287
^e Wells Fargo Bank National Assn. into Ford Motor Co., 8.50%, 144A	United States	2,500,000	28,463,517
^e Wells Fargo Bank National Assn. into Target Corp., 8.00%, 144A	United States	400,000	31,064,579
			117,534,383
Energy 0.7%			
^e UBS AG London into Halliburton Co., 7.00%, 144A	United States	840,000	39,402,742
Industrials 1.1%			
^e Deutsche Bank AG/London into Union Pacific Corp., 6.50%, 144A	United States	450,000	64,579,691
Information Technology 3.0%			
^e Citigroup Global Markets Holdings Inc. into Texas Instruments Inc., 7.00%, 144A	United States	520,000	58,197,667
^e Royal Bank of Canada into Apple Inc., 6.50%, 144A	United States	310,000	57,241,258
^e Wells Fargo Bank National Assn. into Intel Corp., 8.00%, 144A	United States	1,100,000	56,551,379
			171,990,304
Total Equity-Linked Securities (Cost \$410,123,900)			393,507,120
Convertible Preferred Stocks 1.8%			
Financials 1.2%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	34,600	43,267,300
^b FNMA, 5.375%, cvt. pfd.	United States	475	9,262,500
Wells Fargo & Co., 7.50%, cvt. pfd., L	United States	12,400	15,617,304
			68,147,104

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

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Utilities 0.6%			
NextEra Energy Inc., 6.371%, cvt. pfd.	United States	500,000	\$ 37,162,500
Total Convertible Preferred Stocks (Cost \$97,872,788)			<u>105,309,604</u>
		<u>Units</u>	
^fIndex-Linked Notes (Cost \$14,054,540) 0.3%			
Financials 0.3%			
^{e,g} Morgan Stanley Finance LLC, senior note, 144A, 5.62%, 10/03/19	United States	106,000	<u>14,320,600</u>
		<u>Principal Amount*</u>	
Convertible Bonds 1.1%			
Energy 0.6%			
Chesapeake Energy Corp., cvt., senior note, 5.50%, 9/15/26	United States	10,000,000	10,190,800
Weatherford International Ltd., cvt., senior note, 5.875%, 7/01/21	United States	22,000,000	<u>21,705,860</u>
			<u>31,896,660</u>
Health Care 0.5%			
^e Bayer Capital Corp BV, cvt., junior sub. note, 144A, 5.625%, 11/22/19	Germany	25,000,000 EUR	<u>31,196,698</u>
Total Convertible Bonds (Cost \$58,017,168)			<u>63,093,358</u>
Corporate Bonds 36.1%			
Consumer Discretionary 4.3%			
^e 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	6,300,000	6,285,006
AMC Entertainment Holdings Inc., senior sub. note, 5.875%, 11/15/26	United States	10,000,000	9,650,000
CCO Holdings LLC/CCO Holdings Capital Corp.,			
senior bond, 5.125%, 2/15/23	United States	10,000,000	9,921,900
senior bond, 5.75%, 1/15/24	United States	9,000,000	9,045,000
^e senior bond, 144A, 5.50%, 5/01/26	United States	10,000,000	9,722,000
^e senior bond, 144A, 5.00%, 2/01/28	United States	5,000,000	4,600,000
DISH DBS Corp.,			
senior bond, 5.875%, 7/15/22	United States	40,000,000	37,750,000
senior bond, 5.00%, 3/15/23	United States	35,000,000	30,493,750
senior note, 5.875%, 11/15/24	United States	9,400,000	7,990,000
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23	United Kingdom	9,300,000	9,385,560
Ford Motor Co., senior note, 4.346%, 12/08/26	United States	4,300,000	4,211,180
General Motors Co., senior bond, 5.15%, 4/01/38	United States	16,000,000	15,273,649
^h iHeartCommunications Inc., senior secured note, first lien, 9.00%, 12/15/19	United States	16,600,000	12,657,500
KB Home, senior bond, 7.50%, 9/15/22	United States	3,400,000	3,683,186
^e Shea Homes LP/Shea Homes Funding Corp.,			
senior bond, 144A, 6.125%, 4/01/25	United States	8,000,000	8,000,000
senior note, 144A, 5.875%, 4/01/23	United States	5,000,000	5,031,250
^e Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	7,500,000	7,659,375
^{e,i} Tesla Inc., senior note, 144A, 5.30%, 8/15/25	United States	10,000,000	8,937,500
^e Univision Communications Inc.,			
senior secured note, first lien, 144A, 5.125%, 5/15/23	United States	15,000,000	14,437,500
senior secured note, first lien, 144A, 5.125%, 2/15/25	United States	7,140,000	6,613,425

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Discretionary (continued)			
^e Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	7,000,000	\$ 6,825,000
^e Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	13,200,000	13,002,000
senior bond, 144A, 5.25%, 5/15/27	United States	9,200,000	8,613,500
			<u>249,788,281</u>
Consumer Staples 0.7%			
^e BAT Capital Corp., senior note, 144A, 3.557%, 8/15/27	United Kingdom	20,000,000	18,647,700
^e JBS USA LLC/Finance Inc., senior note, 144A, 7.25%, 6/01/21	United States	10,900,000	11,063,500
Kraft Heinz Foods Co., senior bond, 4.625%, 1/30/29.	United States	13,000,000	12,880,793
			<u>42,591,993</u>
Energy 7.6%			
^e Ascent Resources Utica Holdings LLC/ARU Finance Corp., senior note, 144A, 10.00%, 4/01/22	United States	25,000,000	27,625,000
Bill Barrett Corp., senior bond, 7.00%, 10/15/22.	United States	17,937,000	18,026,685
senior note, 8.75%, 6/15/25	United States	23,400,000	25,155,000
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 6.50%, 4/15/21	United States	30,000,000	30,000,000
Chesapeake Energy Corp., ^e secured note, second lien, 144A, 8.00%, 12/15/22	United States	29,388,000	30,958,789
senior bond, 6.125%, 2/15/21.	United States	16,000,000	16,280,000
ⁱ senior bond, 8.00%, 6/15/27	United States	26,000,000	26,520,000
senior note, 5.375%, 6/15/21	United States	12,875,000	12,681,875
senior note, 4.875%, 4/15/22	United States	5,000,000	4,825,000
senior note, 5.75%, 3/15/23	United States	5,000,000	4,750,000
ⁱ senior note, 8.00%, 1/15/25	United States	31,500,000	32,159,925
^j senior note, FRN, 5.598%, (3-month USD LIBOR + 3.25%), 4/15/19	United States	9,800,000	9,800,000
Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.50%, 5/01/21	United States	9,500,000	8,763,750
senior note, 6.75%, 6/15/23	United States	5,000,000	4,387,500
Kinder Morgan Inc., senior bond, 7.75%, 1/15/32.	United States	22,000,000	26,875,071
^e senior secured bond, first lien, 144A, 5.625%, 11/15/23.	United States	6,400,000	6,814,836
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	27,000,000	23,152,500
^e Talos Production LLC/Talos Production Finance Inc., senior note, second lien, 144A, 11.00%, 4/03/22.	United States	6,452,837	6,791,611
^{e,k} W&T Offshore Inc., secured note, second lien, 144A, PIK, 9.00%, 5/15/20.	United States	11,249,933	11,278,058
senior secured note, third lien, 144A, PIK, 10.00%, 6/15/21	United States	10,192,610	9,678,327
Weatherford International Ltd., senior note, 5.125%, 9/15/20	United States	17,500,000	17,675,000
senior note, 7.75%, 6/15/21	United States	31,000,000	32,007,500
senior note, 4.50%, 4/15/22	United States	11,900,000	10,982,272
senior note, 8.25%, 6/15/23	United States	37,500,000	37,297,125
			<u>434,485,824</u>

