



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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Templeton Global Bond VIP Fund

This semiannual report for Templeton Global Bond VIP Fund covers the period ended June 30, 2018.

Class 2 Performance Summary as of June 30, 2018

The Fund's Class 2 Shares had a -0.73% 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 high current income, consistent with preservation of capital, with capital appreciation as a secondary consideration. Under normal market conditions, the Fund invests at least 80% of its net assets in bonds, which include debt securities of any maturity, such as bonds, notes, bills and debentures.

Fund Risks

All investments involve risks, including possible loss of principal. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities market. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

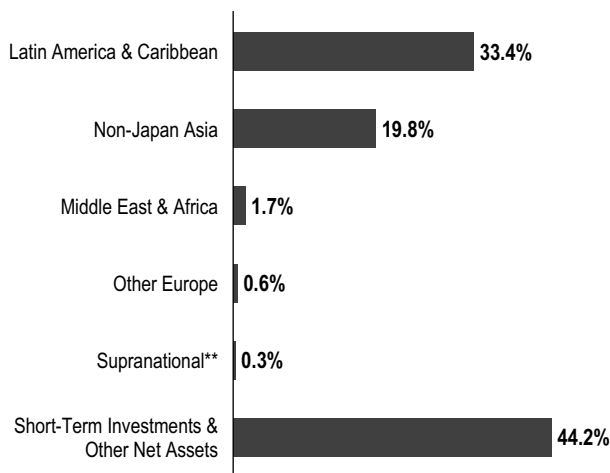
You can find the Fund's six-month total return in the Performance Summary. For comparison, the J.P. Morgan Global Government Bond Index had a -0.93% total return and the FTSE World Government Bond Index (WGBI), the new name for the Citigroup WGBI, had a -0.94% total return for the same period.¹

Economic and Market Overview

The six-month period began with sharply rising yields in the US and Europe as reflation sentiments appeared to return to markets. Deregulation efforts and tax cuts were anticipated to

Geographic Composition*

Based on Total Net Assets as of 6/30/18



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

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

add stimulus to an already strong US economy. The 10-year US Treasury yield rose 45 basis points (bps), finishing February at 2.86%. In Europe, the 10-year German bund yield rose 27 bps during January, reaching its peak yield for the period at 0.70% on February 2, its highest level since 2015. Markets appeared to initially anticipate upcoming rate adjustments from the European Central Bank (ECB) later in the year, but those expectations would diminish by the end of the period. Overall, the US dollar was broadly weaker against the euro and global currencies during the opening months of the period, but that trend would sharply reverse in April.

In February, Jerome Powell took over as US Federal Reserve (Fed) Chairman, replacing Janet Yellen. The Fed continued to unwind its balance sheet throughout the period, and raised the federal funds target rate 25 basis points twice; once in March and again in June. In Japan, Haruhiko Kuroda was reappointed to a second five-year term as Bank of Japan (BOJ) Governor, effectively extending the BOJ's current monetary accommodation indefinitely.

By March, the rising yield trends in the US and Europe stalled and moderately reversed. Protectionist trade activity from the US in the form of steel and aluminum tariffs, as well as sector-specific tariffs on China, appeared to amplify risk

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

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

aversion across global financial markets. Credit spreads widened across investment-grade and high yield credit tiers in the US and Europe during the month, ultimately widening even further by the end of June.

In April, US Treasury yields rose sharply and the US dollar strengthened broadly as deflation sentiments appeared to again return to financial markets. The 10-year US Treasury yield rose above 3.00% for the first time in more than four years, ultimately reaching 3.11% on May 17, its highest level since 2011. However, risk aversion returned to global bond markets in the second half of May, as political issues in Italy raised concerns over the euro and Italian debt ratios. Consequently, yields in Italy, Spain, and much of peripheral Europe rose sharply, while yields in Germany, France, and the US declined as investors shifted to what they perceived as less risky investments. Several Latin American countries also saw rising yields and depreciations of their exchange rates during May, as upcoming elections in Mexico and Brazil, as well as policy concerns in Argentina appeared to increase regional volatility.

In the second half of June, a return of tariff threats from the US reintroduced risk aversion, driving the 10-year US Treasury yield back to where it began the month at 2.86%. Overall, the 10-year US Treasury yield finished the period 45 bps higher. In Europe, ECB president Mario Draghi provided updated guidance on the ECB's monetary policy timeline at its June 14 meeting: The net asset purchase program will be reduced to €15 billion per month for October, November and December, and conclude at the end 2018. Draghi also indicated that rates would likely remain unchanged until at least the summer of 2019. The 10-year German bund correspondingly finished June four bps lower for the month at 0.30%, finishing the six-month period 13 bps lower than where it started.

On the whole, duration exposures in the US and in several parts of the world faced headwinds from rising rates during the period, with the exception of core European countries, which began the period with rising yields, but finished with sharply declining yields. Additionally, the US dollar started the period weaker before significantly strengthening against global currencies over the final three months. Avoiding US Treasury duration proved important to performance during the period, as did long exposure to the US dollar.

Investment Strategy

We invest selectively in bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure

Currency Composition*

6/30/18

	% of Total Net Assets
Americas	159.9%
U.S. Dollar	121.2%
Mexican Peso	19.8%
Brazilian Real	10.5%
Colombian Peso	4.2%
Argentine Peso	4.1%
Peruvian Nuevo Sol	0.1%
Middle East & Africa	1.7%
Ghanaian Cedi	1.7%
Australia & New Zealand	-7.9%
New Zealand Dollar	0.0%**
Australian Dollar	-7.9%
Asia Pacific	-13.6%
Indian Rupee	10.2%
Indonesian Rupiah	9.0%
Philippine Peso	1.6%
South Korean Won	0.0%**
Japanese Yen	-34.4%
Europe	-40.1%
Euro	-40.1%

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

**Rounds to less than 0.1%.

to various currencies and regularly utilize currency and cross currency forward contracts and may also use currency and currency index futures contracts and other derivative instruments.

What is a currency forward contract?

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

Manager's Discussion

On the whole, we continued to position our strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with US Treasury returns. We also

What is a futures contract?

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

continued to actively seek select duration exposures that we believe can offer positive real yields without taking undue interest-rate risk, favoring countries that have solid underlying fundamentals and prudent fiscal and monetary policies. We continued to prefer local-currency positions in specific countries that we believed to have resilient economies and relatively higher, maintainable rate differentials. During the period, we held notable local-currency duration exposures in Brazil, Argentina, Colombia, Indonesia and India, and notable currency exposure to the Mexican peso. We also continued to hold net-negative positions in the euro and Japanese yen as hedges against a broadly strengthening US dollar and as directional views on the currencies. We also held net-negative positioning in the Australian dollar based on the Reserve Bank of Australia’s continued rate accommodation, and as a partial hedge against potential economic risks in China as well as broad-based beta risks across emerging markets. In credit markets, we continued to see areas of value in specific sovereign credits, but we largely preferred the risk-adjusted returns in specific areas of the local-currency bond markets over the more fully valued credit markets. Overall, the strategy was positioned for depreciation of the euro and yen, rising US Treasury yields, and currency appreciation in select emerging markets. During the period, we used currency forward contracts to actively manage currencies. We also used interest-rate swaps to tactically manage duration exposures.

What is duration?

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

What is an interest-rate swap?

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

During the period, the Fund’s negative absolute performance was primarily due to currency positions. Interest-rate strategies

and sovereign credit exposures had largely neutral effects on absolute results. Among currencies, positions in Latin America and Asia ex-Japan largely detracted from absolute performance (the Brazilian real, Argentine peso and Indian rupee detracted, while the Mexican peso contributed). The Fund’s net-negative position in the euro contributed to absolute results, while its net-negative position in the Japanese yen had a largely neutral effect. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select duration exposures in Latin America detracted from absolute performance, while negative duration exposure to US Treasuries moderately contributed.

