

ANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2020



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Annual Report

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

Not FDIC Insured	May Lose Value	No Bank Guarantee
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Important Notes to Performance Information

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

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

Franklin Allocation VIP Fund

This annual report for Franklin Allocation VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+11.74%
5-Year	+8.93%
10-Year	+7.59%

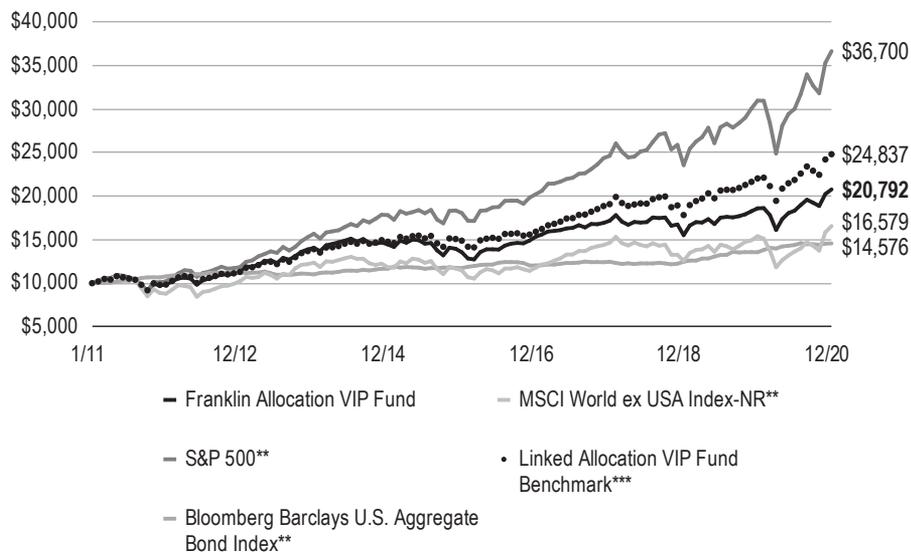
*On May 1, 2019, the Fund's investment strategies changed. Performance prior to May 1, 2019, is attributable to the Fund's performance before the strategy change. The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®), the Bloomberg Barclays U.S. Aggregate Bond Index, the MSCI World ex USA Index-NR and the Linked Allocation VIP Fund Benchmark. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

***Source: FactSet. The Linked Allocation VIP Fund Benchmark was calculated internally and was composed of 40% S&P 500, 40% Bloomberg Barclays U.S. Aggregate Bond Index and 20% MSCI World ex USA Index-NR. Please see Index Descriptions following the Fund Summaries.

Franklin Allocation VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation, with income as a secondary goal. Under normal market conditions, the Fund allocates approximately 60% of its assets to the equity asset class and 40% of its assets to the fixed income asset class by allocating the Fund's assets among various sleeves (investment strategies).

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Because the Fund invests in underlying funds, and the Fund's performance is directly related to the performance of the underlying funds held by it, the ability of the Fund to achieve its investment goals is directly related to the ability of the underlying funds to meet their investment goals. Additionally, because these underlying funds may engage in a variety of investment strategies involving certain risks, the Fund may be subject to these same risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bonds are affected by changes in interest rates and the creditworthiness of their issuers. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds adjust to a rise in interest rates, the Fund's share price may decline. Higher-yielding, lower-rated corporate bonds entail a greater degree of credit risk compared to investment-grade securities. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Value securities may not increase in price as anticipated or may decline further in value. The Fund's prospectus also includes a description of the main investment risks.

Portfolio Composition

12/31/20

	% of Total Net Assets
Common Stocks	60.1%
Corporate Bonds	11.0%
U.S. Government and Agency Securities	11.0%
Mortgage-Backed Securities	9.7%
Management Investment Companies	2.9%
Other	1.6%
Short-Term Investments & Other Net Assets	3.7%

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's 500 Index (S&P 500), posted a +18.40% total return.¹ The Fund's other benchmarks performed as follows: the Bloomberg Barclays U.S. Aggregate Bond Index posted a +7.51% total return, the MSCI World ex USA Index-NR posted a +7.59% total return and the Linked Allocation VIP Fund Benchmark posted a +12.61% total return.^{1,2}

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

1. Source: Morningstar.

2. Source: FactSet. The Linked Allocation VIP Fund benchmark was calculated internally and was composed of 40% S&P 500, 40% Bloomberg Barclays U.S. Aggregate Bond Index and 20% MSCI World ex USA Index-NR.

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).

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.³ According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.³

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹

Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Geographic Composition

12/31/20

	% of Total Net Assets
North America	73.7%
Europe	14.1%
Asia	6.1%
Australia & New Zealand	1.2%
Other	1.2%
Short-Term Investments & Other Net Assets	3.7%

Investment Strategy

The Fund seeks to achieve its investment goals by allocating its assets among the broad asset classes of equity and fixed income investments through a variety of investment strategies or sleeves managed by the investment manager or its affiliates, which include Franklin U.S. Smart Beta Equity Strategy, Franklin Total Return Strategy (liquidated on 7/15/20 and transferred into existing Franklin U.S. Core Bond Strategy and new Franklin U.S. Treasury Securities Strategy), Franklin Growth Strategy, Templeton Foreign Strategy, Franklin International Growth Strategy, Franklin U.S. Government Securities Strategy, Franklin Rising Dividends Strategy, Franklin Investment Grade Corporate Strategy, Templeton Global Bond VIP Fund, Franklin International Core Equity Strategy, Franklin U.S. Core Equity (IU) Strategy, Franklin Emerging Market Core Equity (IU) Strategy and Franklin U.S. Core Bond Strategy. The Fund is structured as a multi-manager fund (meaning the Fund's assets are managed by multiple subadvisors), with the investment manager having overall responsibility for the Fund's investments. The investment manager allocates

3. Source: U.S. Bureau of Labor Statistics.

assets among various asset classes and strategy sleeves to seek to diversify the Fund's portfolio, to add incremental return and to reduce the Fund's risk of being significantly impacted by changes in a specific asset class or by changing market conditions. The investment manager may, at times, implement a risk overlay strategy, which seeks to neutralize certain market risks that may exist in the Fund primarily through the use of equity and interest rate/bond futures. Allocation to each sleeve will generally not exceed 20% and will vary with market conditions. However, under normal market conditions, no sleeve constitutes a majority of the Fund's assets.

Manager's Discussion

The Fund's performance can be attributed largely to its allocation among the underlying sleeves and their investments in domestic and foreign equity securities, fixed income securities, equity index and U.S. Treasury futures, and short-term investments and other net assets.

During the 12 months under review, on the equity side, the Franklin International Growth Strategy and the Franklin International Core Equity Growth Strategy outperformed the Fund's foreign equity benchmark, the MSCI World ex USA Index-NR, while the Templeton Foreign Strategy underperformed the index. The Franklin Growth Strategy and the Franklin Rising Dividends Strategy outperformed the Fund's domestic equity benchmark, the S&P 500, while the Franklin U.S. Core Equity Strategy and the Franklin U.S. Smart Beta Equity Strategy underperformed the index. On the fixed income side, the Franklin Total Return Strategy and Franklin Investment Grade Corporate Strategy outperformed the Fund's fixed income benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, while the Franklin U.S. Government Securities Strategy, Franklin Global Bond VIP Fund, the Franklin U.S. Core Bond Strategy and the Franklin U.S. Treasury Bond Strategy underperformed the index. The Fund utilized U.S. Treasury and equity index futures for daily cash equitization as well as dynamic asset allocation purposes during the period, which contributed to returns.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
U.S. Treasury Notes <i>Diversified Financial Services, United States</i>	7.9%
GNMA II, Single-family, 30 Year <i>Diversified Financial Services, United States</i>	4.1%
FHLMC Pool, 30 Year <i>Diversified Financial Services, United States</i>	2.7%
U.S. Treasury Bonds <i>Diversified Financial Services, United States</i>	2.7%
Microsoft Corp. <i>Software, United States</i>	2.1%
Schwab U.S. TIPS ETF <i>Capital Markets, United States</i>	1.9%
FNMA, 30 Year <i>Thriffs & Mortgage Finance, United States</i>	1.8%
Apple, Inc. <i>Technology Hardware, Storage & Peripherals, United States</i>	1.5%
Amazon.com, Inc. <i>Internet & Direct Marketing Retail, United States</i>	1.3%
Alphabet, Inc. <i>Interactive Media & Services, United States</i>	1.0%

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,133.60	\$4.30	\$1,021.11	\$4.07	0.80%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses

Financial Highlights

Franklin Allocation VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$6.86	\$6.37	\$7.44	\$7.13	\$6.80
Income from investment operations ^a :					
Net investment income ^b	0.10	0.11 ^c	0.23 ^c	0.21 ^c	0.21 ^c
Net realized and unrealized gains (losses)	0.45	1.11	(0.89)	0.63	0.64
Total from investment operations	0.55	1.22	(0.66)	0.84	0.85
Less distributions from:					
Net investment income	(0.12)	(0.27)	(0.24)	(0.22)	(0.29)
Net realized gains	(1.80)	(0.46)	(0.17)	(0.31)	(0.23)
Total distributions	(1.92)	(0.73)	(0.41)	(0.53)	(0.52)
Net asset value, end of year	\$5.49	\$6.86	\$6.37	\$7.44	\$7.13
Total return ^d	12.19%	20.04%	(9.34)%	12.17%	13.43%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.60%	0.44%	0.12%	0.12%	0.11%
Expenses net of waiver and payments by affiliates	0.55% ^e	0.39%	0.10%	0.10%	0.10%
Net investment income	1.79%	1.55%	3.13%	2.75%	3.09%
Supplemental data					
Net assets, end of year (000's)	\$811	\$842	\$984	\$1,047	\$1,025
Portfolio turnover rate	99.02%	170.79%	2.23%	1.28%	0.10%
Portfolio turnover rate excluding mortgage dollar rolls	91.62% ^f	158.11% ^f	2.23%	1.28%	0.10%

^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.

^cRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

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

^fSee Note 1(h) regarding mortgage dollar rolls.

Franklin Allocation VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$6.81	\$6.32	\$7.39	\$7.08	\$6.75
Income from investment operations ^a :					
Net investment income ^b	0.09	0.09 ^c	0.21 ^c	0.18 ^c	0.19 ^c
Net realized and unrealized gains (losses)	0.43	1.11	(0.89)	0.64	0.64
Total from investment operations	0.52	1.20	(0.68)	0.82	0.83
Less distributions from:					
Net investment income	(0.10)	(0.25)	(0.22)	(0.20)	(0.27)
Net realized gains	(1.80)	(0.46)	(0.17)	(0.31)	(0.23)
Total distributions	(1.90)	(0.71)	(0.39)	(0.51)	(0.50)
Net asset value, end of year	\$5.43	\$6.81	\$6.32	\$7.39	\$7.08
Total return ^d	11.74%	19.86%	(9.65)%	11.98%	13.18%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.85%	0.69%	0.37%	0.37%	0.36%
Expenses net of waiver and payments by affiliates	0.80% ^e	0.64%	0.35%	0.35%	0.35%
Net investment income	1.54%	1.30%	2.88%	2.50%	2.84%
Supplemental data					
Net assets, end of year (000's)	\$398,620	\$403,040	\$390,300	\$480,402	\$474,669
Portfolio turnover rate	99.02%	170.79%	2.23%	1.28%	0.10%
Portfolio turnover rate excluding mortgage dollar rolls	91.62% ^f	158.11% ^f	2.23%	1.28%	0.10%

^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.

^cRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

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

^fSee Note 1(h) regarding mortgage dollar rolls.

Franklin Allocation VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$6.97	\$6.46	\$7.53	\$7.21	\$6.87
Income from investment operations ^a :					
Net investment income ^b	0.08	0.08 ^c	0.20 ^c	0.18 ^c	0.19 ^c
Net realized and unrealized gains (losses)	0.46	1.13	(0.89)	0.64	0.64
Total from investment operations	0.54	1.21	(0.69)	0.82	0.83
Less distributions from:					
Net investment income	(0.09)	(0.24)	(0.21)	(0.19)	(0.26)
Net realized gains	(1.80)	(0.46)	(0.17)	(0.31)	(0.23)
Total distributions	(1.89)	(0.70)	(0.38)	(0.50)	(0.49)
Net asset value, end of year	\$5.62	\$6.97	\$6.46	\$7.53	\$7.21
Total return ^d	11.75%	19.56%	(9.58)%	11.78%	12.92%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.95%	0.79%	0.47%	0.47%	0.46%
Expenses net of waiver and payments by affiliates	0.90% ^e	0.74%	0.45%	0.45%	0.45%
Net investment income	1.44%	1.20%	2.78%	2.40%	2.74%
Supplemental data					
Net assets, end of year (000's)	\$409,388	\$406,693	\$393,385	\$528,862	\$530,403
Portfolio turnover rate	99.02%	170.79%	2.23%	1.28%	0.10%
Portfolio turnover rate excluding mortgage dollar rolls	91.62% ^f	158.11% ^f	2.23%	1.28%	0.10%

^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.

^cRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

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

^fSee Note 1(h) regarding mortgage dollar rolls.

Statement of Investments, December 31, 2020

Franklin Allocation VIP Fund

	Country	Shares	Value
Common Stocks 60.1%			
Aerospace & Defense 1.4%			
BAE Systems plc	United Kingdom	90,743	\$605,189
BWX Technologies, Inc.	United States	10,343	623,476
^a Dassault Aviation SA	France	365	397,474
General Dynamics Corp.	United States	4,600	684,572
Huntington Ingalls Industries, Inc.	United States	362	61,714
Lockheed Martin Corp.	United States	5,976	2,121,360
^a Mercury Systems, Inc.	United States	4,600	405,076
MTU Aero Engines AG	Germany	7,500	1,955,099
Northrop Grumman Corp.	United States	6,328	1,928,268
Raytheon Technologies Corp.	United States	33,711	2,410,674
			11,192,902
Air Freight & Logistics 0.7%			
CH Robinson Worldwide, Inc.	United States	1,330	124,847
Deutsche Post AG	Germany	14,214	704,130
DSV PANALPINA A/S	Denmark	10,300	1,731,179
Expeditors International of Washington, Inc.	United States	5,695	541,652
FedEx Corp.	United States	348	90,348
United Parcel Service, Inc., B	United States	13,736	2,313,142
			5,505,298
Airlines 0.0%[†]			
^a International Consolidated Airlines Group SA	United Kingdom	179,897	391,484
Auto Components 0.2%			
Aptiv plc	United States	2,300	299,667
Cie Generale des Etablissements Michelin SCA	France	2,451	315,596
Gentex Corp.	United States	6,776	229,909
Toyota Industries Corp.	Japan	5,149	409,094
			1,254,266
Automobiles 0.4%			
Bayerische Motoren Werke AG	Germany	7,192	634,768
Fiat Chrysler Automobiles NV	United Kingdom	38,275	691,507
Honda Motor Co. Ltd.	Japan	20,700	584,077
Isuzu Motors Ltd.	Japan	63,100	600,689
Peugeot SA	France	3,057	83,721
^a Tesla, Inc.	United States	685	483,384
			3,078,146
Banks 1.3%			
Associated Banc-Corp.	United States	308	5,251
Banco de Sabadell SA	Spain	224,093	96,983
Bank of America Corp.	United States	7,969	241,540
^a BNP Paribas SA	France	14,623	772,012
^a Credit Agricole SA	France	31,834	402,460
^a FincoBank Banca Finco SpA	Italy	116,802	1,926,380
^a ING Groep NV	Netherlands	156,476	1,454,949
JPMorgan Chase & Co.	United States	4,830	613,748
Kasikornbank PCL	Thailand	135,292	509,439
KB Financial Group, Inc.	South Korea	20,247	802,935
^a KBC Group NV	Belgium	3,581	250,613
People's United Financial, Inc.	United States	923	11,934
Shinhan Financial Group Co. Ltd.	South Korea	20,714	613,719
^a Standard Chartered plc	United Kingdom	153,094	972,209
Sumitomo Mitsui Financial Group, Inc.	Japan	29,300	908,246
Sumitomo Mitsui Financial Group, Inc., ADR	Japan	106,000	654,020
Wells Fargo & Co.	United States	7,589	229,036

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Banks (continued)			
Western Alliance Bancorp	United States	2,431	\$145,739
			10,611,213
Beverages 0.9%			
Anheuser-Busch InBev SA/NV	Belgium	1,013	70,677
^a Boston Beer Co., Inc. (The), A.	United States	257	255,533
Brown-Forman Corp., A.	United States	462	33,943
Brown-Forman Corp., B.	United States	10,030	796,683
Coca-Cola Co. (The)	United States	10,118	554,871
Constellation Brands, Inc., A.	United States	3,104	679,931
Kirin Holdings Co. Ltd.	Japan	23,643	558,282
^a Monster Beverage Corp.	United States	24,136	2,232,097
PepsiCo, Inc.	United States	14,529	2,154,651
			7,336,668
Biotechnology 1.7%			
AbbVie, Inc.	United States	20,496	2,196,146
^a Alexion Pharmaceuticals, Inc.	United States	960	149,990
Amgen, Inc.	United States	9,465	2,176,193
^a Biogen, Inc.	United States	3,840	940,262
^a Certara, Inc.	United States	1,500	50,580
CSL Ltd.	Australia	10,372	2,266,205
^a Deciphera Pharmaceuticals, Inc.	United States	3,300	188,331
^a Exelixis, Inc.	United States	2,363	47,425
^a Galapagos NV	Belgium	3,636	359,886
^a Genmab A/S	Denmark	3,800	1,541,003
Gilead Sciences, Inc.	United States	12,610	734,659
^a lovance Biotherapeutics, Inc.	United States	2,300	106,720
^a Neurocrine Biosciences, Inc.	United States	2,609	250,073
^a PTC Therapeutics, Inc.	United States	2,200	134,266
^a Regeneron Pharmaceuticals, Inc.	United States	1,646	795,199
^a Seagen, Inc.	United States	2,413	422,613
^a United Therapeutics Corp.	United States	1,361	206,586
^a Vertex Pharmaceuticals, Inc.	United States	3,836	906,600
			13,472,737
Building Products 0.6%			
A O Smith Corp.	United States	4,010	219,828
Allegion plc.	United States	4,407	512,887
Geberit AG	Switzerland	1,374	860,084
Johnson Controls International plc.	United States	18,900	880,551
^a Kingspan Group plc	Ireland	2,043	143,172
Lennox International, Inc.	United States	1,190	326,024
Masco Corp.	United States	7,707	423,346
Owens Corning.	United States	2,313	175,233
Trane Technologies plc	United States	6,657	966,330
^a Trex Co., Inc.	United States	447	37,423
			4,544,878
Capital Markets 2.7%			
BlackRock, Inc.	United States	1,265	912,748
Charles Schwab Corp. (The)	United States	17,031	903,324
Deutsche Boerse AG.	Germany	8,000	1,362,234
Evercore, Inc., A.	United States	1,339	146,808
FactSet Research Systems, Inc.	United States	1,457	484,453
^b Flow Traders, 144A, Reg S.	Netherlands	6,603	218,611
Goldman Sachs Group, Inc. (The)	United States	7,082	1,867,594
Hargreaves Lansdown plc.	United Kingdom	12,355	257,276

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Capital Markets (continued)			
Hong Kong Exchanges & Clearing Ltd.	Hong Kong	15,900	\$872,143
Intercontinental Exchange, Inc.	United States	7,855	905,603
Intermediate Capital Group plc	United Kingdom	74,000	1,741,353
Invesco Ltd.	United States	14,122	246,146
Japan Exchange Group, Inc.	Japan	8,500	217,190
Lazard Ltd., A	United States	4,039	170,850
Magellan Financial Group Ltd.	Australia	4,546	188,288
MarketAxess Holdings, Inc.	United States	1,485	847,282
Moody's Corp.	United States	5,774	1,675,846
Morgan Stanley.	United States	15,759	1,079,964
Morningstar, Inc.	United States	796	184,330
Nasdaq, Inc.	United States	4,700	623,878
Nomura Holdings, Inc.	Japan	90,800	480,066
Partners Group Holding AG.	Switzerland	664	780,228
S&P Global, Inc.	United States	7,897	2,595,981
SEI Investments Co.	United States	4,361	250,627
Singapore Exchange Ltd.	Singapore	30,300	212,964
State Street Corp.	United States	5,723	416,520
T Rowe Price Group, Inc.	United States	8,006	1,212,028
Tradeweb Markets, Inc., A.	United States	5,400	337,230
UBS Group AG.	Switzerland	65,357	920,216
			22,111,781
Chemicals 2.3%			
Air Products and Chemicals, Inc.	United States	11,688	3,193,395
Albemarle Corp.	United States	10,330	1,523,882
Celanese Corp.	United States	728	94,596
^b Covestro AG, 144A, Reg S.	Germany	10,684	658,305
Eastman Chemical Co.	United States	999	100,180
Ecolab, Inc.	United States	8,621	1,865,240
EMS-Chemie Holding AG.	Switzerland	317	304,942
Huntsman Corp.	United States	768	19,308
Koninklijke DSM NV.	Netherlands	9,800	1,685,386
Linde plc.	United Kingdom	12,885	3,395,326
LyondellBasell Industries NV, A.	United States	2,931	268,655
NewMarket Corp.	United States	69	27,482
Nitto Denko Corp.	Japan	6,300	564,354
Sherwin-Williams Co. (The).	United States	1,025	753,283
Symrise AG.	Germany	12,000	1,595,386
Tosoh Corp.	Japan	30,725	480,053
Umicore SA.	Belgium	36,000	1,730,414
Valvoline, Inc.	United States	1,097	25,385
Yara International ASA.	Brazil	1,381	57,293
			18,342,865
Commercial Services & Supplies 0.4%			
Cintas Corp.	United States	4,469	1,579,613
^a Copart, Inc.	United States	3,113	396,129
Downer EDI Ltd.	Australia	58,693	241,176
Republic Services, Inc.	United States	3,700	356,310
Rollins, Inc.	United States	8,680	339,128
			2,912,356
Communications Equipment 0.1%			
^a Arista Networks, Inc.	United States	221	64,216
Cisco Systems, Inc.	United States	12,275	549,306
^a F5 Networks, Inc.	United States	578	101,694

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Communications Equipment (continued)			
Motorola Solutions, Inc.	United States	1,451	\$246,757
			961,973
Construction & Engineering 0.1%			
Obayashi Corp.	Japan	25,300	218,455
Quanta Services, Inc.	United States	1,604	115,520
Sinopec Engineering Group Co. Ltd., H.	China	602,000	259,921
Taisei Corp.	Japan	17,800	614,074
			1,207,970
Construction Materials 0.1%			
Martin Marietta Materials, Inc.	United States	2,263	642,624
Taiheiyo Cement Corp.	Japan	2,300	57,613
			700,237
Consumer Finance 0.0%[†]			
Santander Consumer USA Holdings, Inc.	United States	773	17,022
SLM Corp.	United States	10,921	135,311
			152,333
Containers & Packaging 0.0%[†]			
Ardagh Group SA	United States	38	654
Avery Dennison Corp.	United States	316	49,015
International Paper Co.	United States	863	42,908
Packaging Corp. of America	United States	771	106,329
Sonoco Products Co.	United States	890	52,732
			251,638
Distributors 0.1%			
Pool Corp.	United States	1,490	555,025
Diversified Consumer Services 0.3%			
^a Grand Canyon Education, Inc.	United States	1,360	126,629
H&R Block, Inc.	United States	28,737	455,769
^a TAL Education Group, ADR.	China	21,000	1,501,710
			2,084,108
Diversified Financial Services 0.4%			
^a Berkshire Hathaway, Inc., B.	United States	3,438	797,169
EXOR NV	Netherlands	3,681	299,009
Investor AB, B.	Sweden	10,848	789,659
Jefferies Financial Group, Inc.	United States	823	20,246
^a Kinnevik AB, B.	Sweden	8,404	422,245
M&G plc	United Kingdom	95,428	257,595
Mitsubishi UFJ Lease & Finance Co. Ltd.	Japan	15,800	75,870
ORIX Corp.	Japan	48,000	738,438
			3,400,231
Diversified Telecommunication Services 0.6%			
AT&T, Inc.	United States	25,191	724,493
^b Cellnex Telecom SA, 144A, Reg S.	Spain	20,500	1,231,136
CenturyLink, Inc.	United States	2,338	22,796
Deutsche Telekom AG.	Germany	30,280	552,711
Verizon Communications, Inc.	United States	37,106	2,179,978
			4,711,114