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Financials 4.0%			
Bank of America Corp.,			
^l junior sub. bond, AA, 6.10% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	\$ 8,325,200
^l junior sub. bond, U, 5.20% to 6/01/23, FRN thereafter, Perpetual	United States	5,300,000	5,233,750
^l junior sub. bond, X, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	6,277,500
senior bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28	United States	18,500,000	17,434,803
Capital One Financial Corp., senior sub. note, 4.20%, 10/29/25	United States	15,500,000	15,071,761
Citigroup Inc.,			
^l junior sub. bond, 5.35% to 5/15/23, FRN thereafter, Perpetual	United States	10,000,000	9,887,000
^l junior sub. bond, 5.90% to 2/15/23, FRN thereafter, Perpetual	United States	12,500,000	12,750,000
^l junior sub. bond, 5.95% to 1/30/23, FRN thereafter, Perpetual	United States	4,500,000	4,584,375
^l junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	15,800,000	16,055,328
^l junior sub. bond, O, 5.875% to 3/27/20, FRN thereafter, Perpetual	United States	25,000,000	25,640,000
^l junior sub. bond, Q, 5.95% to 8/15/20, FRN thereafter, Perpetual	United States	10,000,000	10,318,750
sub. bond, 4.125%, 7/25/28	United States	18,500,000	17,726,013
^l The Goldman Sachs Group Inc., senior note, FRN, 3.272%, (3-month USD LIBOR + 1.201%), 9/29/25	United States	15,500,000	14,737,486
^l JPMorgan Chase & Co.,			
^l junior sub. bond, FRN, 5.829%, (3-month USD LIBOR + 3.47%), Perpetual .	United States	40,000,000	40,432,000
junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	3,200,000	3,276,000
junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	10,000,000	10,062,500
^l Morgan Stanley, junior sub. bond, 5.55% to 7/15/20, FRN thereafter, Perpetual . .	United States	7,300,000	7,533,235
^l Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter, Perpetual	United States	6,600,000	6,630,030
			231,975,731
Health Care 11.2%			
Allergan Funding SCS, senior bond, 3.80%, 3/15/25	United States	17,000,000	16,527,045
^e Bausch Health Cos. Inc.,			
senior bond, 144A, 6.125%, 4/15/25	United States	9,400,000	8,695,000
senior note, 144A, 5.875%, 5/15/23	United States	12,500,000	11,789,062
senior note, 144A, 9.00%, 12/15/25	United States	5,000,000	5,206,250
senior note, first lien, 144A, 7.00%, 3/15/24	United States	4,500,000	4,723,605
senior secured note, first lien, 144A, 6.50%, 3/15/22	United States	3,000,000	3,116,250
senior secured note, first lien, 144A, 5.50%, 11/01/25	United States	35,000,000	34,623,750
^e Bayer US Finance II LLC, senior note, 144A, 4.25%, 12/15/25	Germany	15,000,000	15,106,050
CHS/Community Health Systems Inc.,			
senior note, 6.875%, 2/01/22	United States	104,415,000	53,773,725
^e senior note, 144A, 11.00%, 6/30/23	United States	104,896,000	94,799,760
^e senior note, 144A, 8.125%, 6/30/24	United States	46,688,000	38,809,400
senior secured note, 5.125%, 8/01/21	United States	2,000,000	1,860,000
senior secured note, first lien, 6.25%, 3/31/23	United States	39,000,000	35,880,000
CVS Health Corp.,			
senior bond, 4.30%, 3/25/28	United States	8,000,000	7,903,682
senior bond, 5.05%, 3/25/48	United States	3,900,000	3,954,064
senior note, 4.10%, 3/25/25	United States	5,100,000	5,079,446
DaVita Inc.,			
senior bond, 5.125%, 7/15/24	United States	5,000,000	4,859,375
senior bond, 5.00%, 5/01/25	United States	4,000,000	3,775,000
^e Endo DAC/Endo Finance LLC/Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25	United States	10,000,000	7,850,000
senior note, 144A, 6.00%, 7/15/23	United States	15,000,000	12,412,500