On a relative basis, currency positions, interest-rate strategies and sovereign credit exposures had largely neutral effects on the Fund’s relative performance during the period. Among currencies, overweighted positions in Latin America and Asia ex-Japan largely detracted from relative results (the Brazilian real, Argentine peso and Indian rupee detracted, while the Mexican peso contributed). The Fund’s underweighted position in the euro contributed to relative results, while its underweighted position in the Japanese yen detracted. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Select overweighted duration exposures in Latin America detracted from relative performance, while underweighted duration exposure in the US contributed.

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

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

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	\$992.70	\$3.46	\$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

Templeton Global Bond VIP Fund

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$17.17	\$16.85	\$16.34	\$18.56	\$19.15	\$20.01
Income from investment operations ^a :						
Net investment income ^b	0.41	0.83	0.62	0.52	0.58	0.64
Net realized and unrealized gains (losses) . . .	(0.52)	(0.46)	(0.10)	(1.22)	(0.16)	(0.30)
Total from investment operations	(0.11)	0.37	0.52	(0.70)	0.42	0.34
Less distributions from:						
Net investment income and net foreign currency gains	—	—	—	(1.43)	(1.01)	(0.96)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—	(0.24)
Total distributions	—	(0.05)	(0.01)	(1.52)	(1.01)	(1.20)
Redemption fees	—	—	—	—	— ^c	— ^c
Net asset value, end of period	\$17.06	\$17.17	\$16.85	\$16.34	\$18.56	\$19.15
Total return ^d	(0.64)%	2.15%	3.21%	(4.10)%	2.12%	1.89%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates and expense reduction	0.55%	0.53%	0.53%	0.52%	0.51%	0.51%
Expenses net of waiver and payments by affiliates	0.46%	0.46%	0.48%	0.52% ^g	0.51%	0.51%
Expenses net of waiver and payments by affiliates and expense reduction	0.45%	0.46% ^f	0.48% ^f	0.52% ^{f,g}	0.51% ^f	0.51% ^f
Net investment income	4.80%	4.81%	3.88%	2.99%	3.08%	3.26%
Supplemental data						
Net assets, end of period (000's)	\$275,800	\$286,502	\$241,792	\$292,802	\$323,491	\$280,963
Portfolio turnover rate	11.89%	37.97%	59.00%	51.58%	39.14%	34.39%

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

^bBased on average daily shares outstanding.

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

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

^eRatios are annualized for periods less than one year.

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

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

Templeton Global Bond VIP Fund (continued)

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.51	\$16.25	\$15.80	\$17.99	\$18.60	\$19.47
Income from investment operations ^a :						
Net investment income ^b	0.38	0.76	0.56	0.46	0.52	0.57
Net realized and unrealized gains (losses) . . .	(0.50)	(0.45)	(0.10)	(1.17)	(0.17)	(0.27)
Total from investment operations	(0.12)	0.31	0.46	(0.71)	0.35	0.30
Less distributions from:						
Net investment income and net foreign currency gains	—	—	—	(1.39)	(0.96)	(0.93)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—	(0.24)
Total distributions	—	(0.05)	(0.01)	(1.48)	(0.96)	(1.17)
Redemption fees	—	—	—	—	— ^c	— ^c
Net asset value, end of period	\$16.39	\$16.51	\$16.25	\$15.80	\$17.99	\$18.60
Total return ^d	(0.73)%	1.93%	2.94%	(4.30)%	1.83%	1.63%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates and expense reduction	0.80%	0.78%	0.78%	0.77%	0.76%	0.76%
Expenses net of waiver and payments by affiliates	0.71%	0.71%	0.73%	0.77% ^g	0.76%	0.76%
Expenses net of waiver and payments by affiliates and expense reduction	0.70%	0.71% ^f	0.73% ^f	0.77% ^{f,g}	0.76% ^f	0.76% ^f
Net investment income	4.55%	4.56%	3.63%	2.74%	2.83%	3.01%
Supplemental data						
Net assets, end of period (000's)	\$2,642,931	\$2,730,081	\$2,812,535	\$2,971,667	\$3,177,638	\$2,826,039
Portfolio turnover rate	11.89%	37.97%	59.00%	51.58%	39.14%	34.39%

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

^bBased on average daily shares outstanding.

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

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

^eRatios are annualized for periods less than one year.

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

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

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Templeton Global Bond VIP Fund (continued)

	Six Months Ended June 30, 2018 (unaudited)	2017	Year Ended December 31,			
		2017	2016	2015	2014	2013
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$16.88	\$16.62	\$16.18	\$18.38	\$18.97	\$19.82
Income from investment operations ^a :						
Net investment income ^b	0.38	0.76	0.56	0.46	0.51	0.56
Net realized and unrealized gains (losses) . . .	(0.52)	(0.45)	(0.11)	(1.21)	(0.18)	(0.28)
Total from investment operations	(0.14)	0.31	0.45	(0.75)	0.33	0.28
Less distributions from:						
Net investment income and net foreign currency gains	—	—	—	(1.36)	(0.92)	(0.89)
Net realized gains	—	(0.05)	(0.01)	(0.09)	—	(0.24)
Total distributions	—	(0.05)	(0.01)	(1.45)	(0.92)	(1.13)
Redemption fees	—	—	—	—	— ^c	— ^c
Net asset value, end of period	\$16.74	\$16.88	\$16.62	\$16.18	\$18.38	\$18.97
Total return ^d	(0.83)%	1.76%	2.87%	(4.39)%	1.69%	1.54%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates and expense reduction	0.90%	0.88%	0.88%	0.87%	0.86%	0.86%
Expenses net of waiver and payments by affiliates	0.81%	0.81%	0.83%	0.87% ^g	0.86%	0.86%
Expenses net of waiver and payments by affiliates and expense reduction	0.80%	0.81% ^f	0.83% ^f	0.87% ^{f,g}	0.86% ^f	0.86% ^f
Net investment income	4.45%	4.46%	3.53%	2.64%	2.73%	2.91%
Supplemental data						
Net assets, end of period (000's)	\$94,514	\$98,934	\$96,798	\$103,045	\$111,199	\$118,145
Portfolio turnover rate	11.89%	37.97%	59.00%	51.58%	39.14%	34.39%

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

^bBased on average daily shares outstanding.

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

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

^eRatios are annualized for periods less than one year.

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

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

Statement of Investments, June 30, 2018 (unaudited)
Templeton Global Bond VIP Fund

	Principal Amount*		Value
Foreign Government and Agency Securities 55.8%			
Argentina 3.6%			
Argentine Bonos del Tesoro,			
21.20%, 9/19/18	64,168,000	ARS	\$ 2,127,569
18.20%, 10/03/21	813,341,000	ARS	24,371,979
16.00%, 10/17/23	844,288,000	ARS	26,224,971
senior note, 15.50%, 10/17/26	1,668,306,000	ARS	52,169,512
Government of Argentina,			
3.75%, 2/08/19	34,010,000	ARS	1,260,328
^a FRN, 27.947%, (ARS Badlar + 2.00%), 4/03/22	24,036,000	ARS	758,821
			<u>106,913,180</u>
Brazil 8.7%			
Letra Tesouro Nacional,			
Strip, 1/01/19	33,250 ^b	BRL	8,305,310
Strip, 7/01/19	102,840 ^b	BRL	24,689,429
Strip, 7/01/20	118,041 ^b	BRL	25,774,260
Strip, 7/01/21	24,360 ^b	BRL	4,773,974
Nota Do Tesouro Nacional,			
10.00%, 1/01/21	38,520 ^b	BRL	10,101,535
10.00%, 1/01/23	522,145 ^b	BRL	132,146,066
10.00%, 1/01/25	69,029 ^b	BRL	16,876,984
10.00%, 1/01/27	46,543 ^b	BRL	11,088,084
^c Index Linked, 6.00%, 5/15/19	2,087 ^b	BRL	1,718,404
^c Index Linked, 6.00%, 8/15/22	18,002 ^b	BRL	14,776,874
^c Index Linked, 6.00%, 5/15/23	4,510 ^b	BRL	3,686,569
^c Index Linked, 6.00%, 8/15/24	3,110 ^b	BRL	2,549,007
senior note, 10.00%, 1/01/19	21,390 ^b	BRL	5,603,260
			<u>262,089,756</u>
Colombia 4.1%			
Government of Colombia,			
senior bond, 7.75%, 4/14/21	2,386,000,000	COP	854,501
senior bond, 4.375%, 3/21/23	362,000,000	COP	117,950
senior bond, 9.85%, 6/28/27	576,000,000	COP	248,297
Titulos de Tesoreria,			
B, 5.00%, 11/21/18	2,882,000,000	COP	986,156
B, 7.75%, 9/18/30	140,945,200,000	COP	51,802,083
B, 7.00%, 6/30/32	5,967,000,000	COP	2,030,588
senior bond, B, 11.25%, 10/24/18	5,135,000,000	COP	1,799,360
senior bond, B, 11.00%, 7/24/20	9,167,000,000	COP	3,472,751
senior bond, B, 7.00%, 5/04/22	10,237,000,000	COP	3,656,174
senior bond, B, 10.00%, 7/24/24	40,977,000,000	COP	16,636,715
senior bond, B, 7.50%, 8/26/26	77,594,200,000	COP	28,044,492
senior bond, B, 6.00%, 4/28/28	42,303,600,000	COP	13,878,563
senior note, B, 7.00%, 9/11/19	4,056,000,000	COP	1,417,722
			<u>124,945,352</u>
Ghana 1.7%			
Government of Ghana,			
24.75%, 3/01/21	690,000	GHS	164,138
16.25%, 5/17/21	7,250,000	GHS	1,458,591
24.50%, 6/21/21	80,000	GHS	19,161
24.75%, 7/19/21	1,190,000	GHS	286,156
18.75%, 1/24/22	26,840,000	GHS	5,723,388