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Electric Utilities 0.5%			
Alliant Energy Corp.	United States	2,042	\$105,224
American Electric Power Co., Inc.	United States	2,380	198,183
Evergy, Inc.	United States	1,543	85,652
Eversource Energy	United States	2,629	227,435
Hawaiian Electric Industries, Inc.	United States	946	33,479
NextEra Energy, Inc.	United States	19,016	1,467,084
NRG Energy, Inc.	United States	7,824	293,791
PPL Corp.	United States	5,240	147,768
Red Electrica Corp. SA	Spain	16,339	335,471
Southern Co. (The)	United States	7,198	442,173
Tohoku Electric Power Co., Inc.	Japan	16,900	139,479
Xcel Energy, Inc.	United States	2,603	173,542
			3,649,281
Electrical Equipment 0.5%			
Acuity Brands, Inc.	United States	1,167	141,312
AMETEK, Inc.	United States	3,718	449,655
Eaton Corp. plc.	United States	832	99,956
Emerson Electric Co.	United States	7,980	641,353
^a Generac Holdings, Inc.	United States	208	47,301
GrafTech International Ltd.	United States	388	4,136
Hubbell, Inc.	United States	110	17,247
Mitsubishi Electric Corp.	Japan	61,300	926,467
nVent Electric plc	United States	13,600	316,744
Rockwell Automation, Inc.	United States	2,455	615,739
Schneider Electric SE	France	8,084	1,168,407
			4,428,317
Electronic Equipment, Instruments & Components 0.7%			
Amphenol Corp., A	United States	8,233	1,076,629
^a Arrow Electronics, Inc.	United States	2,245	218,438
Avnet, Inc.	United States	13,043	457,940
Cognex Corp.	United States	2,187	175,583
Hitachi Ltd.	Japan	28,735	1,134,151
Jabil, Inc.	United States	2,709	115,214
^a Keysight Technologies, Inc.	United States	4,062	536,550
SYNNEX Corp.	United States	1,177	95,855
TE Connectivity Ltd.	United States	10,449	1,265,060
^a Vontier Corp.	United States	6,485	216,599
			5,292,019
Energy Equipment & Services 0.1%			
SBM Offshore NV	Netherlands	33,612	635,020
^a Tecnicas Reunidas SA	Spain	14,015	185,834
			820,854
Entertainment 0.9%			
Activision Blizzard, Inc.	United States	6,486	602,225
CTS Eventim AG & Co. KGaA	Germany	24,000	1,604,257
^a Electronic Arts, Inc.	United States	5,388	773,717
^a Netflix, Inc.	United States	676	365,533
Nintendo Co. Ltd.	Japan	1,300	834,524
^a Spotify Technology SA	United States	764	240,400
Square Enix Holdings Co. Ltd.	Japan	900	54,568
^a Walt Disney Co. (The)	United States	13,323	2,413,861
			6,889,085

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Equity Real Estate Investment Trusts (REITs) 0.8%			
Boston Properties, Inc.	United States	4,875	\$460,834
CoreSite Realty Corp.	United States	143	17,915
Crown Castle International Corp.	United States	6,485	1,032,347
EPR Properties.	United States	671	21,807
Equinix, Inc.	United States	598	427,080
Equity Commonwealth	United States	3,728	101,700
Extra Space Storage, Inc.	United States	264	30,587
Gaming and Leisure Properties, Inc.	United States	6,073	257,495
Gecina SA	France	397	61,736
Goodman Group	Australia	46,464	679,186
Kimco Realty Corp.	United States	16,450	246,915
Klepierre SA	France	3,919	88,393
National Retail Properties, Inc.	United States	1,557	63,712
Omega Healthcare Investors, Inc.	United States	485	17,615
Public Storage	United States	6,190	1,429,457
Realty Income Corp.	United States	2,895	179,982
Simon Property Group, Inc.	United States	12,313	1,050,053
Spirit Realty Capital, Inc.	United States	967	38,844
STORE Capital Corp.	United States	1,841	62,557
Suntec Real Estate Investment Trust.	Singapore	50,600	57,104
VICI Properties, Inc.	United States	1,159	29,555
WP Carey, Inc.	United States	1,331	93,942
			6,448,816
Food & Staples Retailing 0.8%			
Casey's General Stores, Inc.	United States	316	56,444
Cosmos Pharmaceutical Corp.	Japan	800	129,182
Costco Wholesale Corp.	United States	1,369	515,812
Koninklijke Ahold Delhaize NV.	Netherlands	41,949	1,183,486
Kroger Co. (The)	United States	28,468	904,144
Matsumotokiyoshi Holdings Co. Ltd.	Japan	11,300	481,975
Seven & i Holdings Co. Ltd.	Japan	7,600	269,120
^a Sprouts Farmers Market, Inc.	United States	892	17,929
Sundrug Co. Ltd.	Japan	12,243	489,315
Walgreens Boots Alliance, Inc.	United States	6,170	246,059
Walmart, Inc.	United States	15,702	2,263,443
Welcia Holdings Co. Ltd.	Japan	3,600	135,801
			6,692,710
Food Products 0.5%			
^a a2 Milk Co. Ltd. (The)	New Zealand	5,244	45,619
Calbee, Inc.	Japan	3,600	108,520
Campbell Soup Co.	United States	720	34,812
Flowers Foods, Inc.	United States	5,841	132,182
General Mills, Inc.	United States	5,837	343,216
Hershey Co. (The)	United States	1,579	240,529
Hormel Foods Corp.	United States	2,732	127,339
Ingredion, Inc.	United States	581	45,707
J M Smucker Co. (The)	United States	841	97,220
Kellogg Co.	United States	1,757	109,338
Lamb Weston Holdings, Inc.	United States	2,932	230,866
McCormick & Co., Inc.	United States	10,200	975,120
MEIJI Holdings Co. Ltd.	Japan	4,600	323,747
Mondelez International, Inc., A.	United States	8,269	483,488
Nestle SA	Switzerland	2,916	344,704
Toyo Suisan Kaisha Ltd.	Japan	3,400	165,468
Tyson Foods, Inc., A.	United States	2,551	164,386

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Food Products (continued)			
^b WH Group Ltd., 144A, Reg S	Hong Kong	366,000	\$306,910
			4,279,171
Gas Utilities 0.1%			
Atmos Energy Corp.	United States	1,010	96,384
Osaka Gas Co. Ltd.	Japan	14,800	303,364
Toho Gas Co. Ltd.	Japan	2,700	178,876
Tokyo Gas Co. Ltd.	Japan	14,300	330,976
UGI Corp.	United States	6,611	231,121
			1,140,721
Health Care Equipment & Supplies 3.4%			
Abbott Laboratories.	United States	19,760	2,163,522
^a ABIOMED, Inc.	United States	712	230,831
^a Alcon, Inc.	Switzerland	23,500	1,560,309
^a Align Technology, Inc.	United States	335	179,017
Becton Dickinson and Co.	United States	6,700	1,676,474
Cochlear Ltd.	Australia	10,700	1,561,295
Coloplast A/S, B	Denmark	3,394	519,083
Danaher Corp.	United States	9,509	2,112,329
DiaSorin SpA	Italy	920	192,095
^a Edwards Lifesciences Corp.	United States	11,678	1,065,384
Fisher & Paykel Healthcare Corp. Ltd.	New Zealand	8,230	195,493
GN Store Nord A/S	Denmark	23,000	1,833,576
^a Haemonetics Corp.	United States	5,424	644,100
Hoya Corp.	Japan	6,200	858,668
^a IDEXX Laboratories, Inc.	United States	2,357	1,178,194
^a Intuitive Surgical, Inc.	United States	2,422	1,981,438
Medtronic plc	United States	15,200	1,780,528
^a Quidel Corp.	United States	809	145,337
ResMed, Inc.	United States	1,790	380,482
^a Sonova Holding AG.	Switzerland	1,770	460,366
Stryker Corp.	United States	12,392	3,036,536
Teleflex, Inc.	United States	2,984	1,228,125
West Pharmaceutical Services, Inc.	United States	9,012	2,553,190
			27,536,372
Health Care Providers & Services 0.7%			
Chemed Corp.	United States	400	213,044
Cigna Corp.	United States	894	186,113
CVS Health Corp.	United States	7,297	498,385
Fresenius Medical Care AG & Co. KGaA.	Germany	9,509	792,963
Humana, Inc.	United States	775	317,959
^a Laboratory Corp. of America Holdings	United States	2,810	571,975
Premier, Inc., A.	United States	455	15,970
Quest Diagnostics, Inc.	United States	2,950	351,552
Sinopharm Group Co. Ltd., H	China	96,800	234,820
UnitedHealth Group, Inc.	United States	6,192	2,171,411
Universal Health Services, Inc., B	United States	1,382	190,025
			5,544,217
Health Care Technology 0.2%			
^a American Well Corp., A.	United States	2,300	58,259
Cerner Corp.	United States	11,803	926,299
M3, Inc.	Japan	800	75,574
^a Veeva Systems, Inc., A	United States	3,500	952,875
			2,013,007

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Hotels, Restaurants & Leisure 0.5%			
^a Airbnb, Inc., A	United States	600	\$88,080
Domino's Pizza, Inc.	United States	1,572	602,799
Las Vegas Sands Corp.	United States	8,938	532,705
McDonald's Corp.	United States	7,505	1,610,423
Yum! Brands, Inc.	United States	7,982	866,526
			3,700,533
Household Durables 0.4%			
^a Barratt Developments plc	United Kingdom	35,415	323,791
Berkeley Group Holdings plc	United Kingdom	4,626	299,267
DR Horton, Inc.	United States	1,669	115,027
Garmin Ltd.	United States	1,341	160,464
Iida Group Holdings Co. Ltd.	Japan	5,700	115,244
Lennar Corp., A.	United States	2,310	176,091
^a Mohawk Industries, Inc.	United States	1,038	146,306
^a NVR, Inc.	United States	30	122,396
Persimmon plc	United Kingdom	11,258	424,939
PulteGroup, Inc.	United States	5,652	243,714
Sekisui House Ltd.	Japan	24,100	490,960
Sony Corp.	Japan	6,862	691,471
^a Taylor Wimpey plc.	United Kingdom	32,654	73,868
			3,383,538
Household Products 0.9%			
Church & Dwight Co., Inc.	United States	2,321	202,461
Clorox Co. (The)	United States	3,596	726,104
Colgate-Palmolive Co.	United States	39,485	3,376,362
Kimberly-Clark Corp.	United States	2,915	393,030
Pigeon Corp.	Japan	1,300	53,655
Procter & Gamble Co. (The)	United States	15,865	2,207,456
			6,959,068
Independent Power and Renewable Electricity Producers 0.0%[†]			
Vistra Corp.	United States	14,746	289,906
Industrial Conglomerates 1.0%			
3M Co.	United States	6,641	1,160,780
Carlisle Cos., Inc.	United States	3,100	484,158
CK Hutchison Holdings Ltd.	United Kingdom	148,500	1,036,803
Honeywell International, Inc.	United States	10,929	2,324,598
Roper Technologies, Inc.	United States	7,200	3,103,848
			8,110,187
Insurance 0.8%			
Admiral Group plc	United Kingdom	7,074	279,740
Aflac, Inc.	United States	29,075	1,292,965
AIA Group Ltd.	Hong Kong	72,046	877,961
American National Group, Inc.	United States	70	6,728
Aviva plc.	United Kingdom	141,202	628,117
^a CNP Assurances.	France	6,249	101,532
Direct Line Insurance Group plc	United Kingdom	14,253	62,343
Erie Indemnity Co., A.	United States	2,699	662,874
First American Financial Corp.	United States	3,098	159,950
Japan Post Insurance Co. Ltd.	Japan	8,900	182,487
MetLife, Inc.	United States	13,435	630,773
NN Group NV	Netherlands	6,503	281,138
Progressive Corp. (The)	United States	2,211	218,624
Prudential Financial, Inc.	United States	12,672	989,303

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
^a Root, Inc., A	United States	2,400	\$37,704
Unum Group	United States	6,290	144,293
			6,556,532
Interactive Media & Services 1.9%			
^a Alphabet, Inc., A	United States	3,084	5,405,142
^a Alphabet, Inc., C	United States	1,752	3,069,294
^b Auto Trader Group plc, 144A, Reg S	United Kingdom	38,282	311,628
^a Baidu, Inc., ADR	China	4,002	865,393
^a Facebook, Inc., A	United States	15,983	4,365,916
^a IAC/InterActiveCorp	United States	1,607	304,285
Kakaku.com, Inc.	Japan	5,100	139,604
^a Match Group, Inc.	United States	4,330	654,653
			15,115,915
Internet & Direct Marketing Retail 2.0%			
^a Alibaba Group Holding Ltd.	China	17,493	508,775
^a Alibaba Group Holding Ltd., ADR	China	3,045	708,663
^a Amazon.com, Inc.	United States	3,034	9,881,526
^a boohoo Group plc	United Kingdom	375,000	1,760,487
^a Booking Holdings, Inc.	United States	328	730,545
eBay, Inc.	United States	1,422	71,455
^a MercadoLibre, Inc.	Argentina	1,200	2,010,264
Qurate Retail, Inc.	United States	828	9,083
^{a,b} Zalando SE, 144A, Reg S	Germany	4,883	543,165
ZOZO, Inc.	Japan	4,100	101,001
			16,324,964
IT Services 3.3%			
Accenture plc, A	United States	15,108	3,946,361
^{a,b} Adyen NV, 144A, Reg S	Netherlands	1,204	2,797,659
^a Akamai Technologies, Inc.	United States	587	61,629
Amadeus IT Group SA	Spain	23,550	1,738,468
Amdocs Ltd.	United States	1,250	88,662
Automatic Data Processing, Inc.	United States	6,021	1,060,900
Booz Allen Hamilton Holding Corp.	United States	885	77,154
Broadridge Financial Solutions, Inc.	United States	1,128	172,810
Cognizant Technology Solutions Corp., A	United States	4,119	337,552
^a Concentrix Corp.	United States	1,177	116,170
Fujitsu Ltd.	Japan	7,300	1,055,109
International Business Machines Corp.	United States	4,240	533,731
Jack Henry & Associates, Inc.	United States	752	121,816
^a Keywords Studios plc	Ireland	55,000	2,147,906
Mastercard, Inc., A	United States	9,450	3,373,083
NEC Corp.	Japan	1,800	96,677
Nomura Research Institute Ltd.	Japan	10,900	389,931
^a Okta, Inc.	United States	700	177,982
Otsuka Corp.	Japan	3,900	205,714
Paychex, Inc.	United States	3,321	309,451
^a PayPal Holdings, Inc.	United States	4,300	1,007,060
^a Shopify, Inc., A	Canada	1,200	1,358,340
^a Snowflake, Inc., A	United States	1,600	450,240
^a Twilio, Inc., A	United States	2,462	833,387
^a VeriSign, Inc.	United States	2,998	648,767
Visa, Inc., A	United States	17,357	3,796,497
Western Union Co. (The)	United States	952	20,887
			26,923,943

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Leisure Products 0.0%[†]			
Brunswick Corp.	United States	2,300	\$175,352
Polaris, Inc.	United States	1,714	163,310
			338,662
Life Sciences Tools & Services 1.1%			
^a 10X Genomics, Inc., A.	United States	1,500	212,400
Agilent Technologies, Inc.	United States	8,019	950,171
^a Bio-Rad Laboratories, Inc., A.	United States	47	27,398
^a Illumina, Inc.	United States	3,346	1,238,020
^a Maravai LifeSciences Holdings, Inc., A.	United States	2,900	81,345
^a Mettler-Toledo International, Inc.	United States	3,225	3,675,468
PerkinElmer, Inc.	United States	3,241	465,083
Sartorius Stedim Biotech.	France	972	345,798
^a Seer, Inc.	United States	300	16,842
Thermo Fisher Scientific, Inc.	United States	2,205	1,027,045
^a Waters Corp.	United States	272	67,298
^{a,b} Wuxi Biologics Cayman, Inc., 144A, Reg S	China	52,500	696,221
			8,803,089
Machinery 1.7%			
Allison Transmission Holdings, Inc.	United States	810	34,935
Amada Co. Ltd.	Japan	7,600	83,632
Atlas Copco AB, A.	Sweden	13,271	682,173
Atlas Copco AB, B.	Sweden	5,986	268,732
Caterpillar, Inc.	United States	3,146	572,635
Cummins, Inc.	United States	5,781	1,312,865
Deere & Co.	United States	2,786	749,573
Donaldson Co., Inc.	United States	7,400	413,512
Dover Corp.	United States	7,600	959,500
Epiroc AB, A.	Sweden	22,977	417,656
Epiroc AB, B.	Sweden	13,688	231,108
Fortive Corp.	United States	6,217	440,288
GEA Group AG	Germany	1,588	56,801
Graco, Inc.	United States	6,237	451,247
Illinois Tool Works, Inc.	United States	7,730	1,575,992
^a Ingersoll Rand, Inc.	United States	5,326	242,653
Komatsu Ltd.	Japan	23,626	652,037
Kone OYJ, B.	Finland	5,006	407,906
Kurita Water Industries Ltd.	Japan	1,900	72,627
Lincoln Electric Holdings, Inc.	United States	1,968	228,780
Otis Worldwide Corp.	United States	6,534	441,372
PACCAR, Inc.	United States	2,052	177,047
Pentair plc	United States	12,000	637,080
Schindler Holding AG	Switzerland	461	124,672
Schindler Holding AG	Switzerland	767	207,315
Snap-on, Inc.	United States	1,528	261,502
Stanley Black & Decker, Inc.	United States	4,452	794,949
Techtronic Industries Co. Ltd.	Hong Kong	23,000	328,749
Timken Co. (The)	United States	1,904	147,294
Toro Co. (The)	United States	1,050	99,582
Xylem, Inc.	United States	3,000	305,370
Yangzijiang Shipbuilding Holdings Ltd.	China	97,400	70,456
			13,450,040
Marine 0.1%			
Kuehne + Nagel International AG	Switzerland	2,013	456,787

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Media 0.8%			
^{a,b} Ascential plc, 144A, Reg S	United Kingdom	324,885	\$1,700,992
Cable One, Inc.	United States	361	804,207
Comcast Corp., A	United States	18,331	960,544
CyberAgent, Inc.	Japan	26,000	1,793,601
^a Informa plc	United Kingdom	39,994	299,072
Interpublic Group of Cos., Inc. (The)	United States	2,976	69,995
Nippon Television Holdings, Inc.	Japan	12,900	140,634
Omnicom Group, Inc.	United States	1,972	122,994
TBS Holdings, Inc.	Japan	14,200	249,745
			6,141,784
Metals & Mining 0.8%			
^a ArcelorMittal SA	Luxembourg	44,256	1,012,174
BHP Group plc	Australia	12,376	326,805
Evrast plc	Russia	19,488	124,555
Fortescue Metals Group Ltd.	Australia	68,957	1,245,529
Newmont Corp.	United States	2,941	176,137
Nucor Corp.	United States	5,101	271,322
Reliance Steel & Aluminum Co.	United States	2,280	273,030
Rio Tinto Ltd.	Australia	10,187	895,860
Rio Tinto plc	Australia	8,411	633,168
Southern Copper Corp.	Peru	167	10,875
Steel Dynamics, Inc.	United States	7,693	283,641
Sumitomo Metal Mining Co. Ltd.	Japan	20,290	902,520
Wheaton Precious Metals Corp.	Brazil	14,617	610,832
			6,766,448
Multiline Retail 0.5%			
Dollar General Corp.	United States	3,047	640,784
^a Next plc	United Kingdom	4,918	474,259
Seria Co. Ltd.	Japan	8,168	299,850
Target Corp.	United States	15,898	2,806,474
			4,221,367
Multi-Utilities 0.4%			
AGL Energy Ltd.	Australia	23,608	217,911
Ameren Corp.	United States	1,720	134,263
Consolidated Edison, Inc.	United States	2,810	203,079
Dominion Energy, Inc.	United States	4,978	374,345
DTE Energy Co.	United States	6,083	738,537
E.ON SE	Germany	64,969	719,447
MDU Resources Group, Inc.	United States	6,469	170,393
Public Service Enterprise Group, Inc.	United States	4,586	267,364
Veolia Environnement SA	France	12,180	300,339
WEC Energy Group, Inc.	United States	1,164	107,123
			3,232,801
Oil, Gas & Consumable Fuels 1.1%			
BP plc	United Kingdom	213,177	735,673
Cabot Oil & Gas Corp.	United States	2,782	45,291
Chevron Corp.	United States	5,800	489,810
Diamondback Energy, Inc.	United States	5,250	254,100
EOG Resources, Inc.	United States	23,343	1,164,115
Equinor ASA	Norway	49,194	830,246
Exxon Mobil Corp.	United States	51,995	2,143,234
Galp Energia SGPS SA, B	Portugal	43,845	464,618
Husky Energy, Inc.	Canada	77,400	383,319
Neste OYJ	Finland	3,341	242,579

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Oil, Gas & Consumable Fuels (continued)			
OMV AG	Austria	2,130	\$85,082
Pioneer Natural Resources Co.	United States	1,635	186,210
Royal Dutch Shell plc, B	Netherlands	50,513	856,193
TOTAL SE	France	16,169	697,919
Valero Energy Corp.	United States	2,553	144,423
			8,722,812
Personal Products 0.2%			
Estee Lauder Cos., Inc. (The), A	United States	2,431	647,108
^a Herbalife Nutrition Ltd.	United States	2,658	127,717
Nu Skin Enterprises, Inc., A.	United States	437	23,873
Unilever plc, (GBP Traded)	United Kingdom	6,625	397,355
Unilever plc, (EUR Traded)	United Kingdom	8,329	504,350
			1,700,403
Pharmaceuticals 2.8%			
Astellas Pharma, Inc.	Japan	10,600	164,128
AstraZeneca plc, ADR.	United Kingdom	11,514	575,585
Bayer AG	Germany	21,965	1,294,037
Bristol-Myers Squibb Co.	United States	8,551	530,419
^a Catalent, Inc.	United States	19,089	1,986,592
Chugai Pharmaceutical Co. Ltd.	Japan	1,200	64,026
Eli Lilly and Co.	United States	12,711	2,146,125
^a GW Pharmaceuticals plc, ADR	United Kingdom	1,226	141,493
Hikma Pharmaceuticals plc	Jordan	47,000	1,615,537
^a Horizon Therapeutics plc.	United States	732	53,546
Ipsen SA.	France	559	46,225
^a Jazz Pharmaceuticals plc	United States	1,240	204,662
Johnson & Johnson	United States	25,261	3,975,576
Merck & Co., Inc.	United States	23,961	1,960,010
Novartis AG	Switzerland	2,077	195,566
Novo Nordisk A/S, B	Denmark	18,134	1,265,117
Orion OYJ, B	Finland	3,796	174,376
Otsuka Holdings Co. Ltd.	Japan	7,300	312,779
Pfizer, Inc.	United States	30,667	1,128,852
Roche Holding AG	Switzerland	7,281	2,535,962
Sanofi	France	7,426	719,780
Shionogi & Co. Ltd.	Japan	900	49,204
Takeda Pharmaceutical Co. Ltd., ADR	Japan	70,604	1,284,993
^a Teva Pharmaceutical Industries Ltd., ADR	Israel	11,100	107,115
^a Viatris, Inc.	United States	474	8,883
Zoetis, Inc.	United States	1,775	293,762
			22,834,350
Professional Services 1.1%			
Adecco Group AG	Switzerland	5,766	384,035
CoreLogic, Inc.	United States	162	12,526
^a CoStar Group, Inc.	United States	300	277,284
Equifax, Inc.	United States	3,090	595,875
Experian plc	United Kingdom	45,000	1,709,614
^a FTI Consulting, Inc.	United States	124	13,853
IHS Markit Ltd.	United States	12,109	1,087,751
ManpowerGroup, Inc.	United States	8,552	771,219
Nihon M&A Center, Inc.	Japan	5,500	367,803
Persol Holdings Co. Ltd.	Japan	4,700	84,914
^a Randstad NV	Netherlands	4,410	285,483
Recruit Holdings Co. Ltd.	Japan	8,000	336,024
Robert Half International, Inc.	United States	4,710	294,281

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Professional Services (continued)			
SGS SA	Switzerland	228	\$687,277
Verisk Analytics, Inc.	United States	9,149	1,899,241
Wolters Kluwer NV	Netherlands	5,202	438,896
			9,246,076
Real Estate Management & Development 0.3%			
^a CBRE Group, Inc., A	United States	2,736	171,602
CK Asset Holdings Ltd.	Hong Kong	133,330	682,236
Daito Trust Construction Co. Ltd.	Japan	2,600	242,982
Kerry Properties Ltd.	Hong Kong	24,500	61,967
Mitsui Fudosan Co. Ltd.	Japan	29,600	619,811
Sun Hung Kai Properties Ltd.	Hong Kong	46,500	594,688
Swire Pacific Ltd., A	Hong Kong	61,500	338,767
			2,712,053
Road & Rail 1.0%			
Canadian National Railway Co.	Canada	5,414	594,728
Canadian Pacific Railway Ltd.	Canada	2,872	995,694
JB Hunt Transport Services, Inc.	United States	4,251	580,899
Kansas City Southern	United States	4,095	835,912
Knight-Swift Transportation Holdings, Inc.	United States	3,948	165,105
Landstar System, Inc.	United States	1,575	212,090
Norfolk Southern Corp.	United States	3,700	879,157
Old Dominion Freight Line, Inc.	United States	3,398	663,222
Schneider National, Inc., B	United States	220	4,554
^a Uber Technologies, Inc.	United States	5,638	287,538
Union Pacific Corp.	United States	14,093	2,934,444
			8,153,343
Semiconductors & Semiconductor Equipment 3.2%			
Analog Devices, Inc.	United States	14,000	2,068,220
Applied Materials, Inc.	United States	6,405	552,751
ASML Holding NV	Netherlands	3,700	1,791,529
ASML Holding NV, NYRS	Netherlands	2,722	1,327,574
^a Cirrus Logic, Inc.	United States	202	16,604
Intel Corp.	United States	40,746	2,029,966
KLA Corp.	United States	1,476	382,151
Lam Research Corp.	United States	1,163	549,250
Maxim Integrated Products, Inc.	United States	3,811	337,845
Monolithic Power Systems, Inc.	United States	2,769	1,014,091
NVIDIA Corp.	United States	5,245	2,738,939
NXP Semiconductors NV	Netherlands	10,322	1,641,301
QUALCOMM, Inc.	United States	5,170	787,598
Skyworks Solutions, Inc.	United States	4,688	716,701
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	60,986	1,153,414
Teradyne, Inc.	United States	4,953	593,815
Texas Instruments, Inc.	United States	39,082	6,414,529
Tokyo Electron Ltd.	Japan	3,400	1,270,114
Xilinx, Inc.	United States	2,495	353,716
			25,740,108
Software 5.8%			
^a Adobe, Inc.	United States	5,911	2,956,209
^a Aspen Technology, Inc.	United States	496	64,604
^a Atlassian Corp. plc, A	United States	1,300	304,031
^a Autodesk, Inc.	United States	5,810	1,774,025
^a Avalara, Inc.	United States	3,380	557,328
AVEVA Group plc	United Kingdom	35,000	1,528,162