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Health Care (continued)			
^e Endo Finance LLC, senior note, 144A, 5.75%, 1/15/22	United States	22,500,000	\$ 20,250,000
HCA Inc.,			
senior bond, 5.875%, 5/01/23	United States	7,500,000	7,800,000
senior note, 7.50%, 2/15/22	United States	25,000,000	27,250,000
senior secured note, first lien, 5.00%, 3/15/24	United States	10,400,000	10,426,000
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	9,000,000	9,101,250
ⁱ Mallinckrodt International Finance SA, senior bond, 4.75%, 4/15/23	United States	5,000,000	4,212,500
^e Mallinckrodt International Finance SA/Mallinckrodt CB LLC,			
senior note, 144A, 4.875%, 4/15/20	United States	20,200,000	19,947,500
senior note, 144A, 5.75%, 8/01/22	United States	27,000,000	24,435,000
senior note, 144A, 5.625%, 10/15/23	United States	14,300,000	11,990,550
senior note, 144A, 5.50%, 4/15/25	United States	10,000,000	8,050,000
Mylan NV, senior note, 3.95%, 6/15/26	United States	13,600,000	13,027,032
Tenet Healthcare Corp.,			
^e secured note, second lien, 144A, 5.125%, 5/01/25	United States	2,500,000	2,385,937
senior note, 8.125%, 4/01/22	United States	52,600,000	55,098,500
senior note, 6.75%, 6/15/23	United States	58,200,000	58,127,250
			<u>642,845,483</u>
Industrials 0.9%			
^{e,k} CEVA Group PLC, senior secured note, first lien, 144A, PIK, 9.00%, 9/01/20	United Kingdom	13,428,791	13,914,317
^e Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 8/01/24	United States	4,400,000	4,741,000
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	1,800,000	1,836,000
^e West Corp., senior note, 144A, 8.50%, 10/15/25	United States	11,000,000	10,092,500
^e XPO Logistics Inc., senior note, 144A, 6.50%, 6/15/22	United States	19,580,000	20,142,925
			<u>50,726,742</u>
Information Technology 1.6%			
^e CommScope Inc., senior bond, 144A, 5.50%, 6/15/24	United States	10,000,000	10,087,500
^e Dell International LLC/EMC Corp.,			
senior secured note, first lien, 144A, 4.42%, 6/15/21	United States	12,500,000	12,685,881
senior secured note, first lien, 144A, 5.45%, 6/15/23	United States	21,100,000	22,090,281
^e First Data Corp.,			
secured note, second lien, 144A, 5.75%, 1/15/24	United States	5,000,000	5,015,500
senior note, 144A, 7.00%, 12/01/23	United States	25,000,000	26,102,000
NCR Corp.,			
senior note, 5.00%, 7/15/22	United States	5,500,000	5,472,500
senior note, 6.375%, 12/15/23	United States	7,000,000	7,271,250
			<u>88,724,912</u>
Materials 0.9%			
^e BWAY Holding Co.,			
secured note, 144A, 5.50%, 4/15/24	United States	10,000,000	9,775,000
senior note, 144A, 7.25%, 4/15/25	United States	23,000,000	22,482,500
^e Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24	Mexico	14,700,000	14,946,886
^e FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 5.125%, 5/15/24	Australia	6,700,000	6,534,577
			<u>53,738,963</u>
Real Estate 0.6%			
Equinix Inc., senior bond, 5.375%, 5/15/27	United States	16,500,000	16,500,000
Iron Mountain Inc., senior sub. bond, 5.75%, 8/15/24	United States	18,000,000	17,775,000
			<u>34,275,000</u>

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services 2.8%			
AT&T Inc., senior bond, 4.125%, 2/17/26	United States	12,000,000	\$ 11,748,615
^e SFR Group SA, senior note, first lien, 144A, 6.00%, 5/15/22	France	15,000,000	15,112,500
Sprint Capital Corp., senior note, 6.90%, 5/01/19	United States	13,500,000	13,806,450
Sprint Communications Inc.,			
senior bond, 11.50%, 11/15/21	United States	30,000,000	35,550,000
senior note, 7.00%, 8/15/20	United States	7,500,000	7,781,250
senior note, 6.00%, 11/15/22	United States	6,300,000	6,260,625
Sprint Corp.,			
senior bond, 7.875%, 9/15/23	United States	37,500,000	38,976,563
senior bond, 7.125%, 6/15/24	United States	8,200,000	8,299,138
senior note, 7.625%, 3/01/26	United States	8,000,000	8,170,000
^e Sprint Spectrum Co. LLC, senior secured bond, first lien, 144A, 5.152%, 9/20/29	United States	16,000,000	15,700,000
			<u>161,405,141</u>
Utilities 1.5%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	17,000,000	15,586,875
senior note, 5.375%, 1/15/23	United States	20,000,000	19,100,000
senior note, 5.50%, 2/01/24	United States	16,375,000	15,105,937
^e InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	6,400,000	6,368,000
Vistra Energy Corp.,			
senior note, 7.375%, 11/01/22	United States	20,000,000	20,950,000
senior note, 5.875%, 6/01/23	United States	8,000,000	8,270,000
			<u>85,380,812</u>
			<u>2,075,938,882</u>
Total Corporate Bonds (Cost \$2,073,326,759)			
^{j,m} Senior Floating Rate Interests 4.7%			
Consumer Discretionary 2.3%			
24 Hour Fitness Worldwide Inc., Term Loan, 5.594%, (1-month USD LIBOR + 3.50%), 3/31/25	United States	14,000,000	13,982,500
Academy Ltd., Initial Term Loan, 6.001% - 6.092%, (1-month USD LIBOR + 4.00%), 7/02/22	United States	1,571,092	1,313,826
Belk Inc., Closing Date Term Loan, 7.087%, (3-month USD LIBOR + 4.75%), 12/12/22	United States	24,404,557	18,950,139
BJ's Wholesale Club Inc.,			
ⁿ Second Lien Initial Term Loans, TBD, 3/24/25	United States	5,974,520	6,046,214
Tranche B Term Loans, 5.53%, (1-month USD LIBOR + 3.50%), 3/27/24 . . .	United States	10,826,489	10,838,669
^h iHeartCommunications Inc.,			
Tranche D Term Loan, 8.443%, (3-month USD LIBOR + 6.75%), 1/30/19 . . .	United States	45,864,664	35,103,667
Tranche E Term Loan, 9.193%, (3-month USD LIBOR + 7.50%), 7/30/19 . . .	United States	13,142,769	10,055,729
PetSmart Inc., Tranche B-2 Loans, 5.01%, (1-month USD LIBOR + 3.00%), 3/11/22	United States	18,500,000	15,340,848
ⁿ Stars Group Holdings BV Stars Group (US), Term Loan B, TBD, 7/10/25	United States	20,000,000	19,900,000
			<u>131,531,592</u>
Consumer Staples 0.3%			
Almonde Inc., Dollar Term Loan, 5.807%, (3-month USD LIBOR + 3.50%), 6/13/24	United States	14,887,500	14,647,439
Energy 0.2%			
W&T Offshore Inc., Second Lien Term Loan, 9.00%, 5/15/20	United States	11,000,000	11,041,250