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

Templeton Global Bond VIP Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Ghana (continued)			
Government of Ghana, (continued)			
17.60%, 11/28/22	370,000	GHS \$	76,531
19.75%, 3/25/24	26,840,000	GHS	5,975,788
19.00%, 11/02/26	80,510,000	GHS	17,400,956
senior bond, 19.75%, 3/15/32	80,510,000	GHS	18,140,562
senior note, 21.50%, 3/09/20	1,270,000	GHS	278,283
senior note, 18.50%, 6/01/20	500,000	GHS	105,325
senior note, 18.25%, 9/21/20	480,000	GHS	100,338
senior note, 16.50%, 3/22/21	1,730,000	GHS	350,365
			50,079,582
India 7.9%			
Government of India,			
senior bond, 8.20%, 2/15/22	500,000,000	INR	7,358,385
senior bond, 8.35%, 5/14/22	212,700,000	INR	3,152,285
senior bond, 8.08%, 8/02/22	1,783,000,000	INR	26,195,463
senior bond, 8.13%, 9/21/22	28,000,000	INR	411,963
senior bond, 9.15%, 11/14/24	2,409,000,000	INR	37,006,265
senior note, 8.27%, 6/09/20	1,222,000,000	INR	18,068,857
senior note, 7.80%, 4/11/21	1,980,300,000	INR	28,963,261
senior note, 8.79%, 11/08/21	653,000,000	INR	9,807,305
senior note, 8.15%, 6/11/22	1,621,000,000	INR	23,813,025
senior note, 6.84%, 12/19/22	98,000,000	INR	1,373,374
senior note, 7.16%, 5/20/23	133,700,000	INR	1,887,629
senior note, 8.83%, 11/25/23	2,983,900,000	INR	45,102,830
senior note, 7.68%, 12/15/23	1,376,000,000	INR	19,808,993
senior note, 6.79%, 5/15/27	1,142,800,000	INR	15,390,992
			238,340,627
Indonesia 4.1%			
Government of Indonesia,			
senior bond, FR34, 12.80%, 6/15/21	324,406,000,000	IDR	25,744,211
senior bond, FR35, 12.90%, 6/15/22	71,229,000,000	IDR	5,835,507
senior bond, FR39, 11.75%, 8/15/23	5,491,000,000	IDR	446,388
senior bond, FR40, 11.00%, 9/15/25	46,856,000,000	IDR	3,807,992
senior bond, FR43, 10.25%, 7/15/22	147,832,000,000	IDR	11,214,284
senior bond, FR44, 10.00%, 9/15/24	4,454,000,000	IDR	342,675
senior bond, FR46, 9.50%, 7/15/23	226,780,000,000	IDR	17,180,218
senior bond, FR47, 10.00%, 2/15/28	12,000,000	IDR	942
senior bond, FR52, 10.50%, 8/15/30	6,960,000,000	IDR	570,157
senior bond, FR59, 7.00%, 5/15/27	47,752,000,000	IDR	3,150,701
senior bond, FR61, 7.00%, 5/15/22	244,849,000,000	IDR	16,718,241
senior bond, FR63, 5.625%, 5/15/23	258,951,000,000	IDR	16,868,871
senior bond, FR64, 6.125%, 5/15/28	37,000,000	IDR	2,312
senior bond, FR68, 8.375%, 3/15/34	81,180,000,000	IDR	5,717,442
senior bond, FR70, 8.375%, 3/15/24	78,915,000,000	IDR	5,637,490
senior bond, FR71, 9.00%, 3/15/29	51,222,000,000	IDR	3,811,265
senior bond, FR73, 8.75%, 5/15/31	85,845,000,000	IDR	6,241,284
			123,289,980

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

Templeton Global Bond VIP Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Mexico 16.9%			
Government of Mexico,			
senior bond, M, 8.00%, 6/11/20	3,814,000 ^d	MXN	\$ 19,320,536
senior bond, M, 6.50%, 6/10/21	18,568,200 ^d	MXN	90,582,288
senior note, M, 5.00%, 12/11/19	18,742,300 ^d	MXN	90,827,100
senior note, M 10, 8.50%, 12/13/18	60,159,700 ^d	MXN	304,354,897
^e Mexican Udibonos,			
Index Linked, 4.00%, 6/13/19	465,586 ^f	MXN	2,350,166
Index Linked, 2.50%, 12/10/20	366,672 ^f	MXN	1,792,202
			<u>509,227,189</u>
Peru 0.1%			
Government of Peru, senior bond, 7.84%, 8/12/20	11,090,000	PEN	<u>3,729,703</u>
Philippines 1.2%			
Government of the Philippines,			
senior note, 3.375%, 8/20/20	1,102,110,000	PHP	20,169,168
senior note, 7-51, 5.00%, 8/18/18	64,060,000	PHP	1,201,724
senior note, 7-56, 3.875%, 11/22/19	813,510,000	PHP	15,126,270
			<u>36,497,162</u>
South Korea 6.6%			
Korea Monetary Stabilization Bond,			
senior note, 1.72%, 12/02/18	8,710,000,000	KRW	7,810,255
senior note, 2.06%, 12/02/19	82,700,000,000	KRW	74,230,329
Korea Treasury Bond,			
senior note, 1.75%, 12/10/18	107,140,000,000	KRW	96,102,673
senior note, 1.25%, 12/10/19	18,280,000,000	KRW	16,221,886
senior note, 3.00%, 3/10/23	3,919,000,000	KRW	3,609,777
			<u>197,974,920</u>
^g Supranational 0.3%			
Inter-American Development Bank, senior bond, 7.50%, 12/05/24	200,000,000	MXN	<u>9,821,280</u>
Ukraine 0.6%			
^{h,j} Government of Ukraine, 144A, VRI, GDP Linked Security, 5/31/40	29,791,000		<u>18,845,936</u>
Total Foreign Government and Agency Securities (Cost \$1,842,724,784)			<u>1,681,754,667</u>
Short Term Investments 39.9%			
Foreign Government and Agency Securities 5.0%			
Argentina 0.5%			
^k Argentina Treasury Bill, 9/14/18 - 10/12/18	32,201,000	ARS	1,154,269
Letras del Banco Central de la Republica Argentina, Strip, 7/18/18 - 11/21/18	472,458,000	ARS	15,216,009
			<u>16,370,278</u>
Mexico 2.3%			
^k Mexico Treasury Bill, 7/05/18 - 5/23/19	143,049,780 ^l	MXN	<u>68,804,900</u>
Philippines 0.4%			
^k Philippine Treasury Bill, 8/29/18 - 12/12/18	690,620,000	PHP	<u>12,831,154</u>