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Software (continued)			
^a Bill.com Holdings, Inc.	United States	6,200	\$846,300
^a Cadence Design Systems, Inc.	United States	9,532	1,300,451
^a Check Point Software Technologies Ltd.	Israel	3,000	398,730
Citrix Systems, Inc.	United States	4,303	559,820
^a CyberArk Software Ltd.	United States	15,000	2,423,850
^a Duck Creek Technologies, Inc.	United States	400	17,320
^a Fair Isaac Corp.	United States	645	329,621
^a Fortinet, Inc.	United States	4,445	660,216
Intuit, Inc.	United States	10,236	3,888,145
^a Manhattan Associates, Inc.	United States	1,821	191,533
Microsoft Corp.	United States	73,272	16,297,158
Oracle Corp.	United States	10,250	663,073
Oracle Corp. Japan	Japan	1,300	169,461
^a Paycom Software, Inc.	United States	1,000	452,250
^a PTC, Inc.	United States	6,821	815,860
Sage Group plc (The)	United Kingdom	186,468	1,480,706
^a salesforce.com, Inc.	United States	3,253	723,890
SAP SE	Germany	14,725	1,907,242
^a ServiceNow, Inc.	United States	5,655	3,112,682
^a Synopsys, Inc.	United States	5,493	1,424,005
Trend Micro, Inc.	Japan	5,200	299,380
^a Tyler Technologies, Inc.	United States	1,243	542,594
^a VMware, Inc., A	United States	268	37,590
^a Workday, Inc., A	United States	4,420	1,059,076
^a Zoom Video Communications, Inc., A	United States	188	63,416
			46,848,728
Specialty Retail 1.2%			
^a AutoNation, Inc.	United States	1,753	122,342
^a AutoZone, Inc.	United States	185	219,306
Best Buy Co., Inc.	United States	8,880	886,135
Dick's Sporting Goods, Inc.	United States	1,961	110,228
Foot Locker, Inc.	United States	1,129	45,657
Home Depot, Inc. (The)	United States	4,675	1,241,774
Industria de Diseno Textil SA	Spain	7,862	249,549
^a Kingfisher plc	United Kingdom	78,285	289,295
Lowe's Cos., Inc.	United States	15,203	2,440,234
Nitori Holdings Co. Ltd.	Japan	3,000	627,304
^a O'Reilly Automotive, Inc.	United States	1,198	542,179
^a Party City Holdings, Inc.	United States	4,430	27,242
Ross Stores, Inc.	United States	13,887	1,705,462
TJX Cos., Inc. (The)	United States	8,163	557,451
Tractor Supply Co.	United States	4,640	652,291
Williams-Sonoma, Inc.	United States	3,033	308,881
			10,025,330
Technology Hardware, Storage & Peripherals 1.8%			
Apple, Inc.	United States	89,187	11,834,223
^a Dell Technologies, Inc., C	United States	570	41,775
HP, Inc.	United States	14,889	366,120
Logitech International SA	Switzerland	4,357	423,043
NetApp, Inc.	United States	2,023	134,004
Samsung Electronics Co. Ltd.	South Korea	26,142	1,949,216
Xerox Holdings Corp.	United States	629	14,587
			14,762,968
Textiles, Apparel & Luxury Goods 0.6%			
^a Burberry Group plc	United Kingdom	7,012	171,246

Franklin Allocation VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Textiles, Apparel & Luxury Goods (continued)			
Carter's, Inc.	United States	374	\$35,182
Hanesbrands, Inc.	United States	2,104	30,677
^a Lululemon Athletica, Inc.	United States	1,443	502,207
NIKE, Inc., B.	United States	25,934	3,668,883
Pandora A/S	Denmark	2,953	330,521
			4,738,716
Thriffs & Mortgage Finance 0.1%			
Housing Development Finance Corp. Ltd.	India	26,465	927,392
MGIC Investment Corp.	United States	10,006	125,575
			1,052,967
Tobacco 0.3%			
Altria Group, Inc.	United States	12,004	492,164
Imperial Brands plc.	United Kingdom	49,757	1,043,709
Philip Morris International, Inc.	United States	11,238	930,394
			2,466,267
Trading Companies & Distributors 0.6%			
Fastenal Co.	United States	32,015	1,563,293
Ferguson plc.	United States	17,331	2,105,877
MSC Industrial Direct Co., Inc., A.	United States	1,719	145,066
Watsco, Inc.	United States	1,232	279,110
WW Grainger, Inc.	United States	2,807	1,146,210
			5,239,556
Transportation Infrastructure 0.0%†			
Kamigumi Co. Ltd.	Japan	3,800	69,420
Water Utilities 0.1%			
American Water Works Co., Inc.	United States	3,819	586,102
Wireless Telecommunication Services 0.2%			
KDDI Corp.	Japan	36,000	1,067,409
Vodafone Group plc.	United Kingdom	238,960	392,518
			1,459,927
Total Common Stocks (Cost \$372,707,142)			486,648,483
Management Investment Companies 2.9%			
Capital Markets 2.9%			
Schwab U.S. TIPS ETF.	United States	248,750	15,442,400
^{a,c} Templeton Global Bond VIP Fund, Class 1.	United States	539,390	7,821,152
			23,263,552
Total Management Investment Companies (Cost \$24,028,784)			23,263,552
Preferred Stocks 0.0%			
Chemicals 0.0%†			
^d FUCHS PETROLUB SE, 2.1%	Germany	2,644	149,187
Total Preferred Stocks (Cost \$101,449)			149,187

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ^a	Value
Corporate Bonds 11.0%			
Aerospace & Defense 0.2%			
Lockheed Martin Corp., Senior Bond, 4.7%, 5/15/46	United States	200,000	\$281,918
Northrop Grumman Corp., Senior Bond, 5.25%, 5/01/50	United States	400,000	594,392
Raytheon Technologies Corp., Senior Bond, 4.5%, 6/01/42	United States	600,000	782,437
			1,658,747
Air Freight & Logistics 0.2%			
FedEx Corp.,			
Senior Bond, 5.1%, 1/15/44	United States	400,000	540,307
Senior Bond, 4.75%, 11/15/45	United States	100,000	130,147
United Parcel Service, Inc.,			
Senior Bond, 3.75%, 11/15/47	United States	400,000	508,088
Senior Bond, 5.3%, 4/01/50	United States	100,000	150,964
			1,329,506
Airlines 0.1%			
^b Delta Air Lines, Inc. / SkyMiles IP Ltd., Senior Secured Note, 144A, 4.5%, 10/20/25	United States	525,000	561,332
Banks 1.6%			
Banco Santander SA, Sub. Note, 2.749%, 12/03/30	Spain	200,000	206,592
Bancolombia SA, Senior Note, 3%, 1/29/25	Colombia	650,000	676,618
Bank of America Corp.,			
L, Sub. Bond, 4.183%, 11/25/27	United States	960,000	1,114,283
Sub. Note, 4.2%, 8/26/24	United States	400,000	448,947
^b BNP Paribas SA,			
Senior Bond, 144A, 3.052% to 1/13/30, FRN thereafter, 1/13/31	France	200,000	218,390
Senior Note, 144A, 2.219% to 6/09/25, FRN thereafter, 6/09/26	France	200,000	209,417
Citigroup, Inc.,			
Senior Bond, 2.572% to 6/03/30, FRN thereafter, 6/03/31	United States	700,000	746,311
Senior Note, 3.352% to 4/24/24, FRN thereafter, 4/24/25	United States	1,500,000	1,631,287
Credit Suisse Group Funding Guernsey Ltd., Senior Note, 3.8%, 9/15/22	Switzerland	1,200,000	1,267,805
HSBC Holdings plc,			
Senior Bond, 2.357% to 8/18/30, FRN thereafter, 8/18/31	United Kingdom	200,000	206,890
Senior Note, 1.645% to 8/18/25, FRN thereafter, 4/18/26	United Kingdom	525,000	537,176
Senior Note, 2.013% to 9/22/27, FRN thereafter, 9/22/28	United Kingdom	300,000	307,369
JPMorgan Chase & Co.,			
Senior Bond, 3.54% to 5/01/27, FRN thereafter, 5/01/28	United States	1,200,000	1,372,648
Sub. Note, 3.875%, 9/10/24	United States	400,000	448,050
^b Standard Chartered plc, Senior Note, 144A, 4.05%, 4/12/26	United Kingdom	470,000	532,916
SVB Financial Group, Senior Note, 3.125%, 6/05/30	United States	100,000	112,760
Truist Bank, Sub. Note, 2.25%, 3/11/30	United States	400,000	419,943
Truist Financial Corp., Sub. Note, 3.875%, 3/19/29	United States	860,000	1,004,288
US Bancorp, Sub. Note, 3%, 7/30/29	United States	300,000	335,185
Wells Fargo & Co., Senior Note, 2.393% to 6/02/27, FRN thereafter, 6/02/28	United States	200,000	213,027
Wells Fargo Bank NA, Senior Note, 2.082% to 9/09/21, FRN thereafter, 9/09/22	United States	1,100,000	1,112,705
			13,122,607
Beverages 0.1%			
Anheuser-Busch Cos. LLC / Anheuser-Busch InBev Worldwide, Inc.,			
Senior Bond, 4.9%, 2/01/46	Belgium	500,000	652,758
Anheuser-Busch InBev Worldwide, Inc.,			
Senior Bond, 3.5%, 6/01/30	Belgium	100,000	115,913

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount [†]	Value
Corporate Bonds (continued)			
Beverages (continued)			
Anheuser-Busch InBev Worldwide, Inc., (continued)			
Senior Bond, 5.8%, 1/23/59	Belgium	250,000	\$385,235
			1,153,906
Biotechnology 0.4%			
AbbVie, Inc.,			
Senior Bond, 4.85%, 6/15/44	United States	400,000	530,578
Senior Bond, 4.25%, 11/21/49	United States	370,000	465,401
Senior Note, 3.8%, 3/15/25	United States	400,000	446,569
Senior Note, 3.2%, 11/21/29	United States	200,000	224,367
Amgen, Inc.,			
Senior Note, 2.2%, 2/21/27	United States	100,000	107,228
Senior Note, 2.45%, 2/21/30	United States	500,000	535,982
Biogen, Inc., Senior Bond, 5.2%, 9/15/45	United States	175,000	237,641
Gilead Sciences, Inc., Senior Bond, 4.8%, 4/01/44	United States	200,000	264,022
			2,811,788
Building Products 0.1%			
Carrier Global Corp., Senior Bond, 3.577%, 4/05/50	United States	430,000	478,098
Capital Markets 0.4%			
Goldman Sachs Group, Inc. (The),			
Senior Note, 3.5%, 1/23/25	United States	625,000	690,287
Sub. Note, 4.25%, 10/21/25	United States	400,000	458,978
^b Macquarie Bank Ltd., Senior Note, 144A, 2.85%, 1/15/21	Australia	750,000	750,539
Morgan Stanley, Senior Bond, 3.591% to 7/22/27, FRN thereafter, 7/22/28	United States	1,060,000	1,210,793
			3,110,597
Chemicals 0.1%			
Air Products and Chemicals, Inc., Senior Bond, 2.7%, 5/15/40	United States	400,000	431,111
El du Pont de Nemours and Co., Senior Note, 1.7%, 7/15/25	United States	180,000	187,661
Westlake Chemical Corp., Senior Note, 3.375%, 6/15/30	United States	100,000	110,071
^b Yara International ASA, Senior Note, 144A, 3.148%, 6/04/30	Brazil	100,000	108,394
			837,237
Consumer Finance 0.2%			
Capital One Financial Corp., Senior Note, 3.75%, 3/09/27	United States	1,035,000	1,181,706
Containers & Packaging 0.0%[†]			
WRKCo, Inc., Senior Bond, 3%, 6/15/33	United States	235,000	258,542
Diversified Financial Services 0.3%			
^b CK Hutchison International 19 Ltd., Senior Note, 144A, 3.25%, 4/11/24	United Kingdom	635,000	680,322
DY9 Leasing LLC, Secured Bond, 2.372%, 3/19/27	United States	622,368	658,240
^b EDP Finance BV, Senior Note, 144A, 1.71%, 1/24/28	Portugal	700,000	700,346
Shell International Finance BV, Senior Bond, 4.125%, 5/11/35	Netherlands	500,000	625,763
			2,664,671
Diversified Telecommunication Services 0.2%			
AT&T, Inc.,			
Senior Note, 3.8%, 2/15/27	United States	920,000	1,059,324
Senior Note, 2.3%, 6/01/27	United States	100,000	106,710
Bell Canada, Inc., Senior Bond, 4.464%, 4/01/48	Canada	200,000	267,505

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount [†]	Value
Corporate Bonds (continued)			
Diversified Telecommunication Services (continued)			
AT&T, Inc., (continued)			
Orange SA, Senior Bond, 8.75%, 3/01/31	France	300,000	\$493,599
			1,927,138
Electric Utilities 0.7%			
Commonwealth Edison Co., Senior Bond, 4%, 3/01/48	United States	200,000	253,315
Duke Energy Corp., Senior Bond, 3.75%, 9/01/46	United States	200,000	233,108
Duke Energy Florida LLC, Senior Bond, 6.4%, 6/15/38	United States	200,000	310,413
^b Enel Finance International NV, Senior Bond, 144A, 3.5%, 4/06/28	Italy	300,000	341,965
Senior Note, 144A, 4.25%, 9/14/23	Italy	1,200,000	1,313,142
Exelon Corp., Senior Bond, 4.05%, 4/15/30	United States	850,000	1,006,828
Georgia Power Co., Senior Bond, 4.3%, 3/15/42	United States	700,000	888,946
Southern Co. (The), A, Senior Bond, 3.7%, 4/30/30	United States	700,000	811,423
^b State Grid Overseas Investment 2016 Ltd., Senior Note, 144A, 3.5%, 5/04/27	China	400,000	445,156
^b Vistra Operations Co. LLC, Senior Secured Note, 144A, 3.55%, 7/15/24	United States	235,000	254,603
			5,858,899
Electronic Equipment, Instruments & Components 0.1%			
Flex Ltd., Senior Note, 4.875%, 5/12/30	United States	300,000	361,204
FLIR Systems, Inc., Senior Note, 2.5%, 8/01/30	United States	575,000	603,948
			965,152
Energy Equipment & Services 0.2%			
Baker Hughes a GE Co. LLC / Baker Hughes Co-Obligor, Inc., Senior Bond, 4.08%, 12/15/47	United States	485,000	548,041
Senior Note, 3.337%, 12/15/27	United States	400,000	448,207
^b Schlumberger Holdings Corp., Senior Note, 144A, 3.75%, 5/01/24	United States	610,000	665,496
			1,661,744
Entertainment 0.0%[†]			
NBCUniversal Media LLC, Senior Bond, 5.95%, 4/01/41	United States	200,000	305,725
Equity Real Estate Investment Trusts (REITs) 0.1%			
Essex Portfolio LP, Senior Bond, 2.65%, 3/15/32	United States	360,000	386,953
Simon Property Group LP, Senior Note, 3.375%, 12/01/27	United States	595,000	665,458
			1,052,411
Food & Staples Retailing 0.3%			
Kroger Co. (The), Senior Bond, 5.4%, 1/15/49	United States	400,000	580,798
Walmart, Inc., Senior Bond, 5.25%, 9/01/35	United States	300,000	437,451
Senior Bond, 3.95%, 6/28/38	United States	350,000	446,480
Senior Bond, 2.95%, 9/24/49	United States	500,000	576,523
			2,041,252
Health Care Providers & Services 0.6%			
Anthem, Inc., Senior Bond, 5.1%, 1/15/44	United States	400,000	555,590
Senior Note, 4.101%, 3/01/28	United States	400,000	473,114
Centene Corp., Senior Note, 3%, 10/15/30	United States	250,000	265,287
Cigna Corp., Senior Note, 3.05%, 10/15/27	United States	550,000	616,835

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Health Care Providers & Services (continued)			
Cigna Corp., (continued)			
Senior Note, 4.375%, 10/15/28	United States	500,000	\$604,476
CVS Health Corp.,			
Senior Bond, 5.3%, 12/05/43	United States	500,000	677,290
Senior Bond, 5.125%, 7/20/45	United States	200,000	269,283
HCA, Inc.,			
Senior Secured Bond, 4.5%, 2/15/27	United States	408,000	474,786
Senior Secured Note, 4.125%, 6/15/29	United States	300,000	348,230
Quest Diagnostics, Inc., Senior Bond, 2.8%, 6/30/31	United States	600,000	658,304
			4,943,195
Hotels, Restaurants & Leisure 0.1%			
Las Vegas Sands Corp., Senior Bond, 3.9%, 8/08/29	United States	400,000	430,280
Marriott International, Inc., EE, Senior Note, 5.75%, 5/01/25	United States	400,000	468,063
			898,343
Household Durables 0.0%[†]			
Mohawk Industries, Inc., Senior Note, 3.625%, 5/15/30	United States	290,000	324,733
Household Products 0.1%			
^b Kimberly-Clark de Mexico SAB de CV, Senior Bond, 144A, 2.431%, 7/01/31	Mexico	500,000	517,228
Independent Power and Renewable Electricity Producers 0.1%			
^b Colbun SA,			
Senior Note, 144A, 3.95%, 10/11/27	Chile	200,000	225,352
Senior Note, 144A, 3.15%, 3/06/30	Chile	200,000	216,000
			441,352
Industrial Conglomerates 0.0%[†]			
Honeywell International, Inc., Senior Bond, 1.95%, 6/01/30	United States	350,000	370,810
Insurance 0.9%			
Aflac, Inc.,			
Senior Bond, 4.75%, 1/15/49	United States	700,000	976,886
Senior Note, 3.6%, 4/01/30	United States	400,000	471,117
Allstate Corp. (The), Senior Bond, 4.2%, 12/15/46	United States	500,000	661,478
Aon Corp., Senior Note, 2.8%, 5/15/30	United States	1,000,000	1,092,150
Arch Capital Group Ltd., Senior Bond, 3.635%, 6/30/50	United States	800,000	932,811
Athene Holding Ltd., Senior Bond, 3.5%, 1/15/31	United States	400,000	423,353
Marsh & McLennan Cos., Inc., Senior Bond, 4.9%, 3/15/49	United States	250,000	362,729
MetLife, Inc.,			
Junior Sub. Bond, 6.4%, 12/15/36	United States	250,000	323,717
Senior Bond, 5.7%, 6/15/35	United States	300,000	442,018
^b Metropolitan Life Global Funding I, Secured Note, 144A, 3.6%, 1/11/24	United States	940,000	1,024,426
Prudential plc, Senior Note, 3.125%, 4/14/30	United Kingdom	425,000	482,165
Willis North America, Inc., Senior Note, 2.95%, 9/15/29	United States	100,000	109,563
			7,302,413
Interactive Media & Services 0.1%			
^b Tencent Holdings Ltd.,			
Senior Note, 144A, 3.595%, 1/19/28	China	500,000	551,935
Senior Note, 144A, 2.39%, 6/03/30	China	500,000	513,225
			1,065,160

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Internet & Direct Marketing Retail 0.3%			
Alibaba Group Holding Ltd.,			
Senior Bond, 4%, 12/06/37	China	300,000	\$353,835
Senior Bond, 4.2%, 12/06/47	China	800,000	1,007,258
Senior Note, 3.4%, 12/06/27	China	200,000	223,945
Amazon.com, Inc., Senior Bond, 4.05%, 8/22/47	United States	500,000	660,256
			2,245,294
IT Services 0.2%			
Fiserv, Inc.,			
Senior Bond, 2.65%, 6/01/30	United States	200,000	216,531
Senior Note, 3.5%, 7/01/29	United States	870,000	994,737
			1,211,268
Machinery 0.1%			
Caterpillar, Inc.,			
Senior Bond, 3.25%, 4/09/50	United States	200,000	236,226
Senior Note, 2.6%, 4/09/30	United States	500,000	551,548
			787,774
Media 0.3%			
Charter Communications Operating LLC / Charter Communications Operating Capital, Senior Secured Bond, 2.8%, 4/01/31	United States	350,000	370,214
Comcast Corp.,			
Senior Bond, 4.25%, 1/15/33	United States	300,000	376,906
Senior Bond, 4.049%, 11/01/52	United States	550,000	704,151
Fox Corp.,			
Senior Bond, 5.476%, 1/25/39	United States	100,000	137,137
Senior Note, 4.709%, 1/25/29	United States	400,000	485,591
			2,073,999
Multiline Retail 0.1%			
Dollar Tree, Inc.,			
Senior Bond, 4.2%, 5/15/28	United States	500,000	595,210
Senior Note, 4%, 5/15/25	United States	350,000	395,304
			990,514
Multi-Utilities 0.3%			
Berkshire Hathaway Energy Co., Senior Bond, 6.125%, 4/01/36 . .	United States	200,000	296,025
Dominion Energy, Inc., Senior Note, 4.25%, 6/01/28	United States	1,050,000	1,260,490
Public Service Enterprise Group, Inc., Senior Note, 2.875%, 6/15/24	United States	1,000,000	1,077,622
			2,634,137
Oil, Gas & Consumable Fuels 1.3%			
^b Aker BP ASA, Senior Note, 144A, 3.75%, 1/15/30	Norway	500,000	526,860
BP Capital Markets America, Inc.,			
Senior Note, 3.937%, 9/21/28	United States	100,000	117,325
Senior Note, 4.234%, 11/06/28	United States	400,000	478,137
Canadian Natural Resources Ltd., Senior Bond, 3.9%, 2/01/25 . . .	Canada	860,000	952,165
Cheniere Corpus Christi Holdings LLC, Senior Secured Note, 5.125%, 6/30/27	United States	200,000	236,824
Energy Transfer Operating LP, Senior Bond, 6.05%, 6/01/41	United States	500,000	585,993
Enterprise Products Operating LLC,			
Senior Bond, 3.125%, 7/31/29	United States	400,000	443,999
Senior Bond, 6.125%, 10/15/39	United States	700,000	974,343
EOG Resources, Inc., Senior Note, 4.375%, 4/15/30	United States	50,000	60,830

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Oil, Gas & Consumable Fuels (continued)			
Enterprise Products Operating LLC, (continued)			
Exxon Mobil Corp., Senior Bond, 2.61%, 10/15/30	United States	100,000	\$109,259
Kinder Morgan, Inc.,			
Senior Bond, 5.55%, 6/01/45	United States	300,000	385,553
Senior Note, 4.3%, 3/01/28	United States	400,000	469,486
MPLX LP,			
Senior Bond, 5.5%, 2/15/49	United States	325,000	427,982
Senior Note, 4.875%, 12/01/24	United States	400,000	459,116
Senior Note, 4.875%, 6/01/25	United States	100,000	115,594
Reliance Industries Ltd., Senior Note, 2.06%, 1/15/26	India	687,500	712,320
Total Capital International SA, Senior Note, 3.455%, 2/19/29	France	445,000	515,335
TransCanada PipeLines Ltd., Senior Bond, 4.25%, 5/15/28	Canada	500,000	590,697
Transcontinental Gas Pipe Line Co. LLC, Senior Note, 7.85%, 2/01/26	United States	400,000	524,766
Valero Energy Corp., Senior Note, 4%, 4/01/29	United States	935,000	1,052,128
Williams Cos., Inc. (The), Senior Bond, 4.85%, 3/01/48	United States	320,000	393,347
			10,132,059
Paper & Forest Products 0.0%[†]			
Suzano Austria GmbH, Senior Bond, 3.75%, 1/15/31	Brazil	225,000	239,006
Pharmaceuticals 0.3%			
AstraZeneca plc,			
Senior Bond, 4%, 9/18/42	United Kingdom	300,000	370,905
Senior Bond, 4.375%, 11/16/45	United Kingdom	450,000	604,127
Bristol-Myers Squibb Co., Senior Bond, 4.625%, 5/15/44	United States	250,000	341,365
GlaxoSmithKline Capital, Inc., Senior Bond, 6.375%, 5/15/38	United Kingdom	300,000	473,684
^b Royalty Pharma plc, Senior Note, 144A, 1.75%, 9/02/27	United States	100,000	102,979
Takeda Pharmaceutical Co. Ltd.,			
Senior Bond, 3.175%, 7/09/50	Japan	400,000	426,356
Senior Note, 5%, 11/26/28	Japan	300,000	373,075
			2,692,491
Road & Rail 0.2%			
^b Ashtead Capital, Inc., Senior Note, 144A, 4.125%, 8/15/25	United Kingdom	375,000	386,063
Burlington Northern Santa Fe LLC, Senior Bond, 4.9%, 4/01/44	United States	200,000	282,461
CSX Corp., Senior Bond, 4.75%, 11/15/48	United States	525,000	720,165
			1,388,689
Software 0.1%			
Microsoft Corp., Senior Note, 2.65%, 11/03/22	United States	1,020,000	1,062,701
Specialty Retail 0.1%			
AutoNation, Inc., Senior Bond, 4.75%, 6/01/30	United States	100,000	120,410
AutoZone, Inc.,			
Senior Bond, 1.65%, 1/15/31	United States	265,000	263,629
Senior Note, 3.75%, 4/18/29	United States	100,000	115,431
			499,470
Thrifts & Mortgage Finance 0.1%			
^b BPCE SA,			
Sub. Bond, 144A, 5.15%, 7/21/24	France	800,000	911,760
Sub. Note, 144A, 4.875%, 4/01/26	France	200,000	235,469
			1,147,229