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Senior Floating Rate Interests (continued)			
Health Care 0.4%			
Amneal Pharmaceuticals LLC, Initial Term Loans, 5.625%, (1-month USD LIBOR + 3.50%), 5/04/25	United States	24,994,222	\$ 24,986,474
Industrials 0.8%			
CEVA Group PLC, Pre-Funded L/C, 6.50%, (3-month USD LIBOR + 5.50%), 3/19/21	United Kingdom	4,069,545	4,068,447
CEVA Intercompany BV, Dutch BV Term Loan, 7.859%, (3-month USD LIBOR + 5.50%), 3/19/21	United Kingdom	1,657,455	1,657,007
CEVA Logistics Canada ULC, Canadian Term Loan, 7.859%, (3-month USD LIBOR + 5.50%), 3/19/21	Canada	847,085	846,856
CEVA Logistics U.S. Holdings Inc., U.S. Term Loan, 7.859%, (3-month USD LIBOR + 5.50%), 3/19/21	United Kingdom	6,776,678	6,774,848
Commercial Barge Line Co., Initial Term Loan, 10.844%, (1-month USD LIBOR + 8.75%), 11/12/20	United States	8,875,000	6,213,876
Vertiv Group Corp., Term B Loans, 6.001%, (1-month USD LIBOR + 4.00%), 11/30/23	United States	8,574,569	8,494,182
West Corp., Term B Loans, 6.094%, (1-month USD LIBOR + 4.00%), 10/10/24	United States	17,549,481	17,513,434
			<u>45,568,650</u>
Information Technology 0.2%			
MH Sub I LLC & Micro Holding Corp., Amendment No. 2 Initial Term Loan, 5.835%, (1-month USD LIBOR + 3.75%), 9/15/24	United States	8,942,450	8,951,795
Second Lien Initial Term Loan, 9.585%, (1-month USD LIBOR + 7.50%), 9/15/25	United States	5,000,000	5,037,500
			<u>13,989,295</u>
Telecommunication Services 0.3%			
Securus Technologies Holdings Inc., ^{n,o} Delayed Draw Term Loan, TBD, 11/01/24	United States	8,800,000	8,729,600
^o Initial Term Loan B, 6.594%, (1-month USD LIBOR + 4.50%), 11/01/24	United States	2,194,486	2,213,231
Second Lien Initial Loan, 10.344%, (1-month USD LIBOR + 8.25%), 11/01/25	United States	6,000,000	6,043,128
			<u>16,985,959</u>
Utilities 0.2%			
Talen Energy Supply LLC, Initial Term Loan, 6.094%, (1-month USD LIBOR + 4.00%), 4/13/24	United States	7,876,000	7,912,096
Term B-1 Loans, 6.094%, (1-month USD LIBOR + 4.00%), 7/15/23	United States	5,925,000	5,960,550
			<u>13,872,646</u>
Total Senior Floating Rate Interests (Cost \$288,024,815)			<u>272,623,305</u>
U.S. Government and Agency Securities 6.5%			
U.S. Treasury Note, 1.00%, 6/30/19	United States	50,000,000	49,336,914
2.25%, 3/31/20	United States	50,000,000	49,777,344
2.50%, 5/31/20	United States	75,000,000	74,969,238
2.50%, 6/30/20	United States	50,000,000	49,973,633
2.375%, 3/15/21	United States	50,000,000	49,698,242
2.75%, 4/30/23	United States	25,000,000	25,019,531
2.75%, 5/31/23	United States	50,000,000	50,050,781

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

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
U.S. Government and Agency Securities (continued)			
U.S. Treasury Note, (continued)			
2.875%, 5/31/25	United States	25,000,000	\$ 25,094,239
Total U.S. Government and Agency Securities (Cost \$373,807,576)			<u>373,919,922</u>
		<u>Shares</u>	
Escrows and Litigation Trusts (Cost \$62,603) 0.0%			
^{b,c} Motors Liquidation Co., Escrow Account, cvt. pfd., C	United States	1,400,000	—
Total Investments before Short Term Investments (Cost \$5,219,227,999)			<u>5,539,413,107</u>
Short Term Investments 4.7%			
Money Market Funds (Cost \$266,334,565) 4.6%			
^{p,q} Institutional Fiduciary Trust Money Market Portfolio, 1.51%	United States	266,334,565	<u>266,334,565</u>
Investments from Cash Collateral Received for Loaned Securities 0.1%			
Money Market Funds (Cost \$3,083,000) 0.1%			
^{p,q} Institutional Fiduciary Trust Money Market Portfolio, 1.51%	United States	3,083,000	<u>3,083,000</u>
		<u>Principal Amount*</u>	
Repurchase Agreement (Cost \$667,177) 0.0%†			
^s Joint Repurchase Agreement, 2.10%, 7/02/18 (Maturity Value \$667,294)			
J.P. Morgan Securities LLC			
Collateralized by U.S. Treasury Bond, Index Linked, 0.125%, 7/15/22; and			
U.S. Treasury Note, Index Linked, 0.125% - 1.875%, 7/15/19 - 1/15/22			
(valued at \$680,522)	United States	667,177	<u>667,177</u>
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$3,750,177)			<u>3,750,177</u>
Total Investments (Cost \$5,489,312,741) 101.0%			5,809,497,849
Options Written (0.0)%†			(1,315,000)
Other Assets, less Liabilities (1.0)%			<u>(54,062,172)</u>
Net Assets 100.0%			<u>\$5,754,120,677</u>
	<u>Number of</u> <u>Contracts</u>	<u>Notional</u> <u>Amount*</u>	
† Options Written (0.0)%†			
Calls - Exchange-Traded			
Anadarko Petroleum Corp., August Strike Price \$75, Expires 8/17/18	4,000	400,000	(1,140,000)
Medtronic PLC, August Strike Price \$90, Expires 8/17/18	3,500	350,000	<u>(175,000)</u>
Total Options Written (Premiums received \$921,113)			<u>\$ (1,315,000)</u>

Franklin Income VIP Fund (continued)

See Abbreviations on page FI-31.

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

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

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

^bNon-income producing.

^cFair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

^dSee Note 1(g) regarding equity-linked securities.

^eSecurity 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. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At June 30, 2018, the aggregate value of these securities was \$1,201,590,776, representing 20.7% of net assets.

^fSee Note 1(f) regarding index-linked notes.

^gSecurity pays a fixed 2.00% coupon rate and a variable coupon based on the distribution of the Morgan Stanley Custom Enhanced SPX B DT Index 20 Delta. The coupon rate shown represents the combined rate at period end. Cash payment at maturity or upon early redemption is based on the performance of the Morgan Stanley Custom Enhanced SPX B Index 20 Delta.