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

Templeton Global Bond VIP Fund (continued)

	Principal Amount*	Value
Short Term Investments (continued)		
Foreign Government and Agency Securities (continued)		
South Korea 1.8%		
Korea Monetary Stabilization Bond, senior note, 1.61%, 10/08/18	60,000,000,000 KRW	\$ 53,787,252
Total Foreign Government and Agency Securities (Cost \$158,783,902)		<u>151,793,584</u>
U.S. Government and Agency Securities 3.1%		
United States 3.1%		
^k U.S. Treasury Bill, 9/13/18 - 2/28/19	76,809,000	76,090,547
U.S. Treasury Note,		
1.50%, 8/31/18	8,602,000	8,596,280
2.75%, 2/15/19	8,339,000	<u>8,365,222</u>
Total U.S. Government and Agency Securities (Cost \$93,081,306)		<u>93,052,049</u>
Total Investment before Money Market Funds and Repurchase Agreements (Cost \$2,094,589,992)		<u>1,926,600,300</u>
	Shares	
Money Market Funds (Cost \$805,945,058) 26.8%		
United States 26.8%		
^{m,n} Institutional Fiduciary Trust Money Market Portfolio, 1.51%	805,945,058	<u>805,945,058</u>
	Principal Amount*	
Repurchase Agreements (Cost \$151,947,582) 5.0%		
United States 5.0%		
^o Joint Repurchase Agreement, 2.10%, 7/02/18 (Maturity Value \$151,974,172)		
BNP Paribas Securities Corp. (Maturity Value \$54,537,451)		
Deutsche Bank Securities Inc. (Maturity Value \$1,995,421)		
HSBC Securities (USA) Inc. (Maturity Value \$95,441,300)		
Collateralized by U.S. Government Agency Securities, 0.00% - 3.625%, 9/18/18 - 6/19/23; ^k U.S. Treasury Bill, 10/04/18 - 10/18/18; and U.S. Treasury Note, 2.00% - 3.50%, 5/15/20 - 8/31/21 (valued at \$155,072,942)	151,947,582	<u>151,947,582</u>
Total Investments (Cost \$3,052,482,632) 95.7%		2,884,492,940
Other Assets, less Liabilities 4.3%		<u>128,751,988</u>
Net Assets 100.0%		<u>\$3,013,244,928</u>

Templeton Global Bond VIP Fund (continued)

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

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

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

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

^dPrincipal amount is stated in 100 Mexican Peso Units.

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

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

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

^hNon-income producing.

ⁱSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. This security has been deemed liquid under guidelines approved by the Trust's Board of Trustees.

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

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

^lPrincipal amount is stated in 10 Mexican Peso Units.

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

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

^oSee Note 1(c) regarding joint repurchase agreement.

At June 30, 2018, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Brazilian Real	CITI	Buy	206,375,000	49,201,335 EUR	7/05/18	\$ —	\$ (4,293,805)
Brazilian Real	CITI	Sell	206,375,000	46,409,778 EUR	7/05/18	1,030,828	—
Euro	DBAB	Sell	8,136,104	9,522,496	7/05/18	12,423	—
Japanese Yen	DBAB	Buy	229,660,000	2,082,517	7/05/18	—	(6,952)
Japanese Yen	DBAB	Sell	229,660,000	2,120,904	7/05/18	45,339	—
Euro	JPHQ	Sell	32,859,900	40,725,739	7/06/18	2,313,817	—
Euro	BOFA	Sell	24,933,432	30,142,392	7/09/18	989,670	—
Euro	GSCO	Sell	8,105,300	10,005,993	7/09/18	529,096	—
Euro	UBSW	Sell	8,311,299	10,256,559	7/09/18	538,803	—
Euro	HSBK	Sell	33,800,018	41,617,118	7/10/18	2,094,436	—
Euro	JPHQ	Sell	7,171,498	8,861,677	7/10/18	475,976	—
Japanese Yen	BZWS	Sell	1,712,605,900	16,096,147	7/11/18	611,985	—
Japanese Yen	DBAB	Sell	770,370,000	6,919,077	7/11/18	—	(46,060)
Australian Dollar	JPHQ	Sell	6,994,145	5,348,632	7/12/18	171,668	—
Euro	DBAB	Sell	25,440,500	31,645,565	7/12/18	1,893,305	—
Japanese Yen	CITI	Sell	138,680,000	1,257,162	7/12/18	3,230	—
Euro	BOFA	Sell	17,769,000	22,138,752	7/13/18	1,356,638	—
Euro	GSCO	Sell	1,789,884	2,229,139	7/13/18	135,742	—
Indian Rupee	JPHQ	Buy	179,045,721	2,725,616	7/13/18	—	(115,585)
Japanese Yen	CITI	Sell	261,800,000	2,463,594	7/13/18	96,260	—
Japanese Yen	DBAB	Sell	1,406,600,000	13,241,081	7/13/18	521,857	—
Australian Dollar	JPHQ	Sell	25,071,750	19,085,619	7/16/18	527,598	—
Euro	HSBK	Sell	8,692,000	10,785,772	7/16/18	617,580	—
Euro	JPHQ	Sell	30,863,836	36,487,319	7/16/18	381,770	—
Indian Rupee	JPHQ	Buy	179,029,279	2,712,770	7/16/18	—	(104,112)
Japanese Yen	BZWS	Sell	2,516,120,000	22,820,294	7/17/18	61,940	—
Japanese Yen	HSBK	Sell	536,380,000	4,867,332	7/17/18	15,765	—
Euro	GSCO	Sell	1,898,500	2,367,809	7/18/18	146,548	—