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ^f	Value
Corporate Bonds (continued)			
Tobacco 0.3%			
BAT Capital Corp., Senior Note, 4.906%, 4/02/30	United Kingdom	500,000	\$604,223
^b Imperial Brands Finance plc, Senior Note, 144A, 4.25%, 7/21/25	United Kingdom	585,000	659,366
Senior Note, 144A, 3.5%, 7/26/26	United Kingdom	300,000	332,473
Reynolds American, Inc., Senior Bond, 5.85%, 8/15/45	United Kingdom	650,000	831,810
			2,427,872
Wireless Telecommunication Services 0.1%			
^b T-Mobile USA, Inc., Senior Secured Bond, 144A, 3.3%, 2/15/51	United States	200,000	206,141
Senior Secured Note, 144A, 3.75%, 4/15/27	United States	325,000	370,435
			576,576
Total Corporate Bonds (Cost \$81,515,775)			88,953,371
Foreign Government and Agency Securities 0.6%			
^b African Export-Import Bank (The), Senior Note, 144A, 3.994%, 9/21/29	Supranational ^g	500,000	537,300
Colombia Government Bond, Senior Bond, 5%, 6/15/45	Colombia	500,000	611,875
Ecopetrol SA, Senior Bond, 4.125%, 1/16/25	Colombia	450,000	489,942
^b Electricite de France SA, Senior Note, 144A, 4.5%, 9/21/28	France	655,000	781,979
^b Indonesia Government Bond, Senior Bond, 144A, 4.35%, 1/08/27	Indonesia	500,000	582,953
Mexico Government Bond, Senior Note, 4.15%, 3/28/27	Mexico	500,000	577,813
Panama Notas del Tesoro, Senior Note, 3.75%, 4/17/26	Panama	450,000	493,364
Peru Government Bond, Senior Bond, 2.783%, 1/23/31	Peru	200,000	219,952
Senior Bond, 6.55%, 3/14/37	Peru	200,000	304,359
Uruguay Government Bond, Senior Bond, 4.5%, 8/14/24	Uruguay	300,000	332,218
Senior Bond, 4.375%, 1/23/31	Uruguay	150,000	184,360
Total Foreign Government and Agency Securities (Cost \$4,632,312)			5,116,115
U.S. Government and Agency Securities 11.0%			
Federal Agricultural Mortgage Corp., 2.9%, 1/03/22	United States	800,000	822,280
FFCB, 3.17%, 3/07/28	United States	800,000	932,235
Tennessee Valley Authority, 5.88%, 4/01/36	United States	630,000	970,481
U.S. Treasury Bonds,			
^f 2%, 1/15/26	United States	400,000	624,114
^f 1.75%, 1/15/28	United States	650,000	991,318
^f 3.625%, 4/15/28	United States	170,000	376,417
3.5%, 2/15/39	United States	190,000	257,732
1.125%, 8/15/40	United States	355,000	335,641
1.375%, 11/15/40	United States	350,000	345,543
2.75%, 11/15/42	United States	210,000	259,818
2.875%, 5/15/43	United States	490,000	618,548
3.625%, 2/15/44	United States	720,000	1,018,041
3.375%, 5/15/44	United States	750,000	1,024,102
3.125%, 8/15/44	United States	725,000	954,706
2.5%, 2/15/46	United States	620,000	739,471
2.5%, 5/15/46	United States	4,370,000	5,211,908
2.25%, 8/15/46	United States	4,575,000	5,213,355
3.375%, 11/15/48	United States	990,000	1,388,166
3%, 2/15/49	United States	1,480,000	1,948,859
1.25%, 5/15/50	United States	285,000	258,036

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ¹	Value
U.S. Government and Agency Securities (continued)			
U.S. Treasury Bonds, (continued)			
1.375%, 8/15/50	United States	135,000	\$126,183
U.S. Treasury Notes,			
1.75%, 4/30/22	United States	2,020,000	2,064,109
1.75%, 5/15/22	United States	1,670,000	1,707,379
1.875%, 5/31/22	United States	1,840,000	1,885,784
2.75%, 11/15/23	United States	1,320,000	1,418,227
2.125%, 11/30/23	United States	1,120,000	1,184,181
2.125%, 3/31/24	United States	24,100,000	25,607,191
2%, 4/30/24	United States	1,345,000	1,425,700
2.25%, 4/30/24	United States	125,000	133,525
2.5%, 5/15/24	United States	1,585,000	1,708,271
2%, 5/31/24	United States	1,455,000	1,544,232
1.75%, 6/30/24	United States	1,700,000	1,791,774
2%, 6/30/24	United States	1,365,000	1,450,473
^f 0.125%, 7/15/24	United States	800,000	939,520
1.75%, 7/31/24	United States	595,000	627,632
2.375%, 8/15/24	United States	1,640,000	1,767,869
1.25%, 8/31/24	United States	700,000	726,195
1.5%, 10/31/24	United States	4,650,000	4,873,781
2.25%, 11/15/24	United States	600,000	646,453
1.5%, 11/30/24	United States	320,000	335,575
^f 0.125%, 4/15/25	United States	750,000	813,561
0.25%, 6/30/25	United States	600,000	598,406
0.25%, 9/30/25	United States	2,340,000	2,330,859
2.375%, 5/15/27	United States	1,280,000	1,427,550
0.5%, 6/30/27	United States	1,045,000	1,040,469
2.25%, 8/15/27	United States	1,480,000	1,640,777
1.625%, 8/15/29	United States	235,000	251,285
1.5%, 2/15/30	United States	3,310,000	3,500,196
0.625%, 5/15/30	United States	240,000	234,525
0.625%, 8/15/30	United States	400,000	389,813
United States International Development Finance Corp., 2.12%, 3/20/24	United States	400,000	413,184
Total U.S. Government and Agency Securities (Cost \$88,466,586)			88,895,450
Asset-Backed Securities 0.4%			
Airlines 0.1%			
American Airlines Pass-Through Trust, 2016-3, A, 3.25%, 10/15/28	United States	451,868	411,180
United Airlines Pass-Through Trust,			
2016-1, A, 3.45%, 7/07/28	United States	84,170	83,436
2019-2, A, 2.9%, 5/01/28	United States	196,257	188,397
2020-1, A, 5.875%, 10/15/27	United States	200,000	216,643
			899,656
Banks 0.1%			
Capital One Multi-Asset Execution Trust, 2017-A6, A6, 2.29%, 7/15/25	United States	600,000	621,239
Consumer Finance 0.1%			
American Express Credit Account Master Trust, 2019-1, A, 2.87%, 10/15/24	United States	600,000	619,816
Discover Card Execution Note Trust, 2019-A1, A1, 3.04%, 7/15/24	United States	500,000	514,849
			1,134,665

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ^a	Value
Asset-Backed Securities (continued)			
Diversified Financial Services 0.1%			
BA Credit Card Trust, 2018-A3, A3, 3.1%, 12/15/23	United States	500,000	\$507,679
^b CF Hippolyta LLC, 2020-1, A1, 144A, 1.69%, 7/15/60	United States	152,701	155,960
			663,639
Total Asset-Backed Securities (Cost \$3,329,263)			3,319,199
Mortgage-Backed Securities 9.7%			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 2.8%			
FHLMC Pool, 15 Year, 2%, 10/01/35	United States	396,713	416,700
FHLMC Pool, 15 Year, 3%, 8/01/34	United States	113,139	118,674
FHLMC Pool, 30 Year, 2%, 11/01/50	United States	383,575	401,264
FHLMC Pool, 30 Year, 2.5%, 8/01/50 - 10/01/50	United States	2,562,093	2,708,736
FHLMC Pool, 30 Year, 3%, 3/01/50	United States	5,439,532	5,803,684
FHLMC Pool, 30 Year, 3%, 8/01/50	United States	2,290,154	2,403,541
FHLMC Pool, 30 Year, 3.5%, 2/01/47	United States	3,450,407	3,735,744
FHLMC Pool, 30 Year, 3.5%, 4/01/50	United States	2,315,607	2,531,119
FHLMC Pool, 30 Year, 4%, 5/01/47 - 9/01/49	United States	1,730,523	1,884,609
FHLMC Pool, 30 Year, 4.5%, 10/01/48 - 1/01/49	United States	2,177,925	2,417,667
			22,421,738
Federal National Mortgage Association (FNMA) Fixed Rate 2.8%			
FNMA, 15 Year, 1.5%, 11/01/35	United States	689,921	710,007
FNMA, 15 Year, 2%, 9/01/35	United States	2,799,991	2,947,140
FNMA, 15 Year, 2%, 10/01/35 - 12/01/35	United States	2,452,703	2,564,907
FNMA, 15 Year, 2.5%, 10/01/35	United States	1,650,549	1,728,199
FNMA, 30 Year, 2%, 10/01/50	United States	992,296	1,031,033
FNMA, 30 Year, 2.5%, 8/01/50 - 10/01/50	United States	5,575,288	5,918,146
FNMA, 30 Year, 3%, 8/01/50	United States	3,220,950	3,377,845
FNMA, 30 Year, 3%, 10/01/50	United States	808,793	850,536
FNMA, 30 Year, 4%, 8/01/49	United States	1,349,365	1,478,771
FNMA, 30 Year, 4.5%, 2/01/50	United States	1,640,313	1,809,121
			22,415,705
Government National Mortgage Association (GNMA) Fixed Rate 4.1%			
GNMA II, Single-family, 30 Year, 2%, 11/20/50	United States	6,203,503	6,492,757
GNMA II, Single-family, 30 Year, 2%, 10/20/50	United States	397,662	415,997
GNMA II, Single-family, 30 Year, 2.5%, 7/20/50	United States	3,495,186	3,702,562
GNMA II, Single-family, 30 Year, 2.5%, 11/20/50	United States	6,187,071	6,556,103
GNMA II, Single-family, 30 Year, 2.5%, 8/20/50 - 10/20/50	United States	3,191,511	3,381,546
GNMA II, Single-family, 30 Year, 3%, 6/20/50	United States	2,517,102	2,634,924
GNMA II, Single-family, 30 Year, 3%, 7/20/50	United States	2,753,247	2,889,768
GNMA II, Single-family, 30 Year, 3%, 9/20/47 - 9/20/50	United States	2,870,867	3,034,156
GNMA II, Single-family, 30 Year, 3.5%, 6/20/50	United States	3,813,541	4,044,498
			33,152,311
Total Mortgage-Backed Securities (Cost \$77,715,658)			77,989,754
Municipal Bonds 0.6%			
Arizona 0.1%			
Maricopa County Union High School District No. 210-Phoenix, GO, 2020 C, 5%, 7/01/31	United States	200,000	265,590
California 0.1%			
California Health Facilities Financing Authority, State of California Personal Income Tax, Revenue, Senior Lien, 2019, 2.934%, 6/01/32	United States	65,000	70,053

Franklin Allocation VIP Fund (continued)

	Country	Principal Amount ¹	Value
Municipal Bonds (continued)			
California (continued)			
California Health Facilities Financing Authority, (continued)			
State of California Personal Income Tax, Revenue, Senior Lien, 2019, 2.984%, 6/01/33	United States	55,000	\$58,981
State of California Personal Income Tax, Revenue, Senior Lien, 2019, 3.034%, 6/01/34	United States	40,000	42,729
Foothill-Eastern Transportation Corridor Agency, Revenue, 2019A, Refunding, 4.094%, 1/15/49	United States	35,000	37,670
Gilroy Unified School District, GO, 2019, Refunding, 3.364%, 8/01/47	United States	140,000	147,472
State of California, GO, 2.5%, 10/01/29	United States	500,000	550,745
			907,650
Colorado 0.0%[†]			
Metro Wastewater Reclamation District, Revenue, 2019 B, Refunding, 3.158%, 4/01/41	United States	220,000	235,008
Florida 0.1%			
County of Broward, Airport System, Revenue, 2019C, Refunding, 3.477%, 10/01/43	United States	70,000	73,067
County of Sarasota, Revenue, 2020, 5%, 10/01/34	United States	500,000	672,890
			745,957
Illinois 0.0%[†]			
State of Illinois, GO, 2003, 5.1%, 6/01/33	United States	125,000	134,621
Massachusetts 0.0%[†]			
Massachusetts State College Building Authority, Revenue, 2019 C, Refunding, 3.373%, 5/01/43	United States	230,000	235,163
Missouri 0.0%[†]			
Metropolitan St. Louis Sewer District, Revenue, 2019 C, Refunding, 3.259%, 5/01/45	United States	150,000	161,652
New Jersey 0.0%[†]			
State of New Jersey, GO, 2020 A, 3%, 6/01/32	United States	110,000	124,592
New York 0.0%[†]			
Metropolitan Transportation Authority, Revenue, 2020 E, Refunding, 4%, 11/15/45	United States	95,000	105,540
Ohio 0.0%[†]			
Greenville City School District, GO, 2019, Refunding, 3.541%, 1/01/51	United States	160,000	163,694
Pennsylvania 0.1%			
University of Pittsburgh-of the Commonwealth System of Higher Education, Revenue, 2017 C, Refunding, 3.005%, 9/15/41	United States	250,000	269,853
Texas 0.2%			
City of Austin, Electric Utility, Revenue, 2008, Refunding, AGMC Insured, 6.262%, 11/15/32	United States	355,000	462,661
Grand Parkway Transportation Corp., Revenue, 2020B, Refunding, 3.236%, 10/01/52	United States	255,000	266,896
State of Texas, GO, 2019, Refunding, 3.211%, 4/01/44	United States	765,000	836,428
			1,565,985
Total Municipal Bonds (Cost \$4,652,155)			4,915,305
Total Long Term Investments (Cost \$657,149,124)			779,250,416

Franklin Allocation VIP Fund (continued)

Short Term Investments 3.0%

	Country	Shares	Value
Money Market Funds 3.0%			
^c Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	24,011,384	\$24,011,384
Total Money Market Funds (Cost \$24,011,384)			24,011,384
Total Short Term Investments (Cost \$24,011,384)			24,011,384
Total Investments (Cost \$681,160,508) 99.3%			\$803,261,800
Other Assets, less Liabilities 0.7%			5,556,758
Net Assets 100.0%			\$808,818,558

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

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

^aNon-income producing.

^bSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$24,084,549, representing 3.0% of net assets.

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

^dVariable rate security. The rate shown represents the yield at period end.

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

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

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

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Equity contracts					
S&P 500 E-Mini Index	Long	81	\$15,182,640	3/19/21	\$251,109
Interest rate contracts					
U.S. Treasury 10 Year Notes	Short	35	12,565,110	3/22/21	2,162
U.S. Treasury 10 Year Ultra Notes	Short	32	5,003,500	3/22/21	12,748
U.S. Treasury 5 Year Notes	Long	5	630,820	3/31/21	189
Total Futures Contracts					\$266,208

[†]As of period end.

See Abbreviations on page FFA-53.

Statement of Assets and Liabilities

December 31, 2020

	Franklin Allocation VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$648,420,331
Cost - Non-controlled affiliates (Note 3e)	32,740,177
	<hr/>
Value - Unaffiliated issuers	\$771,429,264
Value - Non-controlled affiliates (Note 3e)	31,832,536
Cash	4,113
Foreign currency, at value (cost \$2,498,074)	2,521,658
Receivables:	
Investment securities sold	3,802,065
Capital shares sold	923,920
Dividends and interest	1,892,664
Deposits with brokers for:	
Futures contracts	1,044,685
Variation margin on futures contracts	89,036
Other assets	50,805
Total assets	<hr/> 813,590,746
Liabilities:	
Payables:	
Investment securities purchased	3,757,260
Capital shares redeemed	318,833
Management fees	295,428
Distribution fees	191,445
Deferred tax	48,504
Accrued expenses and other liabilities	160,718
Total liabilities	<hr/> 4,772,188
Net assets, at value	<hr/> \$808,818,558
Net assets consist of:	
Paid-in capital	\$685,596,935
Total distributable earnings (losses)	123,221,623
Net assets, at value	<hr/> \$808,818,558

Statement of Assets and Liabilities (continued)

December 31, 2020

**Franklin
Allocation VIP
Fund**

Class 1:	
Net assets, at value	\$810,739
Shares outstanding	147,741
Net asset value and maximum offering price per share	\$5.49
Class 2:	
Net assets, at value	\$398,620,076
Shares outstanding	73,385,652
Net asset value and maximum offering price per share	\$5.43
Class 4:	
Net assets, at value	\$409,387,743
Shares outstanding	72,848,186
Net asset value and maximum offering price per share	\$5.62

Statement of Operations

for the year ended December 31, 2020

	Franklin Allocation VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$259,531)	
Unaffiliated issuers	\$8,107,425
Non-controlled affiliates (Note 3e)	2,531,675
Interest: (net of foreign taxes of \$1,340)	
Unaffiliated issuers	7,167,264
Total investment income	<u>17,806,364</u>
Expenses:	
Management fees (Note 3a)	4,191,570
Distribution fees: (Note 3c)	
Class 2	942,301
Class 4	1,346,179
Custodian fees (Note 4)	37,899
Reports to shareholders	99,183
Professional fees	94,808
Trustees' fees and expenses	4,458
Other	112,798
Total expenses	6,829,196
Expense reductions (Note 4)	(15,121)
Expenses waived/paid by affiliates (Note 3e and 3f)	(369,964)
Net expenses	<u>6,444,111</u>
Net investment income	<u>11,362,253</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$194)	
Unaffiliated issuers	(5,750,855)
Non-controlled affiliates (Note 3e)	(6,470,900)
Written options	74,209
Realized gain distributions from REITs	167,289
Foreign currency transactions	140,847
Forward exchange contracts	(300,280)
Futures contracts	3,546,087
Swap contracts	(1,016,283)
Net realized gain (loss)	<u>(9,609,886)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	79,814,810
Non-controlled affiliates (Note 3e)	1,839,832
Translation of other assets and liabilities denominated in foreign currencies	22,905
Forward exchange contracts	66,035
Futures contracts	476,544
Swap contracts	81,070
Change in deferred taxes on unrealized appreciation	(48,272)
Net change in unrealized appreciation (depreciation)	<u>82,252,924</u>
Net realized and unrealized gain (loss)	<u>72,643,038</u>
Net increase (decrease) in net assets resulting from operations	<u>\$84,005,291</u>

Statements of Changes in Net Assets

	Franklin Allocation VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$11,362,253	\$10,197,177
Net realized gain (loss)	(9,609,886)	239,840,198
Net change in unrealized appreciation (depreciation)	82,252,924	(103,898,058)
Net increase (decrease) in net assets resulting from operations	84,005,291	146,139,317
Distributions to shareholders:		
Class 1	(227,036)	(114,944)
Class 2	(106,811,345)	(41,503,915)
Class 4	(104,689,179)	(39,405,922)
Total distributions to shareholders	(211,727,560)	(81,024,781)
Capital share transactions: (Note 2)		
Class 1	104,749	(205,346)
Class 2	61,121,480	(18,907,288)
Class 4	64,739,571	(20,095,745)
Total capital share transactions	125,965,800	(39,208,379)
Net increase (decrease) in net assets	(1,756,469)	25,906,157
Net assets:		
Beginning of year	810,575,027	784,668,870
End of year	\$808,818,558	\$810,575,027

Notes to Financial Statements

Franklin Allocation VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

Investments in open-end mutual funds are valued at the closing NAV.

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

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

Franklin Allocation VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

a. Financial Instrument Valuation (continued)

such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

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

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

c. 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

Franklin Allocation VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

c. Derivative Financial Instruments (continued)

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

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

The Fund entered into exchange traded futures contracts primarily to manage and/or gain exposure to interest rate and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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.

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 credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default 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, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other

Franklin Allocation VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**c. Derivative Financial Instruments** (continued)

relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statement of Operations.

The Fund entered into OTC cross currency swap contracts primarily to manage and/or gain exposure to certain foreign currencies. A cross currency swap is an agreement between the Fund and a counterparty to exchange cash flows (determined using either a fixed or floating rate) based on the notional amounts of two different currencies. The notional amounts are typically determined based on the spot exchange rates at the opening of the contract. Cross currency swaps may require the exchange of notional amounts at the opening and/or closing of the contract. 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. Upfront payments and receipts are reflected in the Statement of Assets and Liabilities and represent compensating factors between stated terms of the cross currency swap contract and prevailing market conditions (interest rate spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Statement of Operations.

The Fund entered into inflation index swap contracts primarily to manage and/or gain exposure to inflation risk. An inflation index swap is an agreement between the Fund and a counterparty to exchange cash flows whereby one party makes payments based on the percentage change in an index that serves as a measure of inflation and the other party makes a regular payment based on a compounded fixed rate, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC inflation index swap) or may be executed on a registered exchange (centrally cleared inflation index swap). For centrally cleared inflation index 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. 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. Typically, an inflation index swap has payment obligations netted and exchanged upon maturity.

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 entered into OTC total return swap contracts primarily to manage and/or gain exposure to credit and market risk of an underlying instrument such as a stock, bond, index or basket of securities or indices. A total return swap is an agreement between the Fund and a counterparty to exchange a return linked to an underlying instrument for a floating or fixed rate payment, both based upon a notional amount. Over the term of the contract, contractually required payments to be paid or received are accrued daily and recorded as unrealized appreciation or depreciation until the payments are made, at which time they are recognized as realized gain or loss.

See Note 10 regarding other derivative information.

d. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution where the Fund sells (or buys) mortgage-backed securities for delivery on a specified date and simultaneously contracts to repurchase (or sell) substantially similar (same type, coupon, and maturity) securities at a future date and at a predetermined price. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the

Franklin Allocation VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Mortgage Dollar Rolls (continued)

Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. Transactions in mortgage dollar rolls are accounted for as purchases and sales and may result in an increase to the Fund's portfolio turnover rate. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

e. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

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

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

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

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.

Franklin Allocation VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**g. Accounting Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	7,931	\$46,123	12,786	\$87,589
Shares issued in reinvestment of distributions	47,596	227,036	18,101	114,944
Shares redeemed	(30,469)	(168,410)	(62,639)	(407,879)
Net increase (decrease)	25,058	\$104,749	(31,752)	\$(205,346)
Class 2 Shares:				
Shares sold	3,511,007	\$20,473,913	2,057,930	\$13,832,099
Shares issued in reinvestment of distributions	22,581,680	106,811,345	6,577,483	41,503,915
Shares redeemed	(11,902,724)	(66,163,778)	(11,168,839)	(74,243,302)
Net increase (decrease)	14,189,963	\$61,121,480	(2,533,426)	\$(18,907,288)
Class 4 Shares:				
Shares sold	2,339,473	\$13,610,746	973,482	\$6,631,528
Shares issued in reinvestment of distributions	21,365,139	104,689,179	6,099,988	39,405,922
Shares redeemed	(9,182,946)	(53,560,354)	(9,669,394)	(66,133,195)
Net increase (decrease)	14,521,666	\$64,739,571	(2,595,924)	\$(20,095,745)

Franklin Allocation VIP Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Templeton Global Advisors Limited (Global Advisors)	Investment manager
Franklin Templeton Institutional, LLC (FT Institutional)	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 of 0.55% per year of the average daily net assets of the Fund.