^hSee Note 7 regarding defaulted securities.

ⁱA portion or all of the security is on loan at June 30, 2018. See Note 1(h).

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

^kIncome may be received in additional securities and/or cash.

^lPerpetual security with no stated maturity date.

^mSee Note 1(i) regarding senior floating rate interests.

ⁿA portion or all of the security represents an unsettled loan commitment. The coupon rate is to-be determined (TBD) at the time of settlement and will be based upon a reference index/floor plus a spread.

^oA portion or all of the security purchased on a delayed delivery basis. See Note 1(d).

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

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

^rSee Note 1(h) regarding securities on loan.

^sSee Note 1(c) regarding repurchase agreement.

^tSee Note 1(e) regarding written options.

Financial Statements

Statement of Assets and Liabilities

June 30, 2018 (unaudited)

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$5,219,227,999
Cost - Non-controlled affiliates (Note 3e)	269,417,565
Cost - Unaffiliated repurchase agreements	667,177
Value - Unaffiliated issuers +	\$5,539,413,107
Value - Non-controlled affiliates (Note 3e)	269,417,565
Value - Unaffiliated repurchase agreements	667,177
Cash	931,334
Receivables:	
Investment securities sold	9,605,399
Capital shares sold	499,499
Dividends and interest	39,937,486
Other assets	3,971
Total assets	<u>5,860,475,538</u>
Liabilities:	
Payables:	
Investment securities purchased	92,138,885
Capital shares redeemed	4,453,848
Management fees	2,063,817
Distribution fees	2,188,293
Options written, at value (premiums received \$921,113)	1,315,000
Payable upon return of securities loaned	3,750,177
Accrued expenses and other liabilities	444,841
Total liabilities	<u>106,354,861</u>
Net assets, at value	<u>\$5,754,120,677</u>
Net assets consist of:	
Paid-in capital	\$5,273,711,114
Undistributed net investment income	116,130,050
Net unrealized appreciation (depreciation)	319,712,384
Accumulated net realized gain (loss)	44,567,129
Net assets, at value	<u>\$5,754,120,677</u>
Class 1:	
Net assets, at value	\$ 695,523,134
Shares outstanding	43,335,394
Net asset value and maximum offering price per share	<u>\$16.05</u>
Class 2:	
Net assets, at value	\$4,732,266,474
Shares outstanding	304,926,392
Net asset value and maximum offering price per share	<u>\$15.52</u>
Class 4:	
Net assets, at value	\$ 326,331,069
Shares outstanding	20,533,306
Net asset value and maximum offering price per share	<u>\$15.89</u>
*Includes securities loaned	\$ 3,626,882

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

for the six months ended June 30, 2018 (unaudited)

	Franklin Income VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ 53,873,761
Non-controlled affiliates (Note 3e)	1,833,368
Interest:	
Unaffiliated issuers	87,473,555
Income from securities loaned (net of fees and rebates)	42,790
Total investment income	<u>143,223,474</u>
Expenses:	
Management fees (Note 3a)	13,311,547
Distribution fees: (Note 3c)	
Class 2	6,028,792
Class 4	568,957
Custodian fees (Note 4)	33,600
Reports to shareholders	224,618
Professional fees	119,432
Trustees' fees and expenses	15,351
Other	<u>58,818</u>
Total expenses	20,361,115
Expense reductions (Note 4)	(21,306)
Expenses waived/paid by affiliates (Note 3e)	<u>(543,023)</u>
Net expenses	<u>19,796,786</u>
Net investment income	<u>123,426,688</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	276,372,576
Written options	2,929,564
Realized gain distributions from REITs	139,700
Foreign currency transactions	<u>(260,875)</u>
Net realized gain (loss)	<u>279,180,965</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(360,466,813)
Translation of other assets and liabilities	
denominated in foreign currencies	(120,478)
Written options	<u>182,007</u>
Net change in unrealized appreciation (depreciation)	<u>(360,405,284)</u>
Net realized and unrealized gain (loss)	<u>(81,224,319)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 42,202,369</u>

*Foreign taxes withheld on dividends \$ 1,913,416

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 123,426,688	\$ 246,080,825
Net realized gain (loss)	279,180,965	161,381,487
Net change in unrealized appreciation (depreciation)	(360,405,284)	162,933,235
Net increase (decrease) in net assets resulting from operations	42,202,369	570,395,547
Distributions to shareholders from:		
Net investment income:		
Class 1	(34,377,723)	(30,736,550)
Class 2	(227,495,537)	(212,433,443)
Class 4	(14,948,805)	(12,598,021)
Total distributions to shareholders	(276,822,065)	(255,768,014)
Capital share transactions: (Note 2)		
Class 1	(11,252,125)	1,111,670
Class 2	(115,690,591)	(307,051,941)
Class 4	3,819,375	8,458,865
Total capital share transactions	(123,123,341)	(297,481,406)
Net increase (decrease) in net assets	(357,743,037)	17,146,127
Net assets:		
Beginning of period	6,111,863,714	6,094,717,587
End of period	\$5,754,120,677	\$6,111,863,714
Undistributed net investment income included in net assets:		
End of period	\$ 116,130,050	\$ 269,525,427

Notes to Financial Statements (unaudited)

Franklin Income VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Income VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter

(OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC 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. The VC employs various methods for calibrating these

Franklin Income VIP Fund (continued)

valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

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

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will

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

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

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

c. Joint Repurchase Agreement

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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Joint Repurchase Agreement (continued)

default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on June 29, 2018.

d. Securities Purchased on a Delayed Delivery Basis

The Fund purchases securities on a delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

e. Derivative Financial Instruments

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

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

The Fund purchased or wrote exchange traded option contracts primarily to gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific

amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Note 8 regarding other derivative information.

f. Index-Linked Notes

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

g. Equity-Linked Securities

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

Franklin Income VIP Fund (continued)

h. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

i. Senior Floating Rate Interests

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

j. Income and Deferred Taxes

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

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 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.

k. 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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