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

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	MSCO	Sell	15,372,250	17,947,563	7/19/18	\$ —	\$ (39,440)
Indian Rupee	DBAB	Buy	1,228,359,494	18,834,093	7/19/18	—	(943,277)
Japanese Yen	JPHQ	Sell	1,886,055,000	17,696,393	7/20/18	633,466	—
Euro	JPHQ	Sell	28,236,000	32,751,501	7/23/18	—	(297,196)
Euro	MSCO	Sell	7,686,125	9,107,097	7/23/18	110,907	—
Euro	MSCO	Sell	7,686,125	8,921,362	7/23/18	—	(74,828)
Euro	SCNY	Sell	4,975,000	5,803,636	7/23/18	—	(19,330)
Japanese Yen	JPHQ	Sell	2,504,432,000	22,796,635	7/23/18	134,644	—
Indian Rupee	JPHQ	Buy	200,268,000	2,999,708	7/24/18	—	(84,952)
South Korean Won	HSBK	Sell	18,482,000,000	17,469,635	7/24/18	888,645	—
Euro	DBAB	Sell	4,518,681	5,248,561	7/25/18	—	(41,099)
Indian Rupee	DBAB	Buy	79,271,000	1,186,248	7/25/18	—	(32,682)
Japanese Yen	MSCO	Sell	287,615,000	2,653,838	7/26/18	50,743	—
Indian Rupee	DBAB	Buy	838,950,988	12,483,461	7/27/18	—	(278,431)
Indonesian Rupiah	HSBK	Buy	424,000,000,000	31,454,006	7/27/18	—	(1,913,829)
Euro	BOFA	Sell	33,910,662	39,663,946	7/30/18	—	(47,600)
Japanese Yen	DBAB	Sell	9,266,366,552	86,107,180	7/30/18	2,217,386	—
Japanese Yen	JPHQ	Sell	490,100,000	4,555,743	7/30/18	118,795	—
Euro	BZWS	Sell	22,495,165	27,604,942	7/31/18	1,259,573	—
Euro	CITI	Sell	77,832,770	94,893,713	7/31/18	3,739,326	—
Euro	GSCO	Sell	2,227,000	2,718,343	7/31/18	110,177	—
Euro	SCNY	Sell	12,300,264	15,010,689	7/31/18	605,149	—
Japanese Yen	BZWS	Sell	1,079,470,000	10,027,822	7/31/18	254,513	—
Japanese Yen	GSCO	Sell	944,420,000	8,695,356	7/31/18	144,763	—
Japanese Yen	MSCO	Sell	287,615,000	2,612,022	7/31/18	8,012	—
Euro	HSBK	Sell	25,974,891	31,678,717	8/02/18	1,253,199	—
Euro	JPHQ	Sell	11,263,000	13,710,168	8/02/18	517,327	—
Indian Rupee	HSBK	Buy	679,529,000	10,044,032	8/02/18	—	(166,813)
Japanese Yen	DBAB	Sell	115,414,516	1,048,463	8/02/18	3,372	—
Euro	GSCO	Sell	13,037,050	15,851,749	8/03/18	579,670	—
Indian Rupee	JPHQ	Buy	378,455,000	5,834,503	8/06/18	—	(336,676)
Indian Rupee	HSBK	Buy	240,033,500	3,695,381	8/08/18	—	(209,410)
Japanese Yen	JPHQ	Sell	1,719,500,000	15,884,747	8/08/18	307,712	—
Japanese Yen	SCNY	Sell	1,720,000,000	15,925,484	8/08/18	343,920	—
Euro	DBAB	Sell	13,483,000	16,170,566	8/09/18	368,535	—
Euro	JPHQ	Sell	9,220,500	11,061,649	8/09/18	255,254	—
Japanese Yen	BZWS	Sell	1,720,220,000	15,901,461	8/09/18	316,775	—
Japanese Yen	CITI	Sell	708,852,119	6,541,892	8/09/18	119,902	—
Euro	BZWS	Sell	7,003,000	8,366,449	8/10/18	158,302	—
Euro	JPHQ	Sell	6,147,005	7,342,782	8/10/18	137,938	—
Australian Dollar	JPHQ	Sell	6,989,428	5,346,108	8/13/18	172,099	—
Japanese Yen	CITI	Sell	1,245,045,665	11,473,493	8/13/18	190,479	—
Euro	CITI	Sell	37,063,039	44,531,241	8/14/18	1,076,171	—
Euro	HSBK	Sell	1,800,000	2,164,567	8/14/18	54,132	—
Japanese Yen	CITI	Sell	493,314,665	4,417,414	8/14/18	—	(53,490)
Australian Dollar	JPHQ	Sell	25,071,750	18,971,292	8/15/18	411,520	—
Euro	DBAB	Sell	5,008,730	6,022,622	8/15/18	149,600	—
Japanese Yen	HSBK	Sell	413,563,000	3,807,780	8/15/18	59,393	—
Japanese Yen	JPHQ	Sell	2,553,380,000	23,997,594	8/15/18	854,669	—

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

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	BOFA	Sell	5,251,819	6,329,177	8/16/18	\$ 170,628	\$ —
Euro	SCNY	Sell	657,000	792,033	8/16/18	21,602	—
Indian Rupee	HSBK	Buy	402,232,000	5,905,623	8/16/18	—	(70,779)
Japanese Yen	CITI	Sell	183,340,000	1,684,599	8/16/18	22,751	—
Japanese Yen	JPHQ	Sell	709,066,000	6,599,478	8/16/18	172,291	—
Japanese Yen	SCNY	Sell	340,600,700	3,129,112	8/16/18	41,805	—
Euro	JPHQ	Sell	15,313,111	18,259,200	8/17/18	300,839	—
South Korean Won	HSBK	Sell	75,818,000,000	70,851,322	8/17/18	2,776,188	—
Euro	JPHQ	Sell	32,873,792	38,987,759	8/20/18	425,987	—
Japanese Yen	BOFA	Sell	903,250,850	8,248,866	8/20/18	59,156	—
Euro	JPHQ	Sell	14,818,028	17,609,744	8/21/18	226,445	—
Euro	UBSW	Sell	1,922,305	2,286,024	8/21/18	30,933	—
Japanese Yen	CITI	Sell	1,599,308,500	14,530,384	8/21/18	28,519	—
Japanese Yen	DBAB	Sell	1,635,382,000	14,861,705	8/21/18	32,740	—
Australian Dollar	CITI	Sell	13,307,000	9,976,258	8/22/18	125,347	—
Euro	BOFA	Sell	7,066,000	8,369,465	8/22/18	79,550	—
Euro	UBSW	Sell	678,250	803,543	8/22/18	7,812	—
Japanese Yen	BOFA	Sell	1,105,842,500	10,034,868	8/22/18	6,821	—
Japanese Yen	CITI	Sell	376,247,000	3,411,403	8/22/18	—	(496)
Euro	UBSW	Sell	11,641,500	13,779,054	8/23/18	120,019	—
Japanese Yen	CITI	Sell	1,866,452,000	16,891,274	8/23/18	—	(35,391)
Euro	DBAB	Sell	14,940,282	17,715,514	8/24/18	184,602	—
Euro	JPHQ	Sell	5,030,771	5,974,747	8/24/18	71,645	—
Japanese Yen	BOFA	Sell	1,085,075,000	9,843,468	8/24/18	2,319	—
Japanese Yen	SCNY	Sell	937,086,000	8,503,696	8/24/18	4,741	—
Japanese Yen	DBAB	Sell	371,821,000	3,518,700	8/27/18	145,715	—
Japanese Yen	JPHQ	Sell	1,130,199,000	10,349,429	8/27/18	96,795	—
Euro	DBAB	Sell	14,781,916	17,457,000	8/29/18	105,050	—
Euro	GSCO	Sell	3,469,000	4,096,924	8/29/18	24,792	—
Euro	SCNY	Sell	12,544,218	14,806,066	8/29/18	80,868	—
Japanese Yen	BZWS	Sell	1,920,010,000	17,704,920	8/29/18	284,948	—
Japanese Yen	DBAB	Sell	685,950,000	6,326,143	8/29/18	102,618	—
Japanese Yen	HSBK	Sell	1,339,587,000	12,241,777	8/29/18	87,898	—
South Korean Won	HSBK	Sell	35,277,000,000	32,747,273	8/30/18	1,057,455	—
Euro	BZWS	Sell	22,495,166	26,529,898	8/31/18	119,605	—
Euro	BOFA	Sell	2,694,506	3,157,153	9/04/18	—	(7,282)
Euro	GSCO	Sell	34,088,050	40,160,836	9/04/18	127,740	—
Japanese Yen	HSBK	Sell	1,247,125,000	11,510,152	9/04/18	190,173	—
Australian Dollar	GSCO	Sell	127,700,540	96,633,553	9/05/18	2,095,502	—
Japanese Yen	JPHQ	Sell	848,300,000	7,794,690	9/05/18	94,223	—
South Korean Won	HSBK	Sell	42,561,000,000	39,637,718	9/05/18	1,393,932	—
Euro	SCNY	Sell	17,972,751	21,165,287	9/06/18	54,808	—
Euro	UBSW	Sell	6,231,299	7,351,313	9/06/18	32,138	—
Japanese Yen	HSBK	Sell	400,800,000	3,676,052	9/06/18	37,511	—
Euro	BOFA	Sell	34,170,296	40,111,827	9/07/18	—	(27,079)
Euro	DBAB	Sell	8,136,104	9,566,431	9/07/18	9,174	—
Euro	GSCO	Sell	2,045,000	2,406,147	9/07/18	3,942	—
Japanese Yen	CITI	Sell	1,370,500,000	12,533,150	9/10/18	87,819	—
Euro	JPHQ	Sell	7,171,498	8,539,569	9/11/18	112,826	—