Under a subadvisory agreement, Global Advisors and FT Institutional, affiliates of Advisers, provide subadvisory services to the Fund. The subadvisory fee is paid by Advisers based on Fund's average daily net assets, and is not an additional expense of the Fund.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Franklin Allocation VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income	Dividends
Franklin Allocation VIP Fund									
Non-Controlled Affiliates									
Franklin LibertyQ U.S. Equity ETF	\$—	\$4,446,394	\$(4,056,817)	\$(389,577)	\$—	\$— ^a		\$10,093	
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$21,473,752	\$256,101,815	\$(253,564,183)	\$—	\$—	\$24,011,384	24,011,384	\$72,101	
Templeton Global Bond VIP Fund, Class 1	\$33,013,162	\$4,449,481	\$(25,400,000)	\$(6,081,323)	\$1,839,832	\$7,821,152	539,390	\$2,449,481	
Total Affiliated Securities	\$54,486,914	\$264,997,690	\$(283,021,000)	\$(6,470,900)	\$1,839,832	\$31,832,536		\$2,531,675	

^aAs of December 31, 2020, no longer held by the fund.

f. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) and acquired fund fees and expenses for each class of the Fund do not exceed 0.57%, based on the average net assets of each class until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

g. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2020, these purchase and sale transactions aggregated \$871,070 and \$0, respectively.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	<u>\$5,645,804</u>
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Franklin Allocation VIP Fund (continued)

5. Income Taxes (continued)

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$13,451,147	\$28,495,590
Long term capital gain	198,276,413	52,529,191
	\$211,727,560	\$81,024,781

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$687,233,495
Unrealized appreciation	\$128,909,549
Unrealized depreciation	(12,615,036)
Net unrealized appreciation (depreciation)	\$116,294,513
Distributable earnings:	
Undistributed ordinary income	\$12,588,730

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$735,379,665 and \$821,689,604, respectively.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Other Derivative Information

At December 31, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Allocation VIP Fund				
Interest rate contracts				
	Variation margin on futures contracts	\$15,485 ^a	Variation margin on futures contracts	\$386 ^a
Equity contracts				

Franklin Allocation VIP Fund (continued)

8. Other Derivative Information (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Allocation VIP Fund (continued)				
	Variation margin on futures contracts	\$251,109 ^a	Variation margin on futures contracts	\$—
Total		<u>\$266,594</u>		<u>\$386</u>

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

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Allocation VIP Fund				
Interest rate contracts				
	Investments	\$(149,096) ^a	Investments	\$—
	Written options	59,737	Written options	—
	Futures contracts	1,465,258	Futures contracts	272,157
	Swap contracts	(312,687)	Swap contracts	815
Foreign exchange contracts . . .				
	Investments	27,482 ^a	Investments	—
	Swaps contracts	57,003	Swap contracts	72,438
	Forward exchange contracts	(300,280)	Forward exchange contracts	66,035
Credit contracts				
	Written options	6,663	Written options	—
	Swaps contracts	(760,599)	Swap contracts	7,817
Equity Contracts				
	Written options	7,809	Written options	—
	Futures contracts	2,080,829	Futures contracts	204,387
Total		<u>\$2,182,119</u>		<u>\$623,649</u>

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

Franklin Allocation VIP Fund (continued)

8. Other Derivative Information (continued)

For the year ended December 31, 2020, the average month end notional amount of futures contracts, swap contracts and options, and the average month end contract value for forward exchange contracts were as follows:

Futures contracts	\$38,605,311	
Swap contracts	\$8,619,206	
Forward exchange contracts	\$12,093,679	
Options	1,430,923	shares

See Note 1(c) regarding derivative financial instruments.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

Franklin Allocation VIP Fund (continued)

10. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Allocation VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$8,235,140	\$2,957,762	\$—	\$11,192,902
Air Freight & Logistics	3,069,989	2,435,309	—	5,505,298
Airlines	—	391,484	—	391,484
Auto Components	529,576	724,690	—	1,254,266
Automobiles	483,384	2,594,762	—	3,078,146
Banks	1,901,268	8,709,945	—	10,611,213
Beverages	6,707,709	628,959	—	7,336,668
Biotechnology	9,305,643	4,167,094	—	13,472,737
Building Products	3,541,622	1,003,256	—	4,544,878
Capital Markets	14,861,212	7,250,569	—	22,111,781
Chemicals	11,266,732	7,076,133	—	18,342,865
Commercial Services & Supplies	2,671,180	241,176	—	2,912,356
Communications Equipment	961,973	—	—	961,973
Construction & Engineering	115,520	1,092,450	—	1,207,970
Construction Materials	642,624	57,613	—	700,237
Consumer Finance	152,333	—	—	152,333
Containers & Packaging	251,638	—	—	251,638
Distributors	555,025	—	—	555,025
Diversified Consumer Services	2,084,108	—	—	2,084,108
Diversified Financial Services	817,415	2,582,816	—	3,400,231
Diversified Telecommunication Services	2,927,267	1,783,847	—	4,711,114
Electric Utilities	3,174,331	474,950	—	3,649,281
Electrical Equipment	2,333,443	2,094,874	—	4,428,317
Electronic Equipment, Instruments & Components	4,157,868	1,134,151	—	5,292,019
Energy Equipment & Services	—	820,854	—	820,854
Entertainment	4,395,736	2,493,349	—	6,889,085
Equity Real Estate Investment Trusts (REITs)	5,562,397	886,419	—	6,448,816
Food & Staples Retailing	4,003,831	2,688,879	—	6,692,710
Food Products	2,984,203	1,294,968	—	4,279,171
Gas Utilities	327,505	813,216	—	1,140,721
Health Care Equipment & Supplies	20,355,487	7,180,885	—	27,536,372
Health Care Providers & Services	4,516,434	1,027,783	—	5,544,217
Health Care Technology	1,937,433	75,574	—	2,013,007
Hotels, Restaurants & Leisure	3,700,533	—	—	3,700,533
Household Durables	963,998	2,419,540	—	3,383,538
Household Products	6,905,413	53,655	—	6,959,068
Independent Power and Renewable Electricity Producers	289,906	—	—	289,906
Industrial Conglomerates	7,073,384	1,036,803	—	8,110,187
Insurance	4,143,214	2,413,318	—	6,556,532
Interactive Media & Services	14,664,683	451,232	—	15,115,915
Internet & Direct Marketing Retail	13,411,536	2,913,428	—	16,324,964
IT Services	18,492,479	8,431,464	—	26,923,943
Leisure Products	338,662	—	—	338,662
Life Sciences Tools & Services	8,106,868	696,221	—	8,803,089
Machinery	9,846,176	3,603,864	—	13,450,040
Marine	—	456,787	—	456,787
Media	1,957,740	4,184,044	—	6,141,784
Metals & Mining	1,625,837	5,140,611	—	6,766,448
Multiline Retail	3,447,258	774,109	—	4,221,367
Multi-Utilities	1,995,104	1,237,697	—	3,232,801
Oil, Gas & Consumable Fuels	4,810,502	3,912,310	—	8,722,812
Personal Products	1,303,048	397,355	—	1,700,403

Franklin Allocation VIP Fund (continued)

10. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Allocation VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Pharmaceuticals	\$14,397,613	\$8,436,737	\$—	\$22,834,350
Professional Services	5,390,926	3,855,150	—	9,246,076
Real Estate Management & Development	171,602	2,540,451	—	2,712,053
Road & Rail	8,153,343	—	—	8,153,343
Semiconductors & Semiconductor Equipment	21,525,051	4,215,057	—	25,740,108
Software	41,463,777	5,384,951	—	46,848,728
Specialty Retail	8,859,182	1,166,148	—	10,025,330
Technology Hardware, Storage & Peripherals	12,390,709	2,372,259	—	14,762,968
Textiles, Apparel & Luxury Goods	4,236,949	501,767	—	4,738,716
Thriffs & Mortgage Finance	125,575	927,392	—	1,052,967
Tobacco	1,422,558	1,043,709	—	2,466,267
Trading Companies & Distributors	3,133,679	2,105,877	—	5,239,556
Transportation Infrastructure	—	69,420	—	69,420
Water Utilities	586,102	—	—	586,102
Wireless Telecommunication Services	—	1,459,927	—	1,459,927
Management Investment Companies	23,263,552	—	—	23,263,552
Preferred Stocks	—	149,187	—	149,187
Corporate Bonds	—	88,953,371	—	88,953,371
Foreign Government and Agency Securities	—	5,116,115	—	5,116,115
U.S. Government and Agency Securities	—	88,895,450	—	88,895,450
Asset-Backed Securities	—	3,319,199	—	3,319,199
Mortgage-Backed Securities	—	77,989,754	—	77,989,754
Municipal Bonds	—	4,915,305	—	4,915,305
Short Term Investments	24,011,384	—	—	24,011,384
Total Investments in Securities	\$397,038,369	\$406,223,431	\$—	\$803,261,800
Other Financial Instruments:				
Futures contracts	\$266,594	\$—	\$—	\$266,594
Total Other Financial Instruments	\$266,594	\$—	\$—	\$266,594
Liabilities:				
Other Financial Instruments:				
Futures contracts	\$386	\$—	\$—	\$386

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Franklin Allocation VIP Fund (continued)

Abbreviations

Currency

CAD	Canadian Dollar
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
AGMC	Assured Guaranty Municipal Corp.
ETF	Exchange-Traded Fund
FFCB	Federal Farm Credit Banks Funding Corp.
FHLMC	Federal Home Loan Mortgage Corp.
FNMA	Federal National Mortgage Association
FRN	Floating Rate Note
GNMA	Government National Mortgage Association
GO	General Obligation
NYRS	New York Registry Shares

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Allocation VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Allocation VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$198,276,413 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 35.48% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Flex Cap Growth VIP Fund

This annual report for Franklin Flex Cap Growth VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+44.88%
5-Year	+19.30%
10-Year	+14.36%

*The Fund has an expense reduction and a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction and fee waiver; without these reductions, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Russell 3000® Growth Index, the Russell 1000® Growth Index and the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Flex Cap Growth VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests predominantly in equity securities of companies that the investment manager believes have the potential for capital appreciation.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risk of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have experienced more price volatility than larger-company stocks, especially over the short term. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Russell 3000® Growth Index posted a +38.26% total return, the Russell 1000® Growth Index posted a +44.92% total return, and the Standard & Poor's 500 Index (S&P 500) posted a +18.40% total return for the same period.¹

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

2. Source: Bureau of Labor Statistics.

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

Portfolio Composition

12/31/20

	% of Total Net Assets
Software	23.6%
Internet & Direct Marketing Retail	9.7%
Health Care Equipment & Supplies	9.2%
IT Services	9.1%
Interactive Media & Services	8.5%
Semiconductors & Semiconductor Equipment	4.6%
Entertainment	4.3%
Equity Real Estate Investment Trusts (REITs)	3.6%
Capital Markets	3.3%
Food & Staples Retailing	3.1%
Personal Products	2.9%
Automobiles	2.5%
Professional Services	2.1%
Electric Utilities	2.1%
Health Care Technology	2.1%
Media	1.8%
Textiles, Apparel & Luxury Goods	1.5%
Electronic Equipment, Instruments & Components	1.1%
Other	2.9%
Short-Term Investments & Other Net Assets	2.0%

Economic and Market Overview

U.S. equities, as measured by the S&P 500 advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.² The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research,

and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.²

Investment Strategy

We use fundamental, bottom-up research to seek companies meeting our criteria of growth potential, quality and valuation. In seeking sustainable growth characteristics, we look for companies we believe can produce sustainable earnings and cash flow growth, evaluating the long-term market opportunity and competitive structure of an industry to target leaders and emerging leaders. We define quality companies as those with strong and improving competitive positions in attractive markets. We also believe important attributes of quality are experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation and returns on capital employed. Our valuation analysis includes a range of potential outcomes based on an assessment of multiple scenarios. In assessing value, we consider whether security prices fully reflect the balance of the sustainable growth opportunities relative to business and financial risks.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Microsoft Corp. <i>Software, United States</i>	7.5%
ServiceNow, Inc. <i>Software, United States</i>	6.9%
Amazon.com, Inc. <i>Internet & Direct Marketing Retail, United States</i>	6.6%
Alphabet, Inc. <i>Interactive Media & Services, United States</i>	5.6%
salesforce.com, Inc. <i>Software, United States</i>	4.1%
Mastercard, Inc. <i>IT Services, United States</i>	3.6%
Costco Wholesale Corp. <i>Food & Staples Retailing, United States</i>	3.1%
Estee Lauder Cos., Inc. (The) <i>Personal Products, United States</i>	2.9%
Facebook, Inc. <i>Interactive Media & Services, United States</i>	2.8%
Sea Ltd. <i>Entertainment, Taiwan</i>	2.7%

Manager's Discussion

During the 12 months ended December 31, 2020, all sectors in the Fund's portfolio posted positive absolute returns. Relative to the Russell 3000® Growth Index, all sectors contributed, save for utilities and real estate.

Stock selection and an underweighting in the health care sector contributed to relative performance, helped by a position in Veeva Systems, which provides cloud-based software for the life sciences industry. The company has sizeable exposure to the ongoing cloud transition by commercial and research-based biopharma and medical technology organizations. We believe there are underpenetrated opportunities in clinical trial data management, drug safety workflow and patient data science that could sustain revenue growth for Veeva for many years. Veterinary services and products company IDEXX Laboratories also contributed. The company's growth has been supported by multiple new product launches being adopted by veterinarians to increase more lucrative clinical services including diagnostics and preventative care. IDEXX has also been encouraged by a longer-term sign of accelerating pet ownership that has emerged this year during the pandemic.

Stock selection in the communication services sector also contributed to relative results. Sea, which is headquartered in Singapore and has operations in Taiwan and Southeast Asia, helped performance as the company generates revenue from its online gaming and shopping platforms, which have been more widely adopted since the pandemic.

Stock selection in the consumer discretionary sector helped relative performance as well. Online marketplace and web services operator Amazon.com added to results as consumers increasingly turned to the online retailer for basic goods as they spent growing amounts of time at home. The company also benefited from the increase in remote working, which has made more employers reliant on technology infrastructure provided by Amazon Web Services.

Elsewhere, ServiceNow was a significant relative contributor. The cloud computing specialist has been a beneficiary of the broad digital transformation opportunity created by the pandemic crisis as businesses quickly transitioned physical workflows into the digital space.

In contrast, utilities was the only sector to materially detract from relative results, with an overweighting that hurt performance.

Elsewhere, an underweighting in Tesla detracted from relative results as strong growth in electric vehicle sales lifted the shares of the electric carmaker to all-time highs.

Aerospace and defense companies Raytheon and Boeing also detracted from relative performance. Raytheon merged with United Technologies on April 3, 2020, to form Raytheon Technologies. The company has been hurt by the negative impact of declining aviation demand, and the Fund liquidated its position during the period. We also sold off our holdings in Boeing due to the collapse of international aviation travel, significantly decreased sales of the troubled 777 airliner and an uncertain rollout for the company's new 777X airliner.

Beauty products manufacturer Estee Lauder hindered relative returns as well. Sales of the cosmetics giant were hurt by the pandemic-induced closure of most of the company's retail stores, though a growth in online sales, particularly in Asia, offset some of those losses.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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, state, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,256.00	\$5.44	\$1,020.31	\$4.87	0.96%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Flex Cap Growth VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.06	\$6.46	\$7.46	\$5.89	\$7.09
Income from investment operations ^a :					
Net investment (loss) ^b	(0.03)	(0.01)	(0.02)	(0.01)	(0.03)
Net realized and unrealized gains (losses)	3.47	1.99	0.42	1.60	(0.20)
Total from investment operations	3.44	1.98	0.40	1.59	(0.23)
Less distributions from:					
Net realized gains	(0.58)	(0.38)	(1.40)	(0.02)	(0.97)
Net asset value, end of year	\$10.92	\$8.06	\$6.46	\$7.46	\$5.89
Total return ^c	44.88%	31.16%	3.14%	26.94%	(2.89)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.31%	1.33%	1.30%	1.35%	1.36%
Expenses net of waiver and payments by affiliates	0.96% ^d	0.96% ^d	0.96% ^d	0.96%	0.96%
Net investment (loss)	(0.36)%	(0.19)%	(0.20)%	(0.20)%	(0.44)%
Supplemental data					
Net assets, end of year (000's)	\$125,731	\$97,964	\$69,233	\$81,084	\$73,337
Portfolio turnover rate	15.70%	26.29%	15.17%	52.12%	17.76%

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

^bBased on average daily shares outstanding.

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

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

Franklin Flex Cap Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$7.71	\$6.20	\$7.21	\$5.70	\$6.90
Income from investment operations ^a :					
Net investment (loss) ^b	(0.04)	(0.02)	(0.02)	(0.02)	(0.03)
Net realized and unrealized gains (losses)	3.31	1.91	0.41	1.55	(0.20)
Total from investment operations	3.27	1.89	0.39	1.53	(0.23)
Less distributions from:					
Net realized gains	(0.58)	(0.38)	(1.40)	(0.02)	(0.97)
Net asset value, end of year	\$10.40	\$7.71	\$6.20	\$7.21	\$5.70
Total return ^c	44.71%	31.03%	3.10%	26.78%	(2.98)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.41%	1.43%	1.40%	1.45%	1.46%
Expenses net of waiver and payments by affiliates.	1.06% ^d	1.06% ^d	1.06% ^d	1.06%	1.06%
Net investment (loss)	(0.47)%	(0.29)%	(0.30)%	(0.30)%	(0.54)%
Supplemental data					
Net assets, end of year (000's)	\$38,425	\$31,761	\$29,681	\$30,112	\$27,163
Portfolio turnover rate	15.70%	26.29%	15.17%	52.12%	17.76%

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

^bBased on average daily shares outstanding.

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

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

Statement of Investments, December 31, 2020

Franklin Flex Cap Growth VIP Fund

	Country	Shares	Value
Common Stocks 98.0%			
Automobiles 2.5%			
^a Tesla, Inc.	United States	5,905	\$4,166,981
Biotechnology 0.3%			
^{a,b} Applied Molecular Transport, Inc.	United States	5,900	181,543
^a Certara, Inc.	United States	2,100	70,812
^a Dyne Therapeutics, Inc.	United States	10,600	222,600
^a Legend Biotech Corp., ADR	United States	1,700	47,872
			522,827
Capital Markets 3.3%			
Intercontinental Exchange, Inc.	United States	12,679	1,461,762
MSCI, Inc.	United States	5,901	2,634,974
Tradeweb Markets, Inc., A.	United States	22,178	1,385,016
			5,481,752
Electric Utilities 2.1%			
NextEra Energy, Inc.	United States	44,440	3,428,546
Electrical Equipment 0.2%			
^a Array Technologies, Inc.	United States	6,200	267,468
Electronic Equipment, Instruments & Components 1.1%			
^a Keysight Technologies, Inc.	United States	12,248	1,617,838
^a Vontier Corp.	United States	3,892	129,993
			1,747,831
Entertainment 4.3%			
^a Netflix, Inc.	United States	4,693	2,537,646
^a Sea Ltd., ADR.	Taiwan	22,650	4,508,482
			7,046,128
Equity Real Estate Investment Trusts (REITs) 3.6%			
American Tower Corp.	United States	9,835	2,207,564
Crown Castle International Corp.	United States	15,536	2,473,176
Equinix, Inc.	United States	1,830	1,306,949
			5,987,689
Food & Staples Retailing 3.1%			
Costco Wholesale Corp.	United States	13,546	5,103,862
Health Care Equipment & Supplies 9.2%			
Abbott Laboratories.	United States	27,566	3,018,201
Danaher Corp.	United States	19,354	4,299,298
^a IDEXX Laboratories, Inc.	United States	8,293	4,145,422
^a Intuitive Surgical, Inc.	United States	4,426	3,620,911
^a Outset Medical, Inc.	United States	1,000	56,840
			15,140,672
Health Care Technology 2.1%			
^{a,b} Accolade, Inc.	United States	600	26,100
^a American Well Corp., A.	United States	500	12,665
^a Veeva Systems, Inc., A	United States	12,433	3,384,884
			3,423,649
Hotels, Restaurants & Leisure 0.1%			
^a Airbnb, Inc., A.	United States	800	117,440
Industrial Conglomerates 0.9%			
Roper Technologies, Inc.	United States	3,325	1,433,374

Franklin Flex Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Interactive Media & Services 8.5%			
^a Alphabet, Inc., C	United States	5,246	\$9,190,362
^a Facebook, Inc., A	United States	16,685	4,557,675
^a ZoomInfo Technologies, Inc., A	United States	3,800	183,274
			13,931,311
Internet & Direct Marketing Retail 9.7%			
^a Alibaba Group Holding Ltd., ADR	China	8,731	2,031,965
^a Amazon.com, Inc.	United States	3,302	10,754,383
^a Booking Holdings, Inc.	United States	221	492,227
^a DoorDash, Inc., A	United States	300	42,825
^a MercadoLibre, Inc.	Argentina	1,505	2,521,206
^a Ozon Holdings plc, ADR	Russia	600	24,846
			15,867,452
IT Services 9.1%			
Mastercard, Inc., A	United States	16,572	5,915,210
^a PayPal Holdings, Inc.	United States	17,063	3,996,155
^a Shift4 Payments, Inc., A	United States	2,600	196,040
^a Snowflake, Inc., A	United States	1,800	506,520
Visa, Inc., A	United States	20,224	4,423,595
			15,037,520
Life Sciences Tools & Services 1.0%			
^a 10X Genomics, Inc., A	United States	369	52,250
^a Berkeley Lights, Inc.	United States	600	53,646
^a Illumina, Inc.	United States	3,403	1,259,110
^a Maravai LifeSciences Holdings, Inc., A	United States	4,100	115,005
^a Seer, Inc.	United States	400	22,456
^a Sotera Health Co.	United States	3,200	87,808
			1,590,275
Machinery 0.4%			
Fortive Corp.	United States	9,730	689,079
Media 1.8%			
^a Charter Communications, Inc., A	United States	4,421	2,924,713
Personal Products 2.9%			
Estee Lauder Cos., Inc. (The), A	United States	18,062	4,807,924
Professional Services 2.1%			
^a CoStar Group, Inc.	United States	1,746	1,613,793
^a Dun & Bradstreet Holdings, Inc.	United States	8,900	221,610
Verisk Analytics, Inc.	United States	7,706	1,599,689
			3,435,092
Semiconductors & Semiconductor Equipment 4.6%			
Analog Devices, Inc.	United States	11,440	1,690,031
ASML Holding NV, NYRS	Netherlands	3,880	1,892,354
NVIDIA Corp.	United States	7,606	3,971,853
			7,554,238
Software 23.6%			
^a Adobe, Inc.	United States	7,606	3,803,913
^a Atlassian Corp. plc, A	United States	8,542	1,997,717
Bentley Systems, Inc., B	United States	1,400	56,714
^a Bill.com Holdings, Inc.	United States	284	38,766
^{a,b} C3.ai, Inc., A	United States	1,600	222,000
^a Coupa Software, Inc.	United States	6,091	2,064,301
^{a,b} Duck Creek Technologies, Inc.	United States	700	30,310

Franklin Flex Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Software (continued)			
Microsoft Corp.	United States	55,590	\$12,364,328
^a nCino, Inc.	United States	900	65,169
^a salesforce.com, Inc.	United States	30,587	6,806,525
^a ServiceNow, Inc.	United States	20,489	11,277,760
^a Vertex, Inc., A	United States	1,500	52,275
			38,779,778
Specialty Retail 0.0%[†]			
^a Vroom, Inc.	United States	500	20,485
Textiles, Apparel & Luxury Goods 1.5%			
NIKE, Inc., B.	United States	17,213	2,435,123
Total Common Stocks (Cost \$61,744,461)			160,941,209
Short Term Investments 2.3%			
	Country	Shares	Value
Money Market Funds 2.0%			
^{c,d} Institutional Fiduciary Trust - Money Market Portfolio, 0%.	United States	3,334,677	3,334,677
Total Money Market Funds (Cost \$3,334,677)			3,334,677
^eInvestments from Cash Collateral Received for Loaned Securities 0.3%			
Money Market Funds 0.3%			
^{c,d} Institutional Fiduciary Trust - Money Market Portfolio, 0%.	United States	466,550	466,550
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$466,550)			466,550
Total Short Term Investments (Cost \$3,801,227)			3,801,227
Total Investments (Cost \$65,545,688) 100.3%			\$164,742,436
Other Assets, less Liabilities (0.3)%			(586,006)
Net Assets 100.0%.			\$164,156,430

See Abbreviations on page FFC-21.

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

^a Non-income producing.

^b A portion or all of the security is on loan at December 31, 2020. See Note 1(b)

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

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

^e See Note 1(b) regarding securities on loan.

Statement of Assets and Liabilities

December 31, 2020

	Franklin Flex Cap Growth VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$61,744,461
Cost - Non-controlled affiliates (Note 3e)	3,801,227
Value - Unaffiliated issuers (Includes securities loaned of \$428,167)	\$160,941,209
Value - Non-controlled affiliates (Note 3e)	3,801,227
Receivables:	
Capital shares sold	63,946
Dividends	15,740
Other assets	18
Total assets	<u>164,822,140</u>
Liabilities:	
Payables:	
Capital shares redeemed	13,403
Management fees	85,832
Distribution fees	37,468
Professional fees	34,589
Payable upon return of securities loaned	466,550
Accrued expenses and other liabilities	27,868
Total liabilities	<u>665,710</u>
Net assets, at value	<u>\$164,156,430</u>
Net assets consist of:	
Paid-in capital	\$54,032,857
Total distributable earnings (losses)	110,123,573
Net assets, at value	<u>\$164,156,430</u>
	Franklin Flex Cap Growth VIP Fund
Class 2:	
Net assets, at value	\$125,731,498
Shares outstanding	11,517,188
Net asset value and maximum offering price per share	<u>\$10.92</u>
Class 4:	
Net assets, at value	\$38,424,932
Shares outstanding	3,696,123
Net asset value and maximum offering price per share	<u>\$10.40</u>

Statement of Operations

for the year ended December 31, 2020

**Franklin Flex
Cap Growth VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$815)	
Unaffiliated issuers	\$816,010
Non-controlled affiliates (Note 3e)	3,121
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	2,275
Non-controlled affiliates (Note 3e)	10
Total investment income	821,416
Expenses:	
Management fees (Note 3a)	1,333,160
Distribution fees: (Note 3c)	
Class 2	259,011
Class 4	117,236
Custodian fees (Note 4)	3,758
Reports to shareholders	48,144
Professional fees	58,214
Trustees' fees and expenses	772
Other	9,067
Total expenses	1,829,362
Expense reductions (Note 4)	(128)
Expenses waived/paid by affiliates (Note 3e and 3f)	(479,265)
Net expenses	1,349,969
Net investment income (loss)	(528,553)
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	10,941,529
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	38,261,628
Net realized and unrealized gain (loss)	49,203,157
Net increase (decrease) in net assets resulting from operations	\$48,674,604

Statements of Changes in Net Assets

	Franklin Flex Cap Growth VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(528,553)	\$(271,500)
Net realized gain (loss)	10,941,529	8,427,290
Net change in unrealized appreciation (depreciation)	38,261,628	22,895,498
Net increase (decrease) in net assets resulting from operations	48,674,604	31,051,288
Distributions to shareholders:		
Class 2	(6,270,140)	(4,527,605)
Class 4	(2,134,830)	(1,613,765)
Total distributions to shareholders	(8,404,970)	(6,141,370)
Capital share transactions: (Note 2)		
Class 2	(2,125,752)	10,720,742
Class 4	(3,712,359)	(4,820,540)
Total capital share transactions	(5,838,111)	5,900,202
Net increase (decrease) in net assets	34,431,523	30,810,120
Net assets:		
Beginning of year	129,724,907	98,914,787
End of year	\$164,156,430	\$129,724,907

Notes To Financial Statements

Franklin Flex Cap Growth VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Flex Cap Growth 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 two classes of shares: Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time.