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

expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

2. Shares of Beneficial Interest

At June 30, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	927,947	\$ 15,454,080	2,556,049	\$ 41,649,315
Shares issued in reinvestment of distributions	2,128,651	34,377,723	1,925,849	30,736,550
Shares redeemed	(3,694,865)	(61,083,928)	(4,368,760)	(71,274,195)
Net increase (decrease)	(638,267)	\$ (11,252,125)	113,138	\$ 1,111,670
Class 2 Shares:				
Shares sold	7,178,138	\$ 115,490,704	12,063,249	\$ 190,265,472
Shares issued in reinvestment of distributions	14,573,705	227,495,537	13,740,843	212,433,443
Shares redeemed	(28,622,492)	(458,676,832)	(44,928,166)	(709,750,856)
Net increase (decrease)	(6,870,649)	\$(115,690,591)	(19,124,074)	\$(307,051,941)

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.

l. 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.

m. Guarantees and Indemnifications

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

Franklin Income VIP Fund (continued)

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
Class 4 Shares:				
Shares sold	1,838,568	\$ 30,247,769	3,354,488	\$ 54,048,239
Shares issued in reinvestment of distributions	934,885	14,948,805	796,839	12,598,021
Shares redeemed	(2,514,552)	(41,377,199)	(3,605,896)	(58,187,395)
Net increase (decrease)	258,901	\$ 3,819,375	545,431	\$ 8,458,865

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. 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 period ended June 30, 2018, the annualized gross effective investment management fee rate was 0.454% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets of each class. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

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 period ended June 30, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 1.51%	352,824,455	1,257,337,756	(1,340,744,646)	269,417,565	\$269,417,565	\$1,833,368	\$ —	\$ —

f. Other Affiliated Transactions

At June 30, 2018, Franklin Templeton Variable Insurance Products Trust - Franklin Founding Funds Allocation VIP Fund owned 5.2% of the Fund's outstanding shares.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 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. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At December 31, 2017, the Fund had capital loss carryforwards of \$157,561,044 expiring in 2018 and short-term capital loss carryforwards of \$72,609,502 not subject to expiration.

At June 30, 2018, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$5,502,193,887</u>
Unrealized appreciation	\$ 589,884,591
Unrealized depreciation	<u>(283,895,629)</u>
Net unrealized appreciation (depreciation)	<u>\$ 305,988,962</u>

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

Franklin Income VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2018, aggregated \$1,846,237,811 and \$1,904,720,533, respectively.

At June 30, 2018, in connection with securities lending transactions, the Fund loaned corporate bonds and received \$3,750,177 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Credit Risk and Defaulted Securities

At June 30, 2018, the Fund had 35.7% of its portfolio invested in high yield, senior secured floating rate notes, 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.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At June 30, 2018, the aggregate value of these securities was \$57,816,896, representing 1.0% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified in the accompanying Statement of Investments.

8. Other Derivative Information

At June 30, 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
Equity contracts	Investments in securities, at value	\$ —	Options written, at value	\$1,315,000

For the period ended June 30, 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 Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity contracts	Investments	\$(1,532,000) ^a	Investments	\$1,147,000 ^a
	Written options	2,929,564	Written options	182,007
Totals		<u>\$ 1,397,564</u>		<u>\$1,329,007</u>

^aPurchased option contracts 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 period ended June 30, 2018, the average month end notional amount of options represented \$875,429.

See Note 1(e) regarding derivative financial instruments.

Franklin Income VIP Fund (continued)

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures 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.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended June 30, 2018, the Fund did not use the Global Credit Facility.

10. 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.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of June 30, 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				
Equity Investments: ^b				
Financials	\$ 387,172,576	\$ 9,262,500	\$ —	\$ 396,435,076
Industrials	139,655,000	—	6,378,320	146,033,320
All Other Equity Investments	1,803,541,524	—	—	1,803,541,524
Equity-Linked Securities	—	393,507,120	—	393,507,120
Index-Linked Notes	—	14,320,600	—	14,320,600
Convertible Bonds	—	63,093,358	—	63,093,358
Corporate Bonds	—	2,075,938,882	—	2,075,938,882
Senior Floating Rate Interests	—	272,623,305	—	272,623,305
U.S. Government and Agency Securities	—	373,919,922	—	373,919,922
Escrows and Litigation Trusts	—	—	— ^c	—
Short Term Investments	269,417,565	667,177	—	270,084,742
Total Investments in Securities	\$ 2,599,786,665	\$ 3,203,332,864	\$ 6,378,320	\$ 5,809,497,849

Franklin Income VIP Fund (continued)

	Level 1	Level 2	Level 3	Total
Liabilities:				
Other Financial Instruments:				
Options Written	\$ 1,315,000	\$ —	\$ —	\$ 1,315,000

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

^bIncludes common and convertible preferred stocks.

^cIncludes securities determined to have no value at June 30, 2018.

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

11. New Accounting Pronouncements

In March 2017, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2017-08, Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in the ASU shorten the amortization period for certain callable debt securities acquired at a premium, to be amortized to the earliest call date. The ASU does not require an accounting change for securities acquired at a discount, which continues to be amortized to maturity. The ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

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.

Abbreviations

Currency	Selected Portfolio
EUR Euro	ADR American Depositary Receipt
USD United States Dollar	FNMA Federal National Mortgage Association
	FRN Floating Rate Note
	L/C Letter of Credit
	LIBOR London InterBank Offered Rate
	PIK Payment-In-Kind

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Index Descriptions

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

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

Bloomberg Barclays US Aggregate Bond Index is a market capitalization-weighted index representing the US 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 US Government Index: Intermediate Component is the intermediate component of the Barclays US Government Index, which includes public obligations of the US Treasury with at least one year to final maturity and publicly issued debt of US government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the US 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 US and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/18, there were 331 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 six-month period ended 6/30/18, 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 US Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General US Government Funds classification in the Lipper VIP underlying funds universe. Lipper General US Government Funds invest primarily in US government and agency issues. For the six-month period ended 6/30/18, there were 57 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 US) and 23 emerging markets countries. The index covers approximately 85% of the global equity opportunity set outside the US.

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 US 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.