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

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Japanese Yen	CITI	Sell	2,595,800,000	23,752,574	9/11/18	\$ 178,717	\$ —
Japanese Yen	HSBK	Sell	1,026,200,000	9,257,472	9/11/18	—	(62,003)
Japanese Yen	HSBK	Sell	1,026,200,000	9,409,284	9/11/18	89,809	—
Australian Dollar	JPHQ	Sell	6,989,428	5,347,227	9/12/18	172,770	—
Euro	DBAB	Sell	25,440,500	30,134,527	9/12/18	238,824	—
Japanese Yen	DBAB	Sell	595,700,000	5,481,229	9/12/18	70,959	—
Japanese Yen	HSBK	Sell	1,798,900,000	16,542,294	9/12/18	204,312	—
Japanese Yen	JPHQ	Sell	1,666,680,000	15,323,046	9/12/18	185,913	—
Australian Dollar	CITI	Sell	58,003,000	44,170,735	9/13/18	1,229,461	—
Japanese Yen	CITI	Sell	310,702,000	2,857,253	9/13/18	35,186	—
Australian Dollar	JPHQ	Sell	25,071,750	19,092,489	9/14/18	531,101	—
Indian Rupee	DBAB	Buy	258,123,000	3,779,253	9/14/18	—	(49,736)
Japanese Yen	JPHQ	Sell	335,950,000	3,065,965	9/14/18	14,348	—
Japanese Yen	SCNY	Sell	366,681,000	3,347,707	9/14/18	16,944	—
Euro	JPHQ	Sell	5,131,690	6,089,289	9/17/18	56,614	—
Euro	BOFA	Sell	16,317,286	19,301,391	9/18/18	117,764	—
Euro	GSCO	Sell	1,789,884	2,096,827	9/18/18	—	(7,473)
Japanese Yen	BOFA	Sell	903,250,850	8,217,871	9/18/18	10,734	—
Japanese Yen	GSCO	Sell	1,695,805,280	15,967,394	9/18/18	558,933	—
Japanese Yen	HSBK	Sell	1,035,240,000	9,878,244	9/18/18	471,825	—
Japanese Yen	JPHQ	Sell	702,800,000	6,406,096	9/18/18	20,300	—
Japanese Yen	MSCO	Sell	300,000,000	2,738,126	9/18/18	12,259	—
Japanese Yen	BZWS	Sell	981,707,504	8,930,865	9/19/18	10,197	—
Euro	GSCO	Sell	3,692,733	4,314,884	9/20/18	—	(27,190)
Euro	UBSW	Sell	1,922,305	2,246,213	9/20/18	—	(14,116)
Japanese Yen	CITI	Sell	1,372,892,008	12,509,267	9/20/18	33,029	—
Japanese Yen	BOFA	Sell	1,102,846,375	10,081,784	9/21/18	58,864	—
Japanese Yen	HSBK	Sell	1,106,730,400	10,125,251	9/21/18	67,031	—
Euro	DBAB	Sell	8,405,717	9,797,997	9/24/18	—	(88,838)
Euro	HSBK	Sell	19,488,000	22,715,408	9/24/18	—	(206,452)
Euro	JPHQ	Sell	14,818,028	17,285,229	9/25/18	—	(145,128)
Japanese Yen	DBAB	Sell	2,181,107,000	19,924,590	9/25/18	96,347	—
Japanese Yen	HSBK	Sell	1,621,372,000	14,815,168	9/25/18	75,424	—
Japanese Yen	JPHQ	Sell	1,203,160,329	10,991,609	9/25/18	53,789	—
Euro	BOFA	Sell	33,910,662	39,842,655	9/28/18	—	(55,768)
Euro	DBAB	Sell	14,776,109	17,274,306	9/28/18	—	(110,888)
Euro	GSCO	Sell	3,469,000	4,051,896	9/28/18	—	(29,641)
Japanese Yen	JPHQ	Sell	1,302,406,000	11,947,067	9/28/18	104,275	—
Brazilian Real	CITI	Buy	206,375,000	45,732,045	EUR 10/02/18	—	(1,094,270)
Japanese Yen	DBAB	Sell	114,245,484	1,042,405	10/02/18	3,221	—
Japanese Yen	SCNY	Sell	415,980,000	3,976,560	10/05/18	191,826	—
Indian Rupee	JPHQ	Buy	82,107,000	1,238,463	10/09/18	—	(56,001)
Japanese Yen	JPHQ	Sell	2,831,950,000	26,985,730	10/09/18	1,210,983	—
Japanese Yen	HSBK	Sell	2,816,800,000	26,657,203	10/11/18	1,016,034	—
Australian Dollar	JPHQ	Sell	25,071,750	18,978,813	10/15/18	413,809	—
Japanese Yen	BZWS	Sell	983,714,840	9,016,304	10/26/18	50,305	—
Indonesian Rupiah	JPHQ	Buy	1,721,000,000,000	120,518,207	10/29/18	—	(2,503,182)
South Korean Won	HSBK	Sell	8,274,880,977	7,499,439	10/29/18	45,957	—
South Korean Won	HSBK	Sell	15,755,000,000	14,744,970	10/30/18	553,258	—

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

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
South Korean Won	DBAB	Sell	13,920,000,000	13,038,591	11/19/18	\$ 488,874	\$ —
South Korean Won	GSCO	Sell	44,346,000,000	41,277,051	12/07/18	1,265,081	—
South Korean Won	DBAB	Sell	13,919,000,000	13,105,786	12/11/18	544,929	—
Japanese Yen	CITI	Sell	1,782,638,500	16,331,632	12/18/18	11,137	—
Japanese Yen	DBAB	Sell	1,453,310,000	13,350,021	12/18/18	44,610	—
Japanese Yen	HSBK	Sell	1,455,540,000	13,357,561	12/18/18	31,733	—
Indian Rupee	CITI	Buy	69,318,000	1,000,693	12/19/18	—	(11,459)
South Korean Won	CITI	Sell	4,215,000,000	3,921,113	12/20/18	115,896	—
Japanese Yen	BZWS	Sell	1,689,110,000	15,356,662	1/11/19	—	(137,695)
Japanese Yen	GSCO	Sell	329,010,000	2,990,185	1/11/19	—	(27,854)
Japanese Yen	JPHQ	Sell	2,831,950,000	25,730,614	1/11/19	—	(247,116)
Japanese Yen	JPHQ	Sell	708,450,000	6,511,489	1/16/19	10,230	—
Japanese Yen	SCNY	Sell	707,660,000	6,540,296	1/22/19	43,187	—
Japanese Yen	BZWS	Sell	735,200,000	6,802,746	1/24/19	51,716	—
Japanese Yen	DBAB	Sell	858,140,000	7,912,844	1/24/19	32,908	—
Japanese Yen	JPHQ	Sell	7,105,349,700	65,733,367	1/24/19	487,950	—
Japanese Yen	CITI	Sell	913,412,000	8,480,447	1/25/19	92,304	—
Japanese Yen	JPHQ	Sell	1,407,000,000	13,052,069	1/25/19	131,156	—
Japanese Yen	HSBK	Sell	1,162,462,488	10,918,216	1/31/19	237,868	—
Japanese Yen	JPHQ	Sell	1,723,960,000	16,157,682	2/12/19	303,322	—
Japanese Yen	CITI	Sell	1,182,704,670	11,163,647	2/14/19	285,196	—
Japanese Yen	CITI	Sell	683,420,000	6,520,250	2/15/19	233,690	—
South Korean Won	HSBK	Sell	7,007,000,000	6,538,515	3/20/19	188,336	—
Total Forward Exchange Contracts						\$ 56,237,859	\$ (14,121,404)
Net unrealized appreciation (depreciation)						\$ 42,116,455	

*In U.S. dollars unless otherwise indicated.

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

At June 30, 2018, the Fund had the following interest rate swap contracts outstanding. See Note 1(d).