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

Franklin Flex Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

b. Securities Lending

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

c. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

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

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

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

Franklin Flex Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

e. 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.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	4,213,499	\$37,146,503	3,678,687	\$27,630,014
Shares issued in reinvestment of distributions	752,718	6,270,140	606,105	4,527,605
Shares redeemed	(5,601,791)	(45,542,395)	(2,846,348)	(21,436,877)
Net increase (decrease)	(635,574)	\$(2,125,752)	1,438,444	\$10,720,742
Class 4 Shares:				
Shares sold	656,101	\$5,754,240	406,751	\$2,950,254
Shares issued in reinvestment of distributions	268,870	2,134,830	226,017	1,613,765
Shares redeemed	(1,349,107)	(11,601,429)	(1,300,636)	(9,384,559)
Net increase (decrease)	(424,136)	\$(3,712,359)	(667,868)	\$(4,820,540)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Flex Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

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
1.000%	Up to and including \$100 million
0.900%	Over \$100 million, up to and including \$250 million
0.850%	Over \$250 million, up to and including \$10 billion
0.800%	Over \$10 billion, up to and including \$12.5 billion
0.775%	Over \$12.5 billion, up to and including \$15 billion
0.750%	In excess of \$15 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.972% 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 a distribution plan for Class 2 and Class 4 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net asset of Class 2 and Class 4, respectively. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income	Dividends
Franklin Flex Cap Growth VIP Fund									
Non-Controlled Affiliates									
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$2,694,405	\$34,243,141	\$(33,602,869)	\$—	\$—	\$3,334,677	3,334,677	\$3,121	

Franklin Flex Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Flex Cap Growth VIP Fund (continued)								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$23,100	\$4,661,155	\$(4,217,705)	\$—	\$—	\$466,550	466,550	\$10
Total Affiliated Securities	\$2,717,505	\$38,904,296	\$(37,820,574)	\$—	\$—	\$3,801,227		\$3,131

f. Waiver and Expense Reimbursements

Advisers have contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees and acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund does not exceed 0.71 % based on the average net assets of each class until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Long term capital gain	\$8,404,970	\$6,141,370

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$65,644,055
Unrealized appreciation	\$99,201,728
Unrealized depreciation	(103,347)
Net unrealized appreciation (depreciation)	\$99,098,381
Distributable earnings:	
Undistributed long term capital gains	\$11,025,192

Franklin Flex Cap Growth VIP Fund (continued)

5. Income Taxes (continued)

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

6. Investment Transactions

Purchases and sales (excluding short term securities) for the year ended December 31, 2020, aggregated \$21,039,735 and \$36,428,079, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$466,550 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments).

Franklin Flex Cap Growth VIP Fund (continued)

9. Fair Value Measurements (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

At December 31, 2020, all of the Fund's investments in financial instruments carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statement of Investments.

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

11. Subsequent Events

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

Abbreviations

Selected Portfolio

ADR	American Depositary Receipt
NYRS	New York Registry Shares

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Flex Cap Growth VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Flex Cap Growth VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Flex Cap Growth VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount Allowable but no less than \$8,404,970 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Franklin Global Real Estate VIP Fund

This annual report for Franklin Global Real Estate VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	-5.39%
5-Year	+3.69%
10-Year	+5.48%

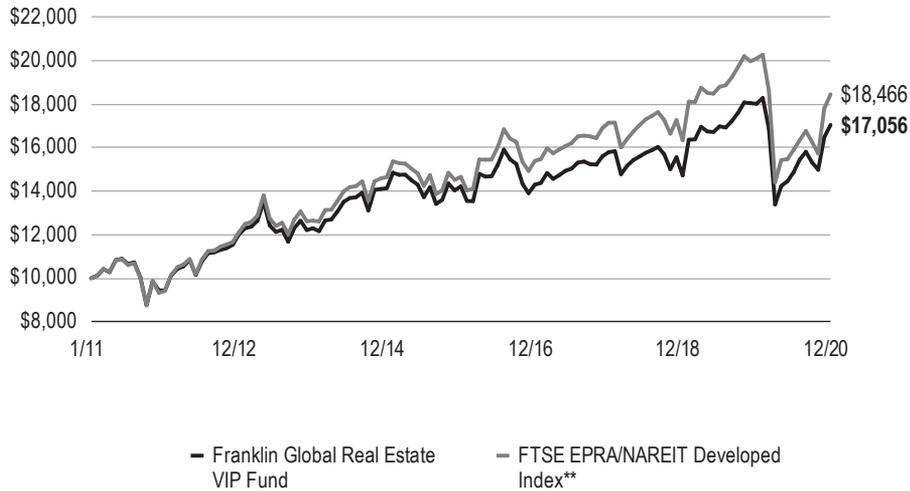
*The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the FTSE® EPRA®/NAREIT® Developed Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Global Real Estate VIP Fund

Fund Goal and Main Investments

The Fund seeks high total return. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of companies located anywhere in the world that operate in the real estate sector, including: real estate investment trusts (REITs) and similar REIT-like entities domiciled outside the U.S.; companies qualifying under U.S. federal tax law as REITs; and companies that derive at least half of their assets or revenues from the ownership, management, development or sale of residential or commercial real estate (such as real estate operating or service companies).

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund concentrates in real estate securities, which involve special risks, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments affecting the sector. The Fund's investments in REITs involve additional risks; since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. Foreign investing, especially in emerging markets, involves additional risks such as currency and market volatility, as well as political and social instability. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the FTSE EPRA/NAREIT Developed Index posted a -8.18% total return for the same period.¹

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

2. Source: U.S. Bureau of Labor Statistics.

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

Portfolio Composition

12/31/20

	% of Total Net Assets
Equity Real Estate Investment Trusts (REITs)	77.1%
Real Estate Management & Development	20.4%
Other	0.9%
Short-Term Investments & Other Net Assets	1.6%

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and

consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹ Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Top 10 Countries

12/31/20

	% of Total Net Assets
United States	53.6%
Japan	10.9%
Germany	7.2%
United Kingdom	6.3%
Hong Kong	4.7%
Australia	4.3%
Singapore	3.4%
Canada	2.4%
Spain	1.9%
Sweden	1.6%

Investment Strategy

We seek to limit price volatility by investing across markets and property types. When selecting investments for the Fund's portfolio, we apply a "bottom-up" stock selection process that incorporates macro-level views in the evaluation process. Our portfolio construction process combines bottom-up analysis of individual stock and real estate market fundamentals and top-down macro overlays to provide country/regional, property type, and company size perspectives in identifying international/local cyclical and thematic trends that highlight investment opportunities.

Manager's Discussion

During the 12 months under review, key detractors from the Fund's performance relative to the FTSE EPRA/NAREIT Developed Index included stock selection and an underweighting in the healthcare property sector and an underweighting in the storage property sector. Stock selection in manufactured homes and an overweighting in triple-net leasing also hurt results. The negative effects from these sectors came almost exclusively from a lack of exposure to stocks that performed relatively well in a declining market.

Elsewhere, Ryman Hospitality Properties was the most significant individual relative detractor during the period. Ryman is an owner of group-oriented, destination hotel assets in urban and resort markets, which are managed by Marriott International (not a Fund holding) under the Gaylord Hotels brand. Hotel REITs were significantly impacted by COVID-19, as occupancy fell precipitously, leading to closure of hotels across the country. With respect to Ryman, the specific focus on group-oriented hotels and relatively few assets made the company particularly vulnerable to the impacts of the pandemic. However, the company was

fortunate to have raised equity capital just prior to the outbreak of COVID-19, mitigating longer-term damages of the downturn.

U.S.-based Regency Centers also hampered relative results. Regency is an owner of mostly grocery-anchored shopping centers located in affluent and densely populated trade areas across the U.S. Weak trends in fundamentals have persisted for retail landlords for some time amid the increasing percentage of online spending, but Regency had fared rather well due to the relatively internet-resistant nature and superior quality of its assets compared to peers. However, the advent of COVID-19 impacted all retail landlords, including Regency, as the ability to collect rent was meaningfully affected due to the extended closure of a substantial number of stores. As a consequence, financial results for 2020 have seen significant impairment amid continuing uncertainty.

Although the residential sector was an overall relative contributor during the period, U.S.-based AvalonBay Communities detracted from relative performance. AvalonBay is an owner and developer of apartment communities, mostly in coastal locations across the U.S. Leasing conditions for apartment landlords weakened considerably due to the macroeconomic effects of COVID-19, with rents facing significant pressure. This was particularly true in coastal markets such as New York, San Francisco and Boston, which saw a population exodus. Longer-term, we remain constructive on the company's business due to its diversified product mix (both Class A and Class B properties), suburban exposure and proven track record of value creation from its development business.

Conversely, an overweighting and stock selection in the industrial property sector contributed to relative performance. Performance in the sector was led higher by Australian REIT Goodman Group, Japanese REIT GLP J-REIT, U.S.-based Prologis and U.K.-based Segro. GLP J-REIT is an owner and operator of industrial warehouses and logistics facilities in Japan. Adoption of e-commerce has driven strong demand, and limited availability of land has curtailed new supply development. As a result vacancy in key markets like Tokyo are at record lows. We remain favorably biased to industrial real estate globally given strong secular trends favoring demand growth and limiting supply availability.

Stock selection in the office space sector also enhanced results, with performance in the sector led by U.S.-based medical office landlord Alexandria Real Estate Equities. Alexandria is a developer, owner and operator of life science office and lab clusters. This specific focus on life science minimized concern about risks to occupancy due to adoption

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Prologis, Inc. Equity Real Estate Investment Trusts (REITs), United States	6.3%
Vonovia SE Real Estate Management & Development, Germany	4.2%
Alexandria Real Estate Equities, Inc. Equity Real Estate Investment Trusts (REITs), United States	3.2%
Extra Space Storage, Inc. Equity Real Estate Investment Trusts (REITs), United States	2.6%
Segro plc Equity Real Estate Investment Trusts (REITs), United Kingdom	2.6%
Healthpeak Properties, Inc. Equity Real Estate Investment Trusts (REITs), United States	2.5%
Realty Income Corp. Equity Real Estate Investment Trusts (REITs), United States	2.5%
AvalonBay Communities, Inc. Equity Real Estate Investment Trusts (REITs), United States	2.3%
Mitsui Fudosan Co. Ltd. Real Estate Management & Development, Japan	2.2%
Goodman Group Equity Real Estate Investment Trusts (REITs), Australia	2.2%

of the work-from-home model that has weighed on the outlook for traditional office peers. We maintain a favorable bias toward Alexandria, as we believe the company's unique cluster model minimizes competitive supply risk, leading to stable occupancy and industry-leading leasing economics which drives sustainable cash flow growth.

Other individual contributors to relative performance included German residential landlord Vonovia, an owner of apartment communities in Germany, Sweden and Austria. The company outperformed peers in 2020 amid unprecedented economic and market uncertainty due to its robust underlying market fundamentals, immaterial impact from COVID-19 and downside protection with respect to its German exposure due to the federal government's rent subsidies. We have continued to favor Vonovia for the persistent under-supply of apartment properties across its markets, external growth prospects and valuation upside due to the likelihood for further yield compression amidst capital market support for the asset class.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in

value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's significant investment in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,146.90	\$6.37	\$1,019.20	\$5.98	1.18%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Global Real Estate VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.99	\$15.41	\$16.96	\$15.83	\$15.93
Income from investment operations ^a :					
Net investment income ^b	0.39	0.29	0.33	0.17	0.30 ^c
Net realized and unrealized gains (losses)	(1.59)	3.15	(1.41)	1.52	(0.16)
Total from investment operations	(1.20)	3.44	(1.08)	1.69	0.14
Less distributions from:					
Net investment income	(0.54)	(0.50)	(0.47)	(0.56)	(0.24)
Net realized gains	(1.59)	(0.36)	—	—	—
Total distributions	(2.13)	(0.86)	(0.47)	(0.56)	(0.24)
Net asset value, end of year	\$14.66	\$17.99	\$15.41	\$16.96	\$15.83
Total return ^d	(5.17)%	22.62%	(6.52)%	10.76%	0.81%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.24%	1.14%	1.15%	1.14%	1.11%
Expenses net of waiver and payments by affiliates	1.00% ^e	1.04% ^e	1.15% ^e	1.14% ^f	1.11% ^f
Net investment income	2.73%	1.66%	1.92%	1.04%	1.99% ^c
Supplemental data					
Net assets, end of year (000's)	\$966	\$1,057	\$878	\$819	\$821
Portfolio turnover rate	23.01%	28.34%	17.78%	22.18%	28.53% ^g

^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.

^cNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.59%.

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

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

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

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Global Real Estate VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.50	\$15.00	\$16.52	\$15.42	\$15.52
Income from investment operations ^a :					
Net investment income ^b	0.35	0.24	0.27	0.13	0.28 ^c
Net realized and unrealized gains (losses)	(1.56)	3.08	(1.36)	1.47	(0.19)
Total from investment operations	(1.21)	3.32	(1.09)	1.60	0.09
Less distributions from:					
Net investment income	(0.49)	(0.46)	(0.43)	(0.50)	(0.19)
Net realized gains	(1.59)	(0.36)	—	—	—
Total distributions	(2.08)	(0.82)	(0.43)	(0.50)	(0.19)
Net asset value, end of year	\$14.21	\$17.50	\$15.00	\$16.52	\$15.42
Total return ^d	(5.39)%	22.37%	(6.77)%	10.47%	0.54%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.48%	1.39%	1.40%	1.39%	1.36%
Expenses net of waiver and payments by affiliates	1.25% ^e	1.29% ^e	1.40% ^e	1.39% ^f	1.36% ^f
Net investment income	2.47%	1.41%	1.67%	0.79%	1.74% ^c
Supplemental data					
Net assets, end of year (000's)	\$134,051	\$159,153	\$146,408	\$183,532	\$193,707
Portfolio turnover rate	23.01%	28.34%	17.78%	22.18%	28.53% ^g

^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.

^cNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.34%.

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

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

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

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2020

Franklin Global Real Estate VIP Fund

	Country	Shares	Value
Common Stocks 98.4%			
Diversified Telecommunication Services 0.9%			
^a Cellnex Telecom SA, 144A, Reg S	Spain	20,913	\$1,255,939
Equity Real Estate Investment Trusts (REITs) 77.1%			
Alexandria Real Estate Equities, Inc.	United States	24,121	4,298,845
American Homes 4 Rent, A	United States	89,275	2,678,250
^b Americold Realty Trust	United States	45,490	1,698,142
AvalonBay Communities, Inc.	United States	19,395	3,111,540
Boston Properties, Inc.	United States	12,952	1,224,353
Broadstone Net Lease, Inc., A	United States	51,791	1,014,068
Camden Property Trust	United States	28,734	2,871,101
Canadian Apartment Properties REIT	Canada	58,793	2,310,402
CapitalLand Integrated Commercial Trust	Singapore	851,632	1,393,679
City Office REIT, Inc.	United States	257	2,511
Cousins Properties, Inc.	United States	66,946	2,242,691
Derwent London plc	United Kingdom	41,834	1,778,038
Dexus	Australia	245,730	1,782,262
Equinix, Inc.	United States	3,796	2,711,027
Equity LifeStyle Properties, Inc.	United States	40,524	2,567,601
Extra Space Storage, Inc.	United States	30,341	3,515,308
Gecina SA	France	13,385	2,081,454
GLP J-Reit	Japan	1,385	2,185,547
Goodman Group	Australia	202,191	2,955,521
GPT Group (The)	Australia	291,976	1,015,589
Healthcare Realty Trust, Inc.	United States	42,682	1,263,387
Healthpeak Properties, Inc.	United States	112,617	3,404,412
Host Hotels & Resorts, Inc.	United States	104,095	1,522,910
Hulic Reit, Inc.	Japan	763	1,139,198
Ichigo Office REIT Investment Corp.	Japan	965	697,021
Inmobiliaria Colonial Socimi SA	Spain	129,802	1,281,784
Kenedix Office Investment Corp.	Japan	233	1,581,929
Kilroy Realty Corp.	United States	26,033	1,494,294
Life Storage, Inc.	United States	7,681	917,035
Link REIT	Hong Kong	133,810	1,215,232
Mapletree Logistics Trust	Singapore	1,010,324	1,538,668
MGM Growth Properties LLC, A	United States	46,164	1,444,933
Orix JREIT, Inc.	Japan	755	1,249,018
Premier Investment Corp.	Japan	862	1,066,292
Prologis, Inc.	United States	85,074	8,478,475
^b QTS Realty Trust, Inc., A	United States	32,164	1,990,308
Realty Income Corp.	United States	54,039	3,359,605
Regency Centers Corp.	United States	38,702	1,764,424
Retail Properties of America, Inc., A	United States	101,885	872,136
Rexford Industrial Realty, Inc.	United States	53,556	2,630,135
Ryman Hospitality Properties, Inc.	United States	7,735	524,124
SBA Communications Corp.	United States	5,608	1,582,185
Segro plc	United Kingdom	269,628	3,498,881
Simon Property Group, Inc.	United States	19,465	1,659,975
SmartCentres Real Estate Investment Trust	Canada	54,722	992,834
Spirit Realty Capital, Inc.	United States	55,960	2,247,913
Summit Hotel Properties, Inc.	United States	51,902	467,637
Terreno Realty Corp.	United States	25,486	1,491,186
UDR, Inc.	United States	72,526	2,787,174
^c UNITE Group plc (The)	United Kingdom	134,844	1,926,420
VEREIT, Inc.	United States	44,351	1,676,024
Welltower, Inc.	United States	44,809	2,895,558
			104,099,036

Franklin Global Real Estate VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Real Estate Management & Development 20.4%			
Aroundtown SA.	Germany	162,438	\$1,211,177
CapitalLand Ltd.	Singapore	681,689	1,692,543
CK Asset Holdings Ltd.	Hong Kong	165,235	845,491
Deutsche Wohnen SE.	Germany	52,975	2,826,585
Fabege AB.	Sweden	68,124	1,076,434
^c Fastighets AB Balder, B.	Sweden	22,038	1,150,853
Grainger plc.	United Kingdom	320,845	1,248,087
Hang Lung Properties Ltd.	Hong Kong	364,000	959,235
Mitsubishi Estate Co. Ltd.	Japan	173,879	2,794,729
Mitsui Fudosan Co. Ltd.	Japan	141,544	2,963,870
New World Development Co. Ltd.	Hong Kong	227,038	1,056,274
Nomura Real Estate Holdings, Inc.	Japan	47,646	1,056,485
Shurgard Self Storage SA.	Belgium	16,119	698,202
Sun Hung Kai Properties Ltd.	Hong Kong	178,157	2,278,446
Vonovia SE.	Germany	76,904	5,616,843
			27,475,254
Total Common Stocks (Cost \$95,307,792)			132,830,229

Short Term Investments 0.5%

	Principal Amount ^f	Value
Repurchase Agreements 0.4%		
^d Joint Repurchase Agreement, 0.054%, 1/04/21 (Maturity Value \$509,241)		
BNP Paribas Securities Corp. (Maturity Value \$325,324)		
Deutsche Bank Securities, Inc. (Maturity Value \$97,163)		
HSBC Securities (USA), Inc. (Maturity Value \$86,754)		
Collateralized by U.S. Government Agency Securities, 4% - 5%, 2/20/49 - 5/20/49; and U.S. Treasury Notes, 0.13% - 2.63%, 1/31/21 - 12/31/25 (valued at \$519,485)		
	509,238	509,238
Total Repurchase Agreements (Cost \$509,238)		509,238

^eInvestments from Cash Collateral Received for Loaned Securities 0.1%

	Country	Shares	Value
Money Market Funds 0.1%			
^f ^g Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	163,000	163,000

Franklin Global Real Estate VIP Fund (continued)

Short Term Investments (continued)

	Principal Amount[*]	Value
Repurchase Agreements 0.0%[†]		
^d Joint Repurchase Agreement, BofA Securities, Inc., 0.06%, 1/04/21 (Maturity Value \$40,914) Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$41,732)	40,914	\$40,914
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$203,914)		203,914
Total Short Term Investments (Cost \$713,152)		713,152
Total Investments (Cost \$96,020,944) 98.9%		\$133,543,381
Other Assets, less Liabilities 1.1%		1,473,870
Net Assets 100.0%		\$135,017,251

See Abbreviations on page FGR-24 .

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

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

^aSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the value of this security was \$1,255,939, representing 0.9% of net assets.

^bA portion or all of the security is on loan at December 31, 2020. See Note 1(d).

^cNon-income producing.

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

^eSee Note 1(d) regarding securities on loan.

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

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

Statement of Assets and Liabilities

December 31, 2020

**Franklin Global
Real Estate VIP
Fund**

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$95,307,792
Cost - Non-controlled affiliates (Note 3e)	163,000
Cost - Unaffiliated repurchase agreements	550,152

Value - Unaffiliated issuers (Includes securities loaned of \$196,794)	\$132,830,229
Value - Non-controlled affiliates (Note 3e)	163,000
Value - Unaffiliated repurchase agreements	550,152

Foreign currency, at value (cost \$1,597)	1,592
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Receivables:

Investment securities sold	85,946
Capital shares sold	40,488
Dividends	577,125
European Union tax reclaims (Note 1e)	1,292,108

Other assets	21
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Total assets	135,540,661
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Liabilities:

Payables:

Investment securities purchased	2,629
Capital shares redeemed	21,273
Management fees	86,401
Distribution fees	28,043
Reports to shareholders	31,310
Professional fees	54,350

Payable upon return of securities loaned	203,914
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Accrued contingent fees	90,130
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Accrued expenses and other liabilities	5,360
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Total liabilities	523,410
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Net assets, at value	\$135,017,251
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Net assets consist of:

Paid-in capital	\$98,060,474
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Total distributable earnings (losses)	36,956,777
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Net assets, at value	\$135,017,251
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**Franklin Global
Real Estate VIP
Fund**

Class 1:

Net assets, at value	\$965,938
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Shares outstanding	65,884
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Net asset value and maximum offering price per share	\$14.66
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Class 2:

Net assets, at value	\$134,051,313
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Shares outstanding	9,436,602
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Net asset value and maximum offering price per share	\$14.21
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Statement of Operations

for the year ended December 31, 2020

	Franklin Global Real Estate VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$168,741)	
Unaffiliated issuers	\$3,780,007
Interest:	
Unaffiliated issuers	3,299
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	7,509
Non-controlled affiliates (Note 3e)	53
Other income (Note 1e)	1,137,323
Total investment income	<u>4,928,191</u>
Expenses:	
Management fees (Note 3a)	1,392,522
Distribution fees: (Note 3c)	
Class 2	329,333
Custodian fees (Note 4)	9,194
Reports to shareholders	33,950
Professional fees	96,365
Trustees' fees and expenses	808
Other	102,095
Total expenses	<u>1,964,267</u>
Expense reductions (Note 4)	(5)
Expenses waived/paid by affiliates (Note 3e)	<u>(309,285)</u>
Net expenses	<u>1,654,977</u>
Net investment income	<u>3,273,214</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	5,238,660
Realized gain distributions from REITs	284,024
Foreign currency transactions	<u>(20,350)</u>
Net realized gain (loss)	<u>5,502,334</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(18,883,982)
Translation of other assets and liabilities denominated in foreign currencies	<u>57,794</u>
Net change in unrealized appreciation (depreciation)	<u>(18,826,188)</u>
Net realized and unrealized gain (loss)	<u>(13,323,854)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(10,050,640)</u>

Statements of Changes in Net Assets

	Franklin Global Real Estate VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$3,273,214	\$2,258,113
Net realized gain (loss)	5,502,334	14,467,280
Net change in unrealized appreciation (depreciation)	(18,826,188)	15,008,279
Net increase (decrease) in net assets resulting from operations	(10,050,640)	31,733,672
Distributions to shareholders:		
Class 1	(122,579)	(48,761)
Class 2	(18,130,603)	(7,479,667)
Total distributions to shareholders	(18,253,182)	(7,528,428)
Capital share transactions: (Note 2)		
Class 1	91,462	29,075
Class 2	3,019,898	(11,311,091)
Total capital share transactions	3,111,360	(11,282,016)
Net increase (decrease) in net assets	(25,192,462)	12,923,228
Net assets:		
Beginning of year	160,209,713	147,286,485
End of year	\$135,017,251	\$160,209,713

Notes to Financial Statements

Franklin Global Real Estate VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Global Real Estate 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. At December 31, 2020, 82.8% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result

Franklin Global Real Estate VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

a. Financial Instrument Valuation (continued)

in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees

Franklin Global Real Estate VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

d. Securities Lending (continued)

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

e. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts

are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

Franklin Global Real Estate VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**f. Security Transactions, Investment Income, Expenses and Distributions** (continued)

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

Distributions received by the Fund from certain securities may be a return of capital (ROC). Such distributions reduce the cost basis of the securities, and any distributions in excess of the cost basis are recognized as capital gains. For U.S. Real Estate Investment Trust (REIT) securities, the Fund records ROC estimates, if any, on the ex-dividend date and are adjusted once actual tax designations are known.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,518	\$33,827	1,935	\$34,241
Shares issued in reinvestment of distributions	9,436	122,579	2,856	48,761
Shares redeemed	(4,809)	(64,944)	(3,061)	(53,927)
Net increase (decrease)	7,145	\$91,462	1,730	\$29,075
Class 2 Shares:				
Shares sold	236,639	\$3,343,255	244,773	\$4,187,098
Shares issued in reinvestment of distributions	1,438,937	18,130,603	449,770	7,479,667
Shares redeemed	(1,332,313)	(18,453,960)	(1,360,628)	(22,977,856)
Net increase (decrease)	343,263	\$3,019,898	(666,085)	\$(11,311,091)