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

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

At an in-person meeting held on April 17, 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 the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Mid-Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreements between FAI and each of Franklin Advisory Services, LLC and K2/D&S Management Co., LLC (each a Sub-Adviser), affiliates of FAI, on behalf of Franklin VolSmart Allocation VIP Fund; (iii) the investment management agreement between Franklin Templeton Institutional, LLC (FTIL) and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (iv) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund and Franklin

Mutual Shares VIP Fund; (v) the investment management agreement between Franklin Advisory Services, LLC (FAS) and the Trust, on behalf of Franklin Small Cap Value VIP Fund; (vi) the investment management agreement between Templeton Asset Management Ltd. (TAML) and the Trust, on behalf of Templeton Developing Markets VIP Fund; (vii) the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of Templeton Foreign VIP Fund; and (viii) the investment management agreement between Templeton Global Advisors Limited (TGAL) and the Trust, on behalf of Templeton Growth VIP Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. FAI, FTIL, FMA, FAS, TAML, TICL, TGAL and the Sub-Advisers are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreement are

fair and reasonable and that the continuance of such Management Agreement is in the interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses, shareholder services, marketing support payments made to financial intermediaries and third party servicing arrangements; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to U.S. funds and other accounts, including management's explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton Investments (FTI) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements in response to a guidance update in 2016 from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management's commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FTI organization.

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

Fund Performance

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2018. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

Franklin Flex Cap Growth VIP Fund - The Performance Universe for this Fund included the Fund and all multi-cap growth funds underlying variable insurance products (VIPs). The Board noted that the Fund's annualized total return for the one-year period was above the median of its Performance Universe, but for the three-, five- and 10-year periods was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory, noting the Fund's second quintile, one-year period performance of 33.96%. The Board also noted the actions management has taken in an effort to address the Fund's performance, including changes to the Fund's portfolio management team and enhancements to the team's security selection process.

Franklin Global Real Estate VIP Fund - The Performance Universe for this Fund included the Fund and all global real estate funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but for the three- and five-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return for the one-year period, while below the median, exceeded 10.3%.

Franklin Growth and Income VIP Fund - The Performance Universe for this Fund included the Fund and all equity income funds underlying VIPs. The Board noted that the Fund's annualized income return and annualized total return for the

one-, three-, five- and 10-year periods were above the medians of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin Income VIP Fund and Franklin Strategic Income VIP Fund - The Performance Universe for the Franklin Income VIP Fund included the Fund and all mixed-asset target allocation moderate funds underlying VIPs. The Performance Universe for the Franklin Strategic Income VIP Fund included the Fund and all general bond funds underlying VIPs. The Board noted that the Funds' annualized income returns for the one-, three-, five- and 10-year periods were above the medians of their respective Performance Universes. The Board also noted that the Funds' annualized total returns for the one-, three- and five-year periods were below the medians of their respective Performance Universes, but for the 10-year period were above the medians of their respective Performance Universes. Given the Funds' income-oriented investment objectives, the Board concluded that the Funds' performance was satisfactory.

Franklin Large Cap Growth VIP Fund - The Performance Universe for this Fund included the Fund and all multi-cap growth funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe, but for the five- and 10-year periods was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory. In doing so, the Board noted that the Fund's annualized total return for the one-year period exceeded 32% and the annualized total return for the five- and 10-year periods, while below the median, exceeded 14.9% and 8.9%, respectively.

Franklin Mutual Global Discovery VIP Fund - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one- and three-year periods was below the median of its Performance Universe, but for the five- and 10-year periods was above the median and in the first quintile (the best) of its Performance Universe. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted that the Fund's annualized total return for the one- and three-year periods, while below the median, exceeded 11.0% and 7.7%, respectively.

Franklin Mutual Shares VIP Fund and Franklin Small-Mid Cap Growth VIP Fund - The Performance Universe for the Franklin Mutual Shares VIP Fund included the Fund and all large-cap value funds underlying VIPs. The Performance

Universe for the Franklin Small-Mid Cap Growth VIP Fund included the Fund and all mid-cap growth funds underlying VIPs. The Board noted that the Funds' annualized total returns for the one-, three-, five- and 10-year periods were below the medians of their respective Performance Universes. The Board discussed the Funds' performance with management. The Board noted management's explanation that the Franklin Mutual Shares VIP Fund's overweight exposure to U.S. based insurance companies, pharmaceutical stocks, and media stocks detracted from Fund performance. Management further explained that it remains consistent in its disciplined bottom-up investment approach focused on identifying and investing in companies that are trading at a significant discount to their intrinsic value. The Board also noted management's explanation that the Franklin Small-Mid Cap Growth VIP Fund's positioning in the healthcare, consumer discretionary, and industrial sectors was a primary detractor from relative performance over the one-, three-, and five-year periods. The Board further noted management's explanation that it has reduced the Fund's exposure to stock selection risk in those industries and had made changes to the portfolio management team in 2017. The Board also noted management's report that, since January 31, 2018, the Fund has recovered approximately 150 basis points in relative performance for the one-year period and is approximately even with the index and peer average, year-to-date. The Board further noted that the annualized total returns for the one-year period, while below the median, exceeded 11.1% for the Franklin Mutual Shares VIP Fund and 22.4% for the Franklin Small-Mid Cap Growth VIP Fund.

Franklin Rising Dividends VIP Fund and Templeton Developing Markets VIP Fund - The Performance Universe for the Franklin Rising Dividends VIP Fund included the Fund and all multi-cap core funds underlying VIPs. The Performance Universe for the Templeton Developing Markets VIP Fund included the Fund and all emerging markets funds underlying VIPs. The Board noted that the Funds' annualized total returns for the one-, three- and 10-year periods were above the medians of their respective Performance Universes, but for the five-year period were below the medians of their respective Performance Universes. The Board concluded that the Funds' performance was satisfactory. In doing so, the Board noted that the annualized total returns for the one-year period exceeded 24.8% for the Franklin Rising Dividends VIP Fund and 41.4% for the Templeton Developing Markets VIP Fund.

Franklin Small Cap Value VIP Fund - The Performance Universe for this Fund included the Fund and all small-cap value funds underlying VIPs. The Board noted that the Fund's

annualized total return for the one-, three-, five- and 10-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Franklin U.S. Government Securities VIP Fund - The Performance Universe for this Fund included the Fund and all general U.S. government funds underlying VIPs. The Board noted that the Fund's annualized income return for the one-, three-, five- and 10-year periods was above the median and in the first quintile (the best) of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, five- and 10-year periods was slightly below the median of its Performance Universe, but for the three-year period was above the median and in the first quintile (the best) of its Performance Universe. The Board concluded that the Fund's performance was satisfactory given the Fund's income-oriented investment objective and the nature of the Fund's investments, which are primarily in U.S. mortgage-backed securities.

Franklin VolSmart Allocation VIP Fund - The Performance Universe for this Fund included the Fund and all flexible portfolio funds underlying VIPs. The Fund has been in operation for less than five years. The Board noted that the Fund's annualized total return for the one- and three-year periods was above the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory.