Interest Rate Swap Contracts

Description	Payment Frequency	Counter-party	Maturity Date	Notional Amount	Value/Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts					
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.558%	Semi-Annual		3/04/21	\$ 3,240,000	\$ (91,546)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.775%	Semi-Annual		10/04/23	13,090,000	58,582
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.795%	Semi-Annual		10/04/23	13,090,000	45,116
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.765%	Semi-Annual		10/07/23	13,090,000	66,907
Receive Floating 3-month USD LIBOR	Quarterly				

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

Templeton Global Bond VIP Fund (continued)

Interest Rate Swap Contracts (continued)

Description	Payment Frequency	Counter-party	Maturity Date	Notional Amount	Value/ Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts (continued)					
Pay Fixed 2.731%	Semi-Annual		7/07/24	\$ 34,000,000	\$ 33,286
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.914%	Semi-Annual		1/22/25	114,670,000	6,301,939
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.970%	Semi-Annual		1/23/25	143,340,000	7,375,667
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.973%	Semi-Annual		1/27/25	84,590,000	4,347,577
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.937%	Semi-Annual		1/29/25	21,150,000	1,132,118
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.942%	Semi-Annual		1/30/25	17,910,000	955,537
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 1.817%	Semi-Annual		2/03/25	28,210,000	1,734,912
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.349%	Semi-Annual		2/25/41	7,460,000	(1,888,731)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.320%	Semi-Annual		2/28/41	5,600,000	(1,375,122)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 4.299%	Semi-Annual		3/01/41	1,870,000	(452,871)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.668%	Semi-Annual		10/04/43	6,370,000	(868,332)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.687%	Semi-Annual		10/04/43	6,370,000	(890,518)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.675%	Semi-Annual		10/07/43	6,370,000	(875,400)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.378%	Semi-Annual		11/18/46	122,400,000	13,818,881
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.537%	Semi-Annual		4/13/47	72,700,000	5,892,801
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.587%	Semi-Annual		7/27/47	36,700,000	2,378,306
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 2.980%	Semi-Annual		2/20/48	15,638,000	(304,472)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.002%	Semi-Annual		2/22/48	15,638,000	(353,897)
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.019%	Semi-Annual		2/23/48	15,638,000	(409,729)
Total Centrally Cleared Swap Contracts					\$36,631,011
OTC Swap Contracts					
Receive Floating 3-month USD LIBOR	Quarterly				
Pay Fixed 3.523%	Semi-Annual	DBAB	3/28/21	\$ 14,630,000	\$ (393,535)
Receive Floating 3-month USD LIBOR	Quarterly				

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

Templeton Global Bond VIP Fund (continued)

Interest Rate Swap Contracts (continued)

Description	Payment Frequency	Counter- party	Maturity Date	Notional Amount	Value/ Unrealized Appreciation (Depreciation)
OTC Swap Contracts (continued)					
Pay Fixed 4.347%	Semi-Annual	CITI	2/25/41	\$7,460,000	\$ (1,867,404)
Total OTC Swap Contracts					\$ (2,260,939)
Total Interest Rate Swap Contracts					\$34,370,072

See Note 9 regarding other derivative information.

See Abbreviations on page TGB-33.

Financial Statements

Statement of Assets and Liabilities

June 30, 2018 (unaudited)

	Templeton Global Bond VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,094,589,992
Cost - Non-controlled affiliates (Note 3e)	805,945,058
Cost - Unaffiliated repurchase agreements	151,947,582
Value - Unaffiliated issuers	\$1,926,600,300
Value - Non-controlled affiliates (Note 3e)	805,945,058
Value - Unaffiliated repurchase agreements	151,947,582
Cash	1,044,673
Restricted cash for OTC derivative contracts (Note 1e)	28,928,000
Foreign currency, at value (cost \$11,669,030)	11,420,607
Receivables:	
Capital shares sold	597,963
Interest	30,723,814
Deposits with brokers for:	
Centrally cleared swap contracts	51,134,246
Variation margin on centrally cleared swap contracts	455,423
Unrealized appreciation on OTC forward exchange contracts	56,237,859
Other assets	3,346
Total assets	3,065,038,871
Liabilities:	
Payables:	
Investment securities purchased	353,160
Capital shares redeemed	538,672
Management fees	930,999
Distribution fees	1,179,251
Deposits from brokers for:	
OTC derivative contracts	28,928,000
Unrealized depreciation on OTC forward exchange contracts	14,121,404
Unrealized depreciation on OTC swap contracts	2,260,939
Deferred tax	2,205,085
Accrued expenses and other liabilities	1,276,433
Total liabilities	51,793,943
Net assets, at value	\$3,013,244,928
Net assets consist of:	
Paid-in capital	\$3,072,086,718
Undistributed net investment income	63,261,797
Net unrealized appreciation (depreciation)	(96,287,489)
Accumulated net realized gain (loss)	(25,816,098)
Net assets, at value	\$3,013,244,928

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)

June 30, 2018 (unaudited)

	Templeton Global Bond VIP Fund
Class 1:	
Net assets, at value	\$ 275,800,139
Shares outstanding	16,164,681
Net asset value and maximum offering price per share	\$17.06
Class 2:	
Net assets, at value	\$2,642,930,839
Shares outstanding	161,269,749
Net asset value and maximum offering price per share	\$16.39
Class 4:	
Net assets, at value	\$ 94,513,950
Shares outstanding	5,644,672
Net asset value and maximum offering price per share	\$16.74

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

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

	Templeton Global Bond VIP Fund
Investment income:	
Dividends:	
Non-controlled affiliates (Note 3e)	\$ 4,499,234
Interest: (net of foreign taxes)~	
Unaffiliated issuers	76,563,073
Total investment income	<u>81,062,307</u>
Expenses:	
Management fees (Note 3a)	7,073,129
Distribution fees: (Note 3c)	
Class 2	3,382,076
Class 4	171,030
Custodian fees (Note 4)	800,826
Reports to shareholders	151,761
Professional fees	65,388
Trustees' fees and expenses	7,824
Other	416,737
Total expenses	12,068,771
Expense reductions (Note 4)	(209,316)
Expenses waived/paid by affiliates (Note 3e)	(1,324,573)
Net expenses	<u>10,534,882</u>
Net investment income	<u>70,527,425</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:#	
Unaffiliated issuers	12,360,018
Foreign currency transactions	(929,683)
Forward exchange contracts	(31,380,623)
Swap contracts	(2,591,540)
Net realized gain (loss)	<u>(22,541,828)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(185,584,551)
Translation of other assets and liabilities	
denominated in foreign currencies	(2,874,542)
Forward exchange contracts	79,116,706
Swap contracts	39,130,242
Change in deferred taxes on unrealized appreciation	1,044,419
Net change in unrealized appreciation (depreciation)	<u>(69,167,726)</u>
Net realized and unrealized gain (loss)	<u>(91,709,554)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (21,182,129)</u>

~Foreign taxes withheld on interest \$ 2,010,809
#Net of foreign taxes \$ 42,741

Statements of Changes in Net Assets

	Templeton Global Bond VIP Fund	
	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 70,527,425	\$ 144,457,894
Net realized gain (loss)	(22,541,828)	(84,441,214)
Net change in unrealized appreciation (depreciation)	(69,167,726)	1,318,770
Net increase (decrease) in net assets resulting from operations	(21,182,129)	61,335,450
Distributions to shareholders from:		
Net realized gains:		
Class 1	—	(806,829)
Class 2	—	(8,999,053)
Class 4	—	(307,109)
Total distributions to shareholders	—	(10,112,991)
Capital share transactions: (Note 2)		
Class 1	(9,086,480)	40,791,975
Class 2	(68,299,542)	(128,337,512)
Class 4	(3,704,195)	715,746
Total capital share transactions	(81,090,217)	(86,829,791)
Net increase (decrease) in net assets	(102,272,346)	(35,607,332)
Net assets:		
Beginning of period	3,115,517,274	3,151,124,606
End of period	\$3,013,244,928	\$3,115,517,274
Undistributed net investment income included in net assets:		
End of period	\$ 63,261,797	\$ —
Accumulated net investment loss included in net assets:		
End of period	\$ —	\$ (7,265,628)

Notes to Financial Statements (unaudited)

Templeton Global Bond VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics

such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the 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 valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Templeton Global Bond VIP Fund (continued)

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to

market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the 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. Derivative Financial Instruments

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

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Derivative Financial Instruments (continued)

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

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

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

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

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

See Note 9 regarding other derivative information.

e. Restricted Cash

At June 30, 2018, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's counterparty broker and is reflected in the Statement of Assets and Liabilities.

f. 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

Templeton Global Bond VIP Fund (continued)

which the Fund invests. When a capital gain tax is determined to apply, the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

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

g. Security Transactions, Investment Income, Expenses and Distributions

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

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

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

h. 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.

i. 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.