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

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

Franklin Global Real Estate VIP Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Templeton Institutional, LLC (FT Institutional)	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 FT Institutional based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.050%	Up to and including \$500 million
0.950%	Over \$500 million, up to and including \$1 billion
0.900%	Over \$1 billion, up to and including \$1.5 billion
0.850%	Over \$1.5 billion, up to and including \$6.5 billion
0.830%	Over \$6.5 billion, up to and including \$11.5 billion
0.810%	Over \$11.5 billion, up to and including \$16.5 billion
0.790%	Over \$16.5 billion, up to and including \$19 billion
0.780%	Over \$19 billion, up to and including \$21.5 billion
0.770%	In excess of \$21.5 billion

b. Administrative Fees

Under an agreement with FT Institutional, FT Services provides administrative services to the Fund. The fee is paid by FT Institutional 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 a distribution plan for Class 2 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% per year of its average daily net assets. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

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

Franklin Global Real Estate VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Global Real Estate VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$7,063,000	\$(6,900,000)	\$—	\$—	\$163,000	163,000	\$53
Total Affiliated Securities	\$—	\$7,063,000	\$(6,900,000)	\$—	\$—	\$163,000		\$53

f. Waiver and Expense Reimbursements

FT Institutional has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees and acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 1.00% based on the average net assets of each class until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$4,362,274	\$4,226,148
Long term capital gain	13,890,908	3,302,280
	\$18,253,182	\$7,528,428

Franklin Global Real Estate VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$102,406,954
Unrealized appreciation	\$39,767,490
Unrealized depreciation	(8,631,063)
Net unrealized appreciation (depreciation)	\$31,136,427
Distributable earnings:	
Undistributed ordinary income	\$1,640,987
Undistributed long term capital gains	\$2,971,918
Total distributable earnings	\$4,612,905

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, EU reclaims, passive foreign investment company shares and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$30,363,645 and \$43,144,585, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$203,914 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Concentration of Risk

The Fund invests a large percentage of its total assets in REIT securities. Such concentration may subject the Fund to special risks associated with real estate securities. These securities may be more sensitive to economic or regulatory developments due to a variety of factors such as local, regional, national and global economic conditions, interest rates and tax considerations.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Franklin Global Real Estate VIP Fund (continued)**9. Credit Facility** (continued)

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Global Real Estate VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Diversified Telecommunication Services	\$—	\$1,255,939	\$—	\$1,255,939
Equity Real Estate Investment Trusts (REITs)	75,712,503	28,386,533	—	104,099,036
Real Estate Management & Development	—	27,475,254	—	27,475,254
Short Term Investments	163,000	550,152	—	713,152
Total Investments in Securities	\$75,875,503	\$57,667,878	\$—	\$133,543,381

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Franklin Global Real Estate VIP Fund (continued)

Abbreviations

Selected Portfolio

REIT Real Estate Investment Trust

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Global Real Estate VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Global Real Estate VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$13,890,909 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Franklin Growth and Income VIP Fund

This annual report for Franklin Growth and Income Fund VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+5.52%
5-Year	+10.35%
10-Year	+10.18%

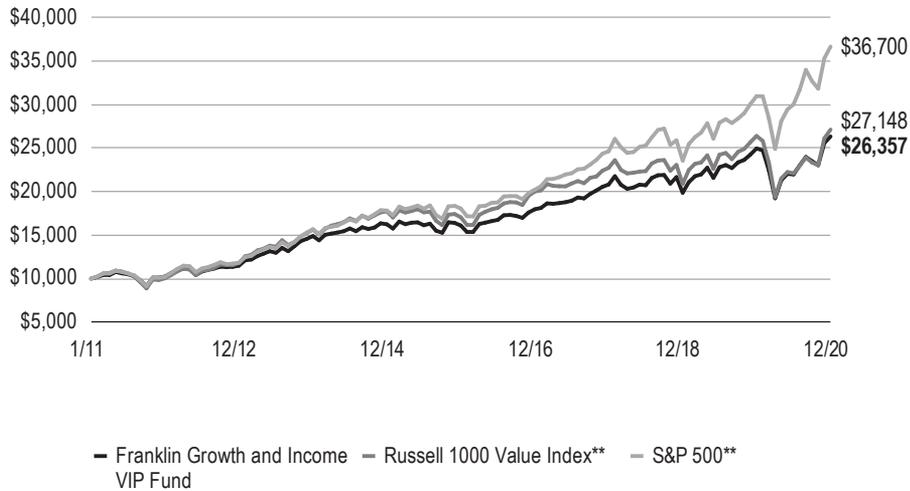
*The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Fund's new primary benchmark, the Russell 1000® Value Index, and the Fund's former primary benchmark and new secondary benchmark, the Standard & Poor's® 500 Index (S&P 500®). The investment manager believes that the Russell 1000® Value Index more accurately reflects the Fund's investment strategy. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Growth and Income VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation with current income as a secondary goal. Under normal market conditions, the Fund invests predominantly in equity securities, including common stock, preferred stock and securities convertible into common stocks, with the remainder of its net assets in other equity-related instruments such as convertible securities and equity-linked notes (ELNs). The Fund may invest up to 25% of its net assets in foreign securities, including developing or emerging markets.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Value securities may not increase in price as anticipated or may decline further if other investors fail to recognize the company's value or favor investing in faster growing companies. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall, when dividend income from investments in stocks decline, or when the Fund experiences defaults on debt securities it holds. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Special risks are associated with foreign investing, including currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility; investments in emerging markets typically involve heightened risks related to the same factors. Common stocks with higher dividend yields can be sensitive to interest-rate movements. The Fund is actively managed but there is no guarantee that the manager's investment

Portfolio Composition

12/31/20

	% of Total Net Assets
Banks	11.8%
Electric Utilities	8.2%
Capital Markets	6.9%
Health Care Equipment & Supplies	6.6%
Pharmaceuticals	5.9%
Beverages	4.6%
Semiconductors & Semiconductor Equipment	4.3%
Oil, Gas & Consumable Fuels	4.0%
Aerospace & Defense	3.8%
Multiline Retail	3.2%
Machinery	3.2%
Chemicals	3.0%
Software	2.8%
Household Products	2.8%
Diversified Telecommunication Services	2.6%
Other	26.5%
Short-Term Investments & Other Net Assets	(0.2)%

decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's new primary benchmark, the Russell 1000® Value Index, posted a +2.80% total return.¹ Also for comparison, the Fund's former primary and new secondary benchmark, the Standard & Poor's 500 Index (S&P 500) posted a +18.40% total return.¹ The investment manager believes that the Russell 1000® Value Index more accurately reflects the Fund's investment strategy.

Economic and Market Overview

U.S. equities, as measured by the S&P 500, advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary

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).

and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.² The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.²

Investment Strategy

We seek to invest in a broadly diversified portfolio of equity securities that we consider to be financially strong, with a focus on blue chip companies. We apply a bottom-up approach to investing in individual securities. We will assess the market price of a company's securities relative to our evaluation of the company's long-term earnings, cash flow potential and balance sheet strength. We also consider a company's price/earnings ratio, return on capital, profit margins and asset value. We consider dividend yield and

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
JPMorgan Chase & Co. Banks, United States	4.3%
Morgan Stanley Capital Markets, United States	3.6%
Johnson & Johnson Pharmaceuticals, United States	3.2%
Duke Energy Corp. Electric Utilities, United States	2.8%
Bank of America Corp. Banks, United States	2.8%
Procter & Gamble Co. (The) Household Products, United States	2.8%
Raytheon Technologies Corp. Aerospace & Defense, United States	2.8%
Medtronic plc Health Care Equipment & Supplies, United States	2.7%
NextEra Energy, Inc. Electric Utilities, United States	2.6%
Target Corp. Multiline Retail, United States	2.5%

the opportunity for dividend growth in selecting stocks for the Fund because we believe that, over time, dividend income can contribute significantly to total return and can be a more consistent source of investment return than capital appreciation. We seek to take advantage of price dislocations that result from the market's short-term focus and choose to invest in those companies that, in our opinion, offer the best trade-off between growth opportunity, business and financial risk, and valuation.

Manager's Discussion

During the annual period under review, the information technology (IT), consumer discretionary and health care sectors contributed most to the Fund's absolute performance.

The IT sector benefited from software and services firm Microsoft, whose business became even more relevant during the COVID-19 pandemic and the broader digital transformation opportunity. Personal computing device manufacturer and services provider Apple further boosted Fund performance. The company's supply chain has remained intact during the pandemic and the company has seen continued strong demand for its various products, including newer wearable technology.

In the consumer discretionary sector, Target was a leading contributor. The big box retailer has demonstrated a business with strong momentum from a growing

2. Source: Bureau of Labor Statistics

customer base and differentiated digital capabilities. Home improvement retailer Lowe's and online retailer and cloud services provider Amazon.com (held through an equity-linked security) also contributed to results.

Within health care, life sciences company Danaher aided Fund performance.

Other notable contributors to absolute performance included our positions in investment bank Morgan Stanley and electric utility company NextEra Energy. Morgan Stanley has increased its reliance on its profile and less volatile asset management and investment management segments, while making several acquisitions to broaden its capabilities with online brokerage, digital banking and wealth management. NextEra Energy saw healthy growth in its renewable power business over the period, which bolstered the Fund's returns.

In contrast, the energy, real estate and financials sectors were leading detractors from the Fund's absolute performance.

Within energy, oil companies faced headwinds brought on by pandemic disruptions, pricing pressures and demand weakness. Our investments in Canada-based Suncor Energy, Chevron and Netherlands-based Royal Dutch Shell detracted from Fund performance.

In the real estate sector, our position in real estate investment trust Equity Residential (not held at period-end), which acquires, develops and manages rental apartment properties primarily in more urban markets, hindered results.

In the financials sector, low interest rates and softer levels of economic activity pressured our investment in insurer MetLife (not held at period-end). Our positions in financial services firms Bank of America and Wells Fargo & Co. (not held at period-end) also hurt performance.

Elsewhere, our position in Raytheon Technologies (formed following the merger of Raytheon with United Technologies in April 2020) hurt Fund performance, as declining aviation demand has pressured the aerospace industry.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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, state, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,198.70	\$4.64	\$1,020.91	\$4.27	0.84%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Growth and Income VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.20	\$14.80	\$16.32	\$15.97	\$15.94
Income from investment operations ^a :					
Net investment income ^b	0.31	0.41	0.31	0.35	0.40
Net realized and unrealized gains (losses)	(0.13)	3.28	(0.97)	2.04	1.33
Total from investment operations	0.18	3.69	(0.66)	2.39	1.73
Less distributions from:					
Net investment income	(0.63)	(0.41)	(0.43)	(1.03)	(0.46)
Net realized gains	(3.42)	(0.88)	(0.43)	(1.01)	(1.24)
Total distributions	(4.05)	(1.29)	(0.86)	(2.04)	(1.70)
Net asset value, end of year	\$13.33	\$17.20	\$14.80	\$16.32	\$15.97
Total return ^c	5.81%	26.05%	(4.37)%	16.15%	11.86%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.83%	0.72%	0.73%	0.72%	0.59%
Expenses net of waiver and payments by affiliates ^d	0.59%	0.59%	0.59%	0.59%	0.59% ^e
Net investment income	2.31%	2.07%	1.96%	2.21%	2.38%
Supplemental data					
Net assets, end of year (000's)	\$3,206	\$3,539	\$31,479	\$35,865	\$29,829
Portfolio turnover rate	33.46%	25.20%	24.29%	33.91%	40.59% ^f

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Growth and Income VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.84	\$14.51	\$16.02	\$15.69	\$15.68
Income from investment operations ^a :					
Net investment income ^b	0.27	0.25	0.27	0.31	0.30
Net realized and unrealized gains (losses)	(0.14)	3.33	(0.96)	2.00	1.37
Total from investment operations	0.13	3.58	(0.69)	2.31	1.67
Less distributions from:					
Net investment income	(0.58)	(0.37)	(0.39)	(0.97)	(0.42)
Net realized gains	(3.42)	(0.88)	(0.43)	(1.01)	(1.24)
Total distributions	(4.00)	(1.25)	(0.82)	(1.98)	(1.66)
Net asset value, end of year	\$12.97	\$16.84	\$14.51	\$16.02	\$15.69
Total return ^c	5.52%	25.66%	(4.58)%	15.85%	11.62%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.08%	0.97%	0.98%	0.97%	0.84%
Expenses net of waiver and payments by affiliates ^d	0.84%	0.84%	0.84%	0.84%	0.84% ^e
Net investment income	2.07%	1.82%	1.71%	1.96%	2.13%
Supplemental data					
Net assets, end of year (000's)	\$64,455	\$69,635	\$61,855	\$74,105	\$69,474
Portfolio turnover rate	33.46%	25.20%	24.29%	33.91%	40.59% ^f

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2020

Franklin Growth and Income VIP Fund

	Country	Shares	Value
Common Stocks 83.1%			
Aerospace & Defense 3.8%			
Lockheed Martin Corp.	United States	1,990	\$706,410
Raytheon Technologies Corp.	United States	26,245	1,876,780
			2,583,190
Air Freight & Logistics 1.8%			
United Parcel Service, Inc., B	United States	7,350	1,237,740
Banks 10.9%			
Bank of America Corp.	United States	62,830	1,904,378
Citigroup, Inc.	United States	21,450	1,322,607
JPMorgan Chase & Co.	United States	22,830	2,901,008
Truist Financial Corp.	United States	26,325	1,261,757
			7,389,750
Beverages 4.6%			
Coca-Cola Co. (The)	United States	29,285	1,605,989
PepsiCo, Inc.	United States	10,130	1,502,279
			3,108,268
Capital Markets 6.9%			
Apollo Global Management, Inc.	United States	14,625	716,332
Ares Management Corp.	United States	14,075	662,229
BlackRock, Inc.	United States	1,210	873,063
Morgan Stanley.	United States	35,235	2,414,655
			4,666,279
Chemicals 1.4%			
BASF SE	Germany	6,350	501,942
Linde plc.	United Kingdom	1,600	421,616
			923,558
Commercial Services & Supplies 1.6%			
Republic Services, Inc.	United States	11,315	1,089,635
Communications Equipment 0.5%			
Cisco Systems, Inc.	United States	8,250	369,187
Diversified Telecommunication Services 2.6%			
TELUS Corp.	Canada	15,700	311,137
Verizon Communications, Inc.	United States	25,250	1,483,437
			1,794,574
Electric Utilities 8.2%			
Duke Energy Corp.	United States	20,950	1,918,182
Entergy Corp.	United States	6,885	687,398
NextEra Energy, Inc.	United States	22,925	1,768,664
Xcel Energy, Inc.	United States	17,300	1,153,391
			5,527,635
Electrical Equipment 1.1%			
Eaton Corp. plc.	United States	1,400	168,196
Emerson Electric Co.	United States	7,265	583,888
			752,084
Equity Real Estate Investment Trusts (REITs) 1.3%			
Prologis, Inc.	United States	5,845	582,513

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Equity Real Estate Investment Trusts (REITs) (continued)			
Public Storage	United States	1,240	\$286,353
			868,866
Food & Staples Retailing 1.9%			
Walmart, Inc.	United States	8,800	1,268,520
Food Products 0.5%			
Nestle SA	Switzerland	2,910	343,995
Health Care Equipment & Supplies 3.3%			
Baxter International, Inc.	United States	4,735	379,936
Medtronic plc	United States	15,570	1,823,870
			2,203,806
Health Care Providers & Services 1.9%			
HCA Healthcare, Inc.	United States	1,801	296,192
UnitedHealth Group, Inc.	United States	2,920	1,023,986
			1,320,178
Hotels, Restaurants & Leisure 1.7%			
McDonald's Corp.	United States	5,475	1,174,825
Household Products 2.8%			
Procter & Gamble Co. (The)	United States	13,625	1,895,783
Insurance 0.6%			
Arthur J Gallagher & Co.	United States	3,500	432,985
Machinery 0.8%			
Illinois Tool Works, Inc.	United States	1,475	300,723
Stanley Black & Decker, Inc.	United States	1,200	214,272
			514,995
Media 2.0%			
Comcast Corp., A	United States	25,420	1,332,008
Multiline Retail 2.5%			
Target Corp.	United States	9,525	1,681,448
Oil, Gas & Consumable Fuels 4.0%			
Canadian Natural Resources Ltd.	Canada	17,600	423,280
Chevron Corp.	United States	14,880	1,256,616
Royal Dutch Shell plc, ADR, A.	Netherlands	18,800	660,632
Suncor Energy, Inc.	Canada	20,450	343,151
			2,683,679
Personal Products 0.7%			
Unilever plc, ADR	United Kingdom	7,460	450,286
Pharmaceuticals 5.9%			
Johnson & Johnson	United States	13,570	2,135,646
Merck & Co., Inc.	United States	10,350	846,630
Pfizer, Inc.	United States	27,780	1,022,582
			4,004,858
Road & Rail 2.0%			
Norfolk Southern Corp.	United States	5,850	1,390,019
Semiconductors & Semiconductor Equipment 2.9%			
Analog Devices, Inc.	United States	4,050	598,306

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Semiconductors & Semiconductor Equipment (continued)			
Broadcom, Inc.	United States	970	\$424,715
Texas Instruments, Inc.	United States	5,600	919,128
			<u>1,942,149</u>
Software 1.8%			
Microsoft Corp.	United States	5,000	1,112,100
Oracle Corp.	United States	1,680	108,679
			<u>1,220,779</u>
Specialty Retail 1.8%			
Lowe's Cos., Inc.	United States	5,470	877,990
TJX Cos., Inc. (The)	United States	4,900	334,621
			<u>1,212,611</u>
Technology Hardware, Storage & Peripherals 1.1%			
Apple, Inc.	United States	5,600	743,064
Trading Companies & Distributors 0.2%			
Fastenal Co.	United States	2,750	134,282
			<u>56,261,036</u>
Total Common Stocks (Cost \$34,778,829)			
^aEquity-Linked Securities 9.7%			
Banks 0.9%			
^b Royal Bank of Canada into Bank of America Corp., 144A, 7.75%, 11/01/21	United States	23,000	639,155
Chemicals 1.6%			
^b Citigroup Global Markets Holdings, Inc. into Sherwin-Williams Co. (The), Senior Unsecured Note, 144A, 6.5%, 7/09/21	United States	800	529,712
^b Goldman Sachs International Bank into Linde plc, 144A, 6.5%, 10/25/21	United Kingdom	2,037	522,490
			<u>1,052,202</u>
Electrical Equipment 0.5%			
^b Royal Bank of Canada into Eaton Corp. plc, 144A, 7%, 8/30/21 . . .	United States	2,900	347,098
Equity Real Estate Investment Trusts (REITs) 0.7%			
^b Royal Bank of Canada into Healthpeak Properties, Inc., 144A, 9.5%, 12/01/21	United States	16,000	485,731
Food & Staples Retailing 0.7%			
^b Citigroup Global Markets Holdings, Inc. into Tesco plc, Senior Unsecured Note, 144A, 6.5%, 1/10/22	United Kingdom	3,150	437,316
Health Care Providers & Services 0.7%			
^b Royal Bank of Canada into HCA Healthcare, Inc., 144A, 7%, 6/30/21	United States	2,900	473,019
Internet & Direct Marketing Retail 1.3%			
^b Wells Fargo Bank NA into Amazon.com, Inc., 144A, 6%, 4/05/21 . .	United States	380	902,098
Machinery 0.8%			
^b Goldman Sachs International Bank into Stanley Black & Decker, Inc., 144A, 7%, 2/24/21	United States	3,000	523,858
Multiline Retail 0.7%			
^b Barclays Bank plc into Dollar Tree, Inc., 144A, 5.5%, 1/14/22.	United States	4,100	444,425
Software 1.0%			
^b Barclays Bank plc into Oracle Corp., 144A, 6.5%, 1/22/21	United States	11,500	690,357

Franklin Growth and Income VIP Fund (continued)

	Country	Shares	Value
^aEquity-Linked Securities (continued)			
Specialty Retail 0.8%			
^b Citigroup Global Markets Holdings, Inc. into TJX Cos., Inc. (The), Senior Unsecured Note, 144A, 6.5%, 9/14/21	United States	8,808	\$547,301
Total Equity-Linked Securities (Cost \$6,013,070)			6,542,560
Convertible Preferred Stocks 7.4%			
Health Care Equipment & Supplies 3.3%			
Becton Dickinson and Co., 6%, B	United States	16,150	890,350
Boston Scientific Corp., 5.5%, A	United States	2,730	299,126
Danaher Corp., 4.75%, A	United States	605	918,172
^c Danaher Corp., 5%, B	United States	121	157,433
			2,265,081
Machinery 1.6%			
Fortive Corp., 5%, A	United States	1,080	1,083,856
Semiconductors & Semiconductor Equipment 1.4%			
Broadcom, Inc., 8%, A	United States	650	924,605
Water Utilities 1.1%			
Essential Utilities, Inc., 6%	United States	11,700	725,634
Total Convertible Preferred Stocks (Cost \$4,233,203)			4,999,176
Total Long Term Investments (Cost \$45,025,102)			67,802,772
Short Term Investments 0.7%			
		Principal Amount^f	Value
Repurchase Agreements 0.5%			
^d Joint Repurchase Agreement, 0.054%, 1/04/21 (Maturity Value \$351,415) BNP Paribas Securities Corp. (Maturity Value \$224,498) Deutsche Bank Securities, Inc. (Maturity Value \$67,050) HSBC Securities (USA), Inc. (Maturity Value \$59,867) Collateralized by U.S. Government Agency Securities, 4% - 5%, 2/20/49 - 5/20/49; and U.S. Treasury Notes, 0.13% - 2.63%, 1/31/21 - 12/31/25 (valued at \$358,484)		351,413	351,413
Total Repurchase Agreements (Cost \$351,413)			351,413
^eInvestments from Cash Collateral Received for Loaned Securities 0.2%			
	Country	Shares	
Money Market Funds 0.2%			
^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	114,000	114,000

Franklin Growth and Income VIP Fund (continued)

Short Term Investments (continued)

	Principal Amount[†]	Value
Repurchase Agreements 0.0%[†]		
^d Joint Repurchase Agreement, BofA Securities, Inc., 0.06%, 1/04/21 (Maturity Value \$28,672) Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$29,245)	28,672	\$28,672
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$142,672)		142,672
Total Short Term Investments (Cost \$494,085)		494,085
Total Investments (Cost \$45,519,187) 100.9%		\$68,296,857
Other Assets, less Liabilities (0.9%)		(636,328)
Net Assets 100.0%		\$67,660,529

See Abbreviations on page FGI-25.

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

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

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

^bSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$6,542,560, representing 9.7% of net assets.

^cA portion or all of the security is on loan at December 31, 2020. See Note 1(e).

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

^eSee Note 1(e) regarding securities on loan.