Templeton Foreign VIP Fund - The Performance Universe for this Fund included the Fund and all international multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for one-, three- and five-year periods was below the median of its Performance Universe, but for the 10-year period was above the median and in the first quintile (the best) of its Performance Universe. The Board discussed the Fund's performance with management and noted management's explanation that Fund positions in the health care, energy, materials and technology sectors detracted from Fund performance over the one-, three- and five-year periods. Management further explained that it was reviewing the relevant thesis underlying its research conclusions to ensure management's continued conviction that the Fund's portfolio holdings are undervalued. The Board concluded that the Fund's performance was acceptable. In doing so, the Board noted management's explanation and that the Fund's annualized total return for the one-year period, while below the median, exceeded 17.2%.

Templeton Global Bond VIP Fund - The Performance Universe for this Fund included the Fund and all global income funds underlying VIPs. The Board noted that the Fund's annualized

income return for the one-year period was below the median of its Performance Universe, but for the three-, five- and 10-year periods was above the median and in the first (the best) or second quintile of its Performance Universe. The Board also noted that the Fund's annualized total return for the one- and three-year periods was below the median of its Performance Universe, but for the five- and 10-year periods was above the median of its Performance Universe. Given the Fund's income-oriented investment objective, the Board concluded that the Fund's performance was satisfactory.

Templeton Growth VIP Fund - The Performance Universe for this Fund included the Fund and all global multi-cap value funds underlying VIPs. The Board noted that the Fund's annualized total return for the one-, three- and five-year periods was above the median and in the first (the best) or second quintile of its Performance Universe, but for the 10-year period was below the median of its Performance Universe. The Board concluded that the Fund's performance was satisfactory. In doing so, the Board noted that the Fund's annualized total return for the one-year period exceeded 22.1%.

Comparative Fees and Expenses

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

methodology used by Broadridge to select the mutual funds included in an Expense Group.

Franklin Flex Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, and Templeton Growth VIP Fund - The Expense Group for the Franklin Flex Cap Growth VIP Fund included the Fund and eight other multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Strategic Income VIP Fund included the Fund and eight other general bond funds underlying VIPs. The Expense Group for the Templeton Growth VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs and two global multi-cap growth funds underlying VIPs. The Board noted that the Management Rates for these Funds were slightly above the medians of their respective Expense Groups, but their actual total expense ratios were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. In doing so, the Board noted that the Franklin Flex Cap Growth Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Small-Mid Cap Growth VIP Fund - The Expense Group for the Fund included the Fund and eight other mid-cap growth funds underlying VIPs. The Board noted that the Management Rate and actual total expense ratio for the Fund were equal to the medians of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin Global Real Estate VIP Fund, Franklin Mutual Global Discovery VIP Fund, Franklin Mutual Shares VIP Fund, Templeton Developing Markets VIP Fund - The Expense Group for the Franklin Global Real Estate VIP Fund included the Fund and seven other global real estate funds underlying VIPs. The Expense Group for the Franklin Mutual Global Discovery VIP Fund included the Fund, one other global multi-cap value fund underlying VIPs, three global multi-cap core funds underlying VIPs and five global multi-cap growth funds underlying VIPs. The Expense Group for the Franklin Mutual Shares VIP Fund included the Fund and 10 other large-cap value funds underlying VIPs. The Expense Group for the Templeton Developing Markets VIP Fund included the Fund and eight other emerging markets funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were above the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. With respect to the Franklin Mutual Shares VIP Fund and the

Franklin Mutual Global Discovery VIP Fund, the Board noted management's explanation that the portfolio management team makes investments in distressed securities and merger arbitrage that are specialist in nature and therefore merit a higher Management Rate. With respect to the Franklin Global Real Estate VIP Fund, the Board noted management's explanation that the portfolio managers' rigorous fundamental analysis with the inclusion of more active risk controls merits a higher Management Rate. Finally, with respect to the Templeton Developing Markets VIP Fund, the Board noted management's agreement to reduce the Management Rate applicable to the Fund.

Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Cap Value VIP Fund, Franklin U.S. Government Securities VIP Fund, Templeton Foreign VIP Fund and Templeton Global Bond VIP Fund - The Expense Group for the Franklin Growth and Income VIP Fund included the Fund and seven other equity income funds underlying VIPs. The Expense Group for the Franklin Income VIP Fund included the Fund and seven other mixed-asset target allocation moderate funds underlying VIPs. The Expense Group for the Franklin Rising Dividends VIP Fund included the Fund and nine other multi-cap core funds underlying VIPs. The Expense Group for the Franklin Small Cap Value VIP Fund included the Fund and eight other small-cap value funds underlying VIPs. The Expense Group for the Franklin U.S. Government Securities VIP Fund included the Fund and nine other general U.S. government funds underlying VIPs. The Expense Group for the Templeton Foreign VIP Fund included the Fund, five other international multi-cap value funds underlying VIPs and four international multi-cap core funds underlying VIPs. The Expense Group for the Templeton Global Bond VIP Fund included the Fund and seven other global income funds underlying VIPs. The Board noted that the Management Rates and actual total expense ratios for these Funds were below the medians of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable. The Board also noted that the Franklin Growth and Income VIP Fund's actual total expense ratio reflected a fee waiver from management.

Franklin Large Cap Growth VIP Fund - The Expense Group for the Fund included the Fund and seven other multi-cap growth funds underlying VIPs. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group, but its actual total expense ratio was below the

median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable.

Franklin VolSmart Allocation VIP Fund – The Expense Group for the Fund included the Fund and four other flexible portfolio funds underlying VIPs. The Board noted the small size of the Expense Group. The Board also noted that the Management Rate for the Fund was below the median of its Expense Group and its actual total expense ratio was slightly above the median of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted that the Fund’s actual total expense ratio reflected a fee waiver from management and that the Sub-Advisers were paid by FAI out of the management fee FAI received from the Fund.

Profitability

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis provided by each Manager that addresses the overall profitability of FTI’s U.S. fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2017, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product related changes, the overall methodology has remained consistent with that used in the Funds’ profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to Franklin Resources, Inc. and certain Franklin Templeton funds, has been engaged by each Manager to periodically review and assess the allocation methodologies to be used solely by the Funds’ Board with respect to the profitability analysis.

The Board noted management’s belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management’s expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements.

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

Economies of Scale

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

Conclusion

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and

conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

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 US 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 US 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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Semiannual 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.