Templeton Global Bond VIP Fund (continued)

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	1,962,316	\$ 34,030,349	4,567,479	\$ 79,103,441
Shares issued in reinvestment of distributions	—	—	46,290	806,829
Shares redeemed	(2,487,886)	(43,116,829)	(2,272,230)	(39,118,295)
Net increase (decrease)	(525,570)	\$ (9,086,480)	2,341,539	\$ 40,791,975
Class 2 Shares:				
Shares sold	6,063,848	\$ 101,036,285	10,419,624	\$ 173,987,516
Shares issued in reinvestment of distributions	—	—	535,977	8,999,053
Shares redeemed	(10,167,314)	(169,335,827)	(18,675,809)	(311,324,081)
Net increase (decrease)	(4,103,466)	\$ (68,299,542)	(7,720,208)	\$ (128,337,512)
Class 4 Shares:				
Shares sold	347,150	\$ 5,913,449	1,027,651	\$ 17,546,285
Shares issued in reinvestment of distributions	—	—	17,886	307,109
Shares redeemed	(565,158)	(9,617,644)	(1,005,305)	(17,137,648)
Net increase (decrease)	(218,008)	\$ (3,704,195)	40,232	\$ 715,746

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton 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

Templeton Global Bond VIP Fund (continued)

For the period ended June 30, 2018, the annualized gross effective investment management fee rate was 0.458% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

Investor Services, under terms of an agreement, performs shareholder servicing for the Fund and is not paid by the Fund for the services.

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the 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%	664,514,279	392,495,000	(251,064,221)	805,945,058	\$805,945,058	\$4,499,234	\$ —	\$ —

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, if any. At December 31, 2017, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:	
Short term	\$2,981,110
Long term	294,319
Total capital loss carryforwards	<u>\$3,275,429</u>

Templeton Global Bond VIP Fund (continued)

5. Income Taxes (continued)

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

Cost of investments	\$3,070,645,157
Unrealized appreciation	\$ 178,895,528
Unrealized depreciation	(288,561,218)
Net unrealized appreciation (depreciation)	<u>\$ (109,665,690)</u>

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2018, aggregated \$233,730,514 and \$264,006,033, respectively.

7. Credit Risk

At June 30, 2018, the Fund had 15.7% of its portfolio invested in high yield or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. 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
Interest rate contracts	Variation margin on centrally cleared swap contracts	\$ 44,141,629 ^a	Variation margin on centrally cleared swap contracts	\$ 7,510,618 ^a
	Unrealized appreciation on OTC swap contracts	—	Unrealized depreciation on OTC swap contracts	2,260,939
Foreign exchange contracts	Unrealized appreciation on OTC forward exchange contracts	56,237,859	Unrealized depreciation on OTC forward exchange contracts	14,121,404
Value recovery instruments	Investments in securities, at value	18,845,936 ^b		
Totals		<u>\$119,225,424</u>		<u>\$23,892,961</u>

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

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

Templeton Global Bond VIP Fund (continued)

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:	
Interest rate contracts	Swap contracts	\$ (2,591,540)	Swap contracts	\$ 39,130,242
Foreign exchange contracts . . .	Forward exchange contracts	(31,380,623)	Forward exchange contracts	79,116,706
Value recovery instruments . . .	Investments	59,466 ^a	Investments	2,214,879 ^a
Totals		<u>\$ (33,912,697)</u>		<u>\$ 120,461,827</u>

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

For the period ended June 30, 2018, the average month end notional amount of swap contracts represented \$807,820,000. The average month end contract value and fair value of forward exchange contracts and VRI, was \$3,340,565,128 and \$19,811,075, respectively.

See Note 1(d) regarding derivative financial instruments.

At June 30, 2018, the Fund's OTC derivative assets and liabilities are as follows:

	Gross Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets ^a	Liabilities ^a
Derivatives		
Forward exchange contracts	\$56,237,859	\$14,121,404
Swap contracts	—	2,260,939
Total	<u>\$56,237,859</u>	<u>\$16,382,343</u>

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

At June 30, 2018, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

	Gross Amounts of Assets Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Received ^{a,b}	Cash Collateral Received ^b	
Counterparty					
BOFA	\$ 2,852,144	\$ (137,729)	\$ —	\$ (2,714,415)	\$ —
BZWS	3,179,859	(137,695)	(3,042,164)	—	—
CITI	8,735,248	(7,356,315)	—	(1,378,933)	—
DBAB	7,312,388	(1,991,498)	—	(5,320,890)	—
GSCO	5,721,986	(92,158)	—	(5,629,828)	—
HSBK	13,507,894	(2,629,286)	(7,873,655)	—	3,004,953
JPHQ	12,611,864	(3,889,948)	(8,721,916)	—	—
MSCO	181,921	(114,268)	—	(67,653)	—
SCNY	1,404,850	(19,330)	—	(1,385,520)	—
UBSW	729,705	(14,116)	(715,589)	—	—
Total	<u>\$56,237,859</u>	<u>\$ (16,382,343)</u>	<u>\$ (20,353,324)</u>	<u>\$ (16,497,239)</u>	<u>\$ 3,004,953</u>

Templeton Global Bond VIP Fund (continued)

9. Other Derivative Information (continued)

At June 30, 2018, the Fund's OTC derivative liabilities, which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, are as follows:

Counterparty	Gross Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	
BOFA	\$ 137,729	\$ (137,729)	\$ —	\$ —	\$ —
BZWS	137,695	(137,695)	—	—	—
CITI	7,356,315	(7,356,315)	—	—	—
DBAB	1,991,498	(1,991,498)	—	—	—
GSCO	92,158	(92,158)	—	—	—
HSBK	2,629,286	(2,629,286)	—	—	—
JPHQ	3,889,948	(3,889,948)	—	—	—
MSCO	114,268	(114,268)	—	—	—
SCNY	19,330	(19,330)	—	—	—
UBSW	14,116	(14,116)	—	—	—
Total	\$16,382,343	\$(16,382,343)	\$ —	\$ —	\$ —

^aAt June 30, 2018, the Fund received United Kingdom Treasury Bonds and U.S. Treasury Bills, Bonds and Notes as collateral for derivatives.

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

See Abbreviations on page TGB-33.

10. 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.

11. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)

Templeton Global Bond VIP Fund (continued)

- 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				
Foreign Government and Agency Securities	\$ —	\$ 1,681,754,667	\$ —	\$ 1,681,754,667
Short Term Investments	1,033,983,187	168,755,086	—	1,202,738,273
Total Investments in Securities	\$ 1,033,983,187	\$ 1,850,509,753	\$ —	\$ 2,884,492,940
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 56,237,859	\$ —	\$ 56,237,859
Swap Contracts	—	44,141,629	—	44,141,629
Total Other Financial Instruments	\$ —	\$ 100,379,488	\$ —	\$ 100,379,488
Liabilities:				
Other Financial Instruments:				
Forward Exchange Contracts	\$ —	\$ 14,121,404	\$ —	\$ 14,121,404
Swap Contracts	—	9,771,557	—	9,771,557
Total Other Financial Instruments	\$ —	\$ 23,892,961	\$ —	\$ 23,892,961

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

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

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

Tax Information (unaudited)**Templeton Global Bond VIP Fund**

At December 31, 2017, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code (Code). This written statement will allow shareholders of record on June 14, 2018, to treat their proportionate share of foreign taxes paid by the Funds as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, and foreign source income as reported by the Fund, to Class 1, Class 2, and Class 4 shareholders of record.

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share
Class1	\$0.0402	\$0.9616
Class2	\$0.0402	\$0.9177
Class4	\$0.0402	\$0.8998

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends.

Index Descriptions

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

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

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

Bloomberg Barclays 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.