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

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

Statement of Assets and Liabilities

December 31, 2020

	Franklin Growth and Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$45,025,102
Cost - Non-controlled affiliates (Note 3e)	114,000
Cost - Unaffiliated repurchase agreements	380,085
Value - Unaffiliated issuers (Includes securities loaned of \$139,141)	\$67,802,772
Value - Non-controlled affiliates (Note 3e)	114,000
Value - Unaffiliated repurchase agreements	380,085
Cash	18,245
Receivables:	
Investment securities sold	426,197
Dividends and interest	136,349
Other assets	8
Total assets	<u>68,877,656</u>
Liabilities:	
Payables:	
Investment securities purchased	909,330
Capital shares redeemed	59,946
Management fees	14,615
Distribution fees	13,548
Payable upon return of securities loaned (Note 1e)	142,672
Accrued expenses and other liabilities	77,016
Total liabilities	<u>1,217,127</u>
Net assets, at value	<u>\$67,660,529</u>
Net assets consist of:	
Paid-in capital	\$38,494,445
Total distributable earnings (losses)	29,166,084
Net assets, at value	<u>\$67,660,529</u>
	Franklin Growth and Income VIP Fund
Class 1:	
Net assets, at value	<u>\$3,205,593</u>
Shares outstanding	<u>240,398</u>
Net asset value and maximum offering price per share	<u>\$13.33</u>
Class 2:	
Net assets, at value	<u>\$64,454,936</u>
Shares outstanding	<u>4,970,000</u>
Net asset value and maximum offering price per share	<u>\$12.97</u>

Statement of Operations

for the year ended December 31, 2020

**Franklin Growth
and Income VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$25,232)	
Unaffiliated issuers	\$1,776,401
Interest:	
Unaffiliated issuers	82,079
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	1,971
Non-controlled affiliates (Note 3e)	182
Total investment income	<u>1,860,633</u>
Expenses:	
Management fees (Note 3a)	399,632
Distribution fees: (Note 3c)	
Class 2	152,659
Custodian fees (Note 4)	925
Reports to shareholders	50,300
Professional fees	63,494
Trustees' fees and expenses	386
Other	18,257
Total expenses	<u>685,653</u>
Expense reductions (Note 4)	(1,461)
Expenses waived/paid by affiliates (Note 3e and 3f)	<u>(154,255)</u>
Net expenses	529,937
Net investment income	<u>1,330,696</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	5,087,371
Foreign currency transactions	290
Net realized gain (loss)	<u>5,087,661</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(3,257,738)
Translation of other assets and liabilities denominated in foreign currencies	528
Net change in unrealized appreciation (depreciation)	<u>(3,257,210)</u>
Net realized and unrealized gain (loss)	1,830,451
Net increase (decrease) in net assets resulting from operations	<u>\$3,161,147</u>

Statements of Changes in Net Assets

	Franklin Growth and Income VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$1,330,696	\$1,871,636
Net realized gain (loss)	5,087,661	14,692,471
Net change in unrealized appreciation (depreciation)	(3,257,210)	5,405,338
Net increase (decrease) in net assets resulting from operations	3,161,147	21,969,445
Distributions to shareholders:		
Class 1	(726,968)	(2,665,418)
Class 2	(15,849,541)	(5,148,061)
Total distributions to shareholders	(16,576,509)	(7,813,479)
Capital share transactions: (Note 2)		
Class 1	235,202	(32,096,096)
Class 2	7,666,739	(2,220,352)
Total capital share transactions	7,901,941	(34,316,448)
Net increase (decrease) in net assets	(5,513,421)	(20,160,482)
Net assets:		
Beginning of year	73,173,950	93,334,432
End of year	\$67,660,529	\$73,173,950

Notes to Financial Statements

Franklin Growth and Income VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Growth and Income VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2020, 41.6% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result

Franklin Growth and Income VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

d. Equity-Linked Securities

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

Franklin Growth and Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**e. Securities Lending**

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

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 which the Fund invests. When a capital gain tax is determined to apply, the Fund records an

estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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. Dividend income and capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the

Franklin Growth and Income VIP Fund (continued)

1. Organization and Significant Accounting Policies
(continued)

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

relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

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.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	15,478	\$202,485	75,104	\$1,198,235
Shares issued in reinvestment of distributions	65,434	726,968	172,296	2,665,418
Shares redeemed	(46,293)	(694,251)	(2,169,192)	(35,959,749)
Net increase (decrease)	34,619	\$235,202	(1,921,792)	\$(32,096,096)
Class 2 Shares:				
Shares sold	249,299	\$3,313,867	202,473	\$3,223,711
Shares issued in reinvestment of distributions	1,464,837	15,849,541	339,358	5,148,061
Shares redeemed	(879,658)	(11,496,669)	(669,637)	(10,592,124)
Net increase (decrease)	834,478	\$7,666,739	(127,806)	\$(2,220,352)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Growth and Income VIP Fund (continued)**3. Transactions with Affiliates** (continued)**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

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Franklin Growth and Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Growth and Income VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$4,824,000	\$(4,710,000)	\$—	\$—	\$114,000	114,000	\$182
Total Affiliated Securities	\$—	\$4,824,000	\$(4,710,000)	\$—	\$—	\$114,000		\$182

f. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees, acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 0.59% based on the average net assets of each class April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$2,770,624	\$2,375,917
Long term capital gain	13,805,885	5,437,562
	<u>\$16,576,509</u>	<u>\$7,813,479</u>

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	<u>\$45,674,561</u>
Unrealized appreciation.	\$23,374,378
Unrealized depreciation.	(752,082)
Net unrealized appreciation (depreciation).	<u>\$22,622,296</u>

Franklin Growth and Income VIP Fund (continued)**5. Income Taxes** (continued)

Distributable earnings:

Undistributed ordinary income	\$1,686,996
Undistributed long term capital gains	\$4,856,037
Total distributable earnings	<u>\$6,543,033</u>

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$21,345,596 and \$26,757,103, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$142,672 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. 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

Franklin Growth and Income VIP Fund (continued)

9. Fair Value Measurements (continued)

- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Growth and Income VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$2,583,190	\$—	\$—	\$2,583,190
Air Freight & Logistics	1,237,740	—	—	1,237,740
Banks	7,389,750	—	—	7,389,750
Beverages	3,108,268	—	—	3,108,268
Capital Markets	4,666,279	—	—	4,666,279
Chemicals	421,616	501,942	—	923,558
Commercial Services & Supplies	1,089,635	—	—	1,089,635
Communications Equipment	369,187	—	—	369,187
Diversified Telecommunication Services	1,794,574	—	—	1,794,574
Electric Utilities	5,527,635	—	—	5,527,635
Electrical Equipment	752,084	—	—	752,084
Equity Real Estate Investment Trusts (REITs)	868,866	—	—	868,866
Food & Staples Retailing	1,268,520	—	—	1,268,520
Food Products	—	343,995	—	343,995
Health Care Equipment & Supplies	2,203,806	—	—	2,203,806
Health Care Providers & Services	1,320,178	—	—	1,320,178
Hotels, Restaurants & Leisure	1,174,825	—	—	1,174,825
Household Products	1,895,783	—	—	1,895,783
Insurance	432,985	—	—	432,985
Machinery	514,995	—	—	514,995
Media	1,332,008	—	—	1,332,008
Multiline Retail	1,681,448	—	—	1,681,448
Oil, Gas & Consumable Fuels	2,683,679	—	—	2,683,679
Personal Products	450,286	—	—	450,286
Pharmaceuticals	4,004,858	—	—	4,004,858
Road & Rail	1,390,019	—	—	1,390,019
Semiconductors & Semiconductor Equipment	1,942,149	—	—	1,942,149
Software	1,220,779	—	—	1,220,779
Specialty Retail	1,212,611	—	—	1,212,611
Technology Hardware, Storage & Peripherals	743,064	—	—	743,064
Trading Companies & Distributors	134,282	—	—	134,282
Equity-Linked Securities	—	6,542,560	—	6,542,560
Convertible Preferred Stocks	4,999,176	—	—	4,999,176
Short Term Investments	114,000	380,085	—	494,085
Total Investments in Securities	\$60,528,275	\$7,768,582	\$—	\$68,296,857

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract

Franklin Growth and Income VIP Fund (continued)

10. New Accounting Pronouncements (continued)

modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

11. Subsequent Events

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

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Growth and Income VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Growth and Income VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Growth And Income VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$13,805,884 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 53.29% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Income VIP Fund

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+0.69%
5-Year	+6.94%
10-Year	+5.98%

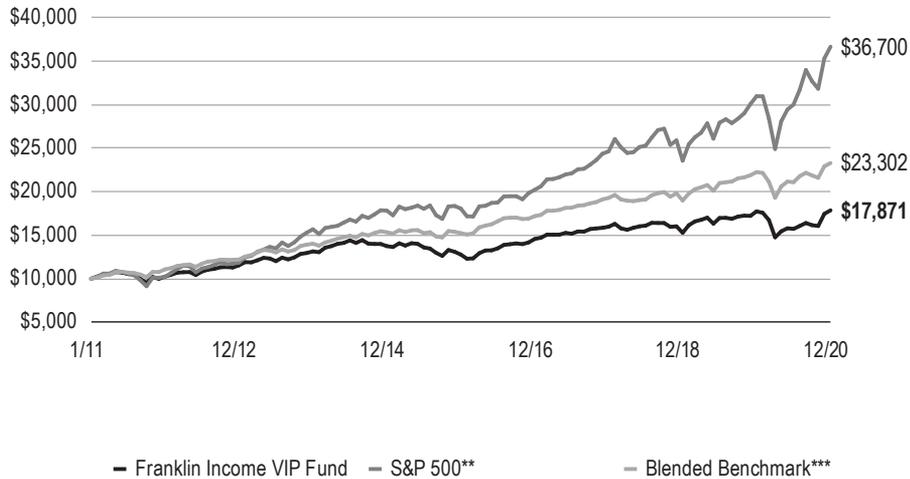
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®) and the Fund's Blended Benchmark. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

***Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 50% MSCI USA High Dividend Yield Index + 25% Bloomberg Barclays U.S. High Yield Very Liquid Index + 25% Bloomberg Barclays U.S. Aggregate Bond Index. Please see Index Descriptions following the Fund Summaries.

Franklin Income VIP Fund

Fund Goal and Main Investments

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

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. High-yield debt securities are generally considered predominantly speculative by the applicable rating agencies as their issuers are more likely to encounter financial difficulties because they may be more highly leveraged, or because of other considerations. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Foreign investing typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and great price volatility. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's primary benchmark, the Standard & Poor's® 500 Index, posted a +18.40% total return.¹ The Fund's secondary benchmark, the Blended Benchmark, posted a +4.64% total return.²

1. Source: Morningstar.

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

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

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

Portfolio Composition

12/31/20

	% of Total Net Assets
Health Care Providers & Services	9.9%
Banks	9.3%
Pharmaceuticals	9.1%
Diversified Financial Services	7.0%
Electric Utilities	6.5%
Oil, Gas & Consumable Fuels	6.3%
Semiconductors & Semiconductor Equipment	5.6%
Multi-Utilities	3.6%
Beverages	3.0%
Media	2.9%
Diversified Telecommunication Services	2.5%
Aerospace & Defense	2.5%
Capital Markets	1.8%
Metals & Mining	1.6%
Wireless Telecommunication Services	1.6%
Other	23.3%
Short-Term Investments & Other Net Assets	3.5%

Economic and Market Overview

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, advanced during the 12 months ended December 31, 2020. The period was defined by the economic and social disruption that began in the wake of the novel coronavirus (COVID-19) pandemic, which caused significant volatility in U.S. bond markets. In late February, the U.S. bond market began to anticipate the adverse economic impact of business shutdowns and social distancing measures. Higher-quality, longer-term bonds rallied, with the 10-year U.S. Treasury yield (which moves inversely to price) falling in February and March, while riskier, lower-rated corporate bonds declined sharply. U.S. Federal Reserve (Fed) action led to a recovery in the corporate bond market beginning in late March, which accelerated in subsequent months as many businesses reopened. Corporate bonds, particularly high-yield bonds, also benefited from the resolution of the U.S. election and several promising vaccine results late in the reporting period.

The Fed enacted two emergency rate cuts in March 2020, lowering the federal funds target rate to a range of 0.00%–0.25%. In addition, the Fed announced unlimited, open-ended purchasing of government-backed and corporate

bonds as necessary to help keep markets functioning. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded the Fed's 2% target for some time.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted positive total returns during the period. The 10-year U.S. Treasury yield declined significantly during the reporting period, reaching a new record closing low in early August 2020. Bond purchasing by the Fed and robust demand for investments perceived as safe drove the U.S. Treasury market. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted positive total returns for the period amid Fed support, though lower interest rates accelerated prepayments from mortgage refinancing, restricting further gains.

U.S. corporate bond performance varied somewhat based on credit rating, as many investors became concerned about the potential credit downgrades of some companies. Total returns for investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, exceeded total returns for high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Investment Strategy

We search for undervalued or out-of-favor securities we believe offer opportunities for income today and significant growth tomorrow. In analyzing corporate debt and equity securities, we consider such factors as a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage and earnings prospects; the experience and strength of the company's management; changing financial condition and market recognition of the change; sensitivity to changes in interest rates and business conditions; and debt maturity schedules and borrowing requirements. When choosing investments for the Fund, we apply a bottom-up, value oriented, long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. Our investment process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

Top Five Equity Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
JPMorgan Chase & Co. <i>Banks, United States</i>	3.0%
Southern Co. (The) <i>Electric Utilities, United States</i>	2.2%
Chevron Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	2.0%
Exxon Mobil Corp. <i>Oil, Gas & Consumable Fuels, United States</i>	1.8%
Bank of America Corp. <i>Banks, United States</i>	1.7%

Manager's Discussion

The Fund underperformed during the 12-month period, driven by weak performance across fixed income holdings relative to the Fund's benchmark. Although high dividend paying stocks underperformed the broader equity market over the course of the year, the Fund's equity positions outperformed the benchmark, with the largest driver of fixed income returns in the market coming from the historic decline in U.S. Treasury yields, as evidenced by 10-year yields moving from 1.92% at the start of the period to 0.93% at period-end, with a low of 0.52% in August 2020.

Fixed income holdings benefited from the sharp decline in interest rates during the period and, while credit spreads widened materially during the immediate response to the global pandemic, the historic accommodation in the form of monetary and fiscal policy intervention calmed markets and led to substantial spread tightening by period-end. This trend was most apparent in the corporate credit markets.

Health care and communication services bonds were the largest positive sector contributors relative to the Fund's benchmark during the period. In health care, hospital and outpatient service providers Community Health Systems and Tenet Healthcare led fixed income returns in the portfolio, with bonds of pharmaceutical companies Endo International and Bausch Health also providing strong contributions. On the communication services side, T-Mobile/Sprint bonds were meaningful contributors that benefited from the consummation of their corporate combination.

Energy sector corporate bond holdings were weak, especially the holdings of Chesapeake Energy and HighPoint Resources, which were impacted by global commodity oversupply and weak demand as a result of the pandemic. Outside of the energy sector, health care company Mallinckrodt was a meaningful detractor, as the company navigated through ongoing litigation. Additionally,

24 Hour Fitness in the consumer discretionary sector was a notable detractor due to its business model being impacted by the pandemic.

Although our U.S. Treasury and securitized holdings benefited absolute performance during periods of elevated market volatility, the generally shorter duration of our positioning lagged the broader market move amid the sharp decline in longer-term interest rates.

Top contributors to performance relative to our benchmark within the equity asset class included holdings in the information technology (IT), communication services, industrials and materials sectors.

Top IT sector contributors to performance during the period included semiconductor companies Texas Instruments and Broadcom. Honeywell International and United Parcel Services in the industrials sector and Rio Tinto in the materials sector also helped pace equity returns during the period. The Fund used equity index put options during the period, which also generated gains.

The energy and financials sectors were the leading detractors on the equity side of the portfolio during the reporting period. Energy detractors included producers Occidental Petroleum and Royal Dutch Shell as well as oil field service players Halliburton and Weatherford International, which were negatively impacted by weak commodity prices. Wells Fargo was a key detractor in the financials portion of the equity portfolio.

Top Five Fixed Income Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
CHS/Community Health Systems Inc Health Care Providers & Services, United States	4.8%
U.S. Treasury Notes Diversified Financial Services, United States	4.1%
GNMA II, Single-family, 30 Year Diversified Financial Services, United States	2.5%
Tenet Healthcare Corp Health Care Providers & Services, United States	2.4%
DISH DBS Corp Media, United States	1.3%

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,136.00	\$3.83	\$1,021.55	\$3.63	0.71%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Income VIP Fund

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

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

^bBased on average daily shares outstanding.

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

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

Franklin Income VIP Fund (continued)

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

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

^bBased on average daily shares outstanding.

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

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

Franklin Income VIP Fund (continued)

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

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

^bBased on average daily shares outstanding.

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

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

Statement of Investments, December 31, 2020

Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 48.2%			
Aerospace & Defense 1.2%			
Lockheed Martin Corp.	United States	90,000	\$31,948,200
Raytheon Technologies Corp.	United States	300,000	21,453,000
			<u>53,401,200</u>
Air Freight & Logistics 0.8%			
United Parcel Service, Inc., B	United States	217,700	36,660,680
Automobiles 0.6%			
General Motors Co.	United States	600,000	24,984,000
Banks 7.4%			
Bank of America Corp.	United States	2,549,110	77,263,525
^a Barclays plc	United Kingdom	12,500,000	25,078,006
Citigroup, Inc.	United States	500,000	30,830,000
JPMorgan Chase & Co.	United States	975,000	123,893,250
Truist Financial Corp.	United States	755,000	36,187,150
US Bancorp	United States	800,000	37,272,000
			<u>330,523,931</u>
Beverages 3.0%			
Coca-Cola Co. (The)	United States	1,060,000	58,130,400
PepsiCo, Inc.	United States	500,000	74,150,000
			<u>132,280,400</u>
Capital Markets 1.3%			
Morgan Stanley	United States	830,000	56,879,900
Chemicals 1.0%			
Air Products and Chemicals, Inc.	United States	70,000	19,125,400
BASF SE	Germany	325,000	25,689,921
			<u>44,815,321</u>
Diversified Telecommunication Services 2.0%			
BCE, Inc.	Canada	466,000	19,938,983
Verizon Communications, Inc.	United States	1,200,000	70,500,000
			<u>90,438,983</u>
Electric Utilities 4.7%			
American Electric Power Co., Inc.	United States	450,000	37,471,500
Duke Energy Corp.	United States	710,000	65,007,600
Edison International	United States	550,000	34,551,000
Southern Co. (The)	United States	1,200,000	73,716,000
			<u>210,746,100</u>
Energy Equipment & Services 0.1%			
^a Weatherford International plc.	United States	750,000	4,500,000
Equity Real Estate Investment Trusts (REITs) 0.3%			
Host Hotels & Resorts, Inc.	United States	1,000,000	14,630,000
Health Care Providers & Services 1.6%			
^a Community Health Systems, Inc.	United States	1,000,000	7,430,000
CVS Health Corp.	United States	920,000	62,836,000
			<u>70,266,000</u>
Household Products 1.6%			
Procter & Gamble Co. (The)	United States	500,000	69,570,000
Industrial Conglomerates 1.4%			
Honeywell International, Inc.	United States	300,000	63,810,000

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance 1.4%			
MetLife, Inc.	United States	1,335,108	\$62,683,321
IT Services 0.3%			
International Business Machines Corp.	United States	100,000	12,588,000
Machinery 0.5%			
Cummins, Inc.	United States	100,000	22,710,000
Media 0.6%			
Comcast Corp., A	United States	500,000	26,200,000
Metals & Mining 1.3%			
Rio Tinto plc, ADR.	Australia	800,000	60,176,000
Multi-Utilities 2.6%			
Dominion Energy, Inc.	United States	906,638	68,179,178
DTE Energy Co.	United States	100,000	12,141,000
Sempra Energy.	United States	275,000	35,037,750
			115,357,928
Oil, Gas & Consumable Fuels 4.9%			
BP plc, ADR	United Kingdom	550,000	11,286,000
Chevron Corp.	United States	1,050,000	88,672,500
Exxon Mobil Corp.	United States	2,000,000	82,440,000
^b Royal Dutch Shell plc, ADR, A.	Netherlands	450,000	15,813,000
^b TOTAL SE, ADR	France	500,000	20,955,000
			219,166,500
Personal Products 0.3%			
Unilever plc.	United Kingdom	250,000	14,994,515
Pharmaceuticals 5.2%			
AstraZeneca plc	United Kingdom	455,000	45,372,857
Bristol-Myers Squibb Co.	United States	1,100,000	68,233,000
Johnson & Johnson	United States	400,000	62,952,000
Merck & Co., Inc.	United States	675,000	55,215,000
			231,772,857
Road & Rail 0.8%			
Union Pacific Corp.	United States	180,000	37,479,600
Semiconductors & Semiconductor Equipment 2.4%			
Analog Devices, Inc.	United States	100,000	14,773,000
Intel Corp.	United States	500,000	24,910,000
Texas Instruments, Inc.	United States	400,000	65,652,000
			105,335,000
Software 0.1%			
Oracle Corp.	United States	38,400	2,484,096
Specialty Retail 0.2%			
Home Depot, Inc. (The).	United States	32,000	8,499,840
Tobacco 0.6%			
Philip Morris International, Inc.	United States	350,000	28,976,500
Total Common Stocks (Cost \$1,693,704,437)			2,151,930,672
^cEquity-Linked Securities 8.5%			
Aerospace & Defense 0.9%			
^d Societe Generale SA into Raytheon Technologies Corp., 144A, 8%, 6/01/21	United States	548,000	38,581,521

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Equity-Linked Securities (continued)			
Biotechnology 0.8%			
^d Goldman Sachs International Bank into AbbVie, Inc., 144A, 10%, 7/22/21	United States	348,000	\$36,661,189
Communications Equipment 0.5%			
^d Credit Suisse AG into Cisco Systems, Inc., 144A, 10%, 6/01/21	United States	508,000	22,641,279
Energy Equipment & Services 0.2%			
^d Societe Generale SA into Schlumberger Ltd., 144A, 9%, 2/01/21	United States	429,000	9,755,134
Internet & Direct Marketing Retail 0.6%			
^d JPMorgan Chase Bank NA into Amazon.com, Inc., 144A, Reg S, 9.5%, 12/07/21	United States	8,000	25,625,259
IT Services 0.5%			
^d Credit Suisse AG into International Business Machines Corp., 144A, 7.5%, 2/22/21	United States	160,000	20,319,414
Media 0.4%			
^d Barclays Bank plc into Comcast Corp., 144A, 9%, 4/28/21	United States	408,000	17,866,089
Pharmaceuticals 1.3%			
^d Credit Suisse AG into Pfizer, Inc., 144A, 8%, 8/27/21	United States	1,642,000	60,389,989
Semiconductors & Semiconductor Equipment 1.6%			
^d Royal Bank of Canada into Analog Devices, Inc., 144A, 8.5%, 9/10/21	United States	270,000	35,838,301
^d Royal Bank of Canada into Intel Corp., 144A, 8.5%, 12/14/21	United States	782,000	37,725,539
			73,563,840
Software 0.4%			
^d Citigroup Global Markets Holdings, Inc. into Microsoft Corp., 144A, 8%, 9/24/21	United States	80,000	17,792,589
Specialty Retail 0.8%			
^d Royal Bank of Canada into Home Depot, Inc. (The), 144A, 8.5%, 4/07/21	United States	151,500	36,325,481
Technology Hardware, Storage & Peripherals 0.5%			
^d BNP Paribas Issuance BV into Apple, Inc., 144A, 10%, 12/22/21	United States	164,000	21,280,673
Total Equity-Linked Securities (Cost \$368,655,861)			380,802,457
Convertible Preferred Stocks 4.8%			
Capital Markets 0.1%			
^b KKR & Co., Inc., 6%, C	United States	85,000	5,123,800
Electric Utilities 1.8%			
American Electric Power Co., Inc., 6.125%	United States	400,000	20,040,000
NextEra Energy, Inc., 5.279%	United States	400,000	20,336,000
NextEra Energy, Inc., 6.219%	United States	230,200	11,825,374
Southern Co. (The), 6.75%, 2019	United States	500,000	25,950,000
			78,151,374
Multi-Utilities 1.0%			
DTE Energy Co., 6.25%	United States	500,000	24,070,000
^b Sempra Energy, 6.75%, B	United States	200,000	20,746,000
			44,816,000
Semiconductors & Semiconductor Equipment 1.6%			
Broadcom, Inc., 8%, A	United States	50,000	71,123,500

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Thriffs & Mortgage Finance 0.3%			
^a FNMA, 5.375%	United States	475	\$14,843,750
Total Convertible Preferred Stocks (Cost \$208,919,128)			214,058,424
Preferred Stocks 0.2%			
Banks 0.2%			
JPMorgan Chase & Co., 6%, EE	United States	261,924	7,459,596
Total Preferred Stocks (Cost \$6,548,100)			7,459,596
		Principal Amount^f	
Convertible Bonds 0.3%			
Airlines 0.3%			
Southwest Airlines Co., Senior Note, 1.25%, 5/01/25	United States	8,500,000	12,388,750
Total Convertible Bonds (Cost \$7,960,937)			12,388,750
Corporate Bonds 27.1%			
Aerospace & Defense 0.4%			
Raytheon Technologies Corp., Senior Note, 3.95%, 8/16/25	United States	15,000,000	17,207,509
Automobiles 0.8%			
Ford Motor Co., Senior Note, 4.346%, 12/08/26	United States	13,500,000	14,396,940
General Motors Co., Senior Bond, 5.15%, 4/01/38	United States	16,000,000	19,238,189
			33,635,129
Banks 1.7%			
Bank of America Corp.,			
^e AA, Junior Sub. Bond, 6.1% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	9,069,960
^e X, Junior Sub. Bond, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	6,659,575
Senior Bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28 . . .	United States	10,000,000	11,313,617
Citigroup, Inc., Sub. Bond, 4.125%, 7/25/28	United States	18,500,000	21,647,222
^e JPMorgan Chase & Co.,			
^f I, Junior Sub. Bond, FRN, 3.684%, (3-month USD LIBOR +			
3.47%), Perpetual	United States	19,559,000	19,424,630
R, Junior Sub. Bond, 6% to 8/01/23, FRN thereafter, Perpetual .	United States	3,200,000	3,393,214
^e Wells Fargo & Co., S, Junior Sub. Bond, 5.9% to 6/15/24, FRN			
thereafter, Perpetual	United States	3,000,000	3,194,426
			74,702,644
Biotechnology 0.4%			
AbbVie, Inc., Senior Note, 3.8%, 3/15/25	United States	17,000,000	18,979,197
Capital Markets 0.4%			
Goldman Sachs Group, Inc. (The), Senior Note, 3.272% to 9/29/24,			
FRN thereafter, 9/29/25	United States	15,500,000	16,992,443
Consumer Finance 0.9%			
Capital One Financial Corp., Sub. Note, 4.2%, 10/29/25	United States	15,500,000	17,697,287
Ford Motor Credit Co. LLC, Senior Note, 5.125%, 6/16/25	United States	20,000,000	21,771,000
			39,468,287
Containers & Packaging 0.8%			
^d Mauser Packaging Solutions Holding Co.,			
Senior Note, 144A, 7.25%, 4/15/25	United States	23,000,000	23,258,750
Senior Secured Note, 144A, 5.5%, 4/15/24	United States	10,000,000	10,211,900
			33,470,650

Franklin Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Diversified Financial Services 0.4%			
^d MPH Acquisition Holdings LLC, Senior Note, 144A, 5.75%, 11/01/28	United States	20,000,000	\$19,575,000
Diversified Telecommunication Services 0.5%			
AT&T, Inc., Senior Bond, 4.125%, 2/17/26	United States	12,000,000	13,893,578
^d CCO Holdings LLC / CCO Holdings Capital Corp., Senior Bond, 144A, 5.5%, 5/01/26	United States	10,000,000	10,376,550
			24,270,128
Energy Equipment & Services 0.8%			
^d Weatherford International Ltd., 144A, 8.75%, 9/01/24	United States	10,250,000	10,288,437
Senior Note, 144A, 11%, 12/01/24	United States	33,000,000	25,822,500
			36,110,937
Entertainment 0.6%			
Netflix, Inc., Senior Bond, 4.875%, 4/15/28	United States	22,000,000	24,845,260
Equity Real Estate Investment Trusts (REITs) 0.3%			
Equinix, Inc., Senior Bond, 5.375%, 5/15/27	United States	11,000,000	11,993,533
Food Products 0.4%			
Kraft Heinz Foods Co., Senior Bond, 4.625%, 1/30/29	United States	10,600,000	12,131,613
^d Post Holdings, Inc., Senior Bond, 144A, 5%, 8/15/26	United States	7,500,000	7,756,762
			19,888,375
Health Care Providers & Services 8.3%			
^d CHS/Community Health Systems, Inc., Secured Note, 144A, 11%, 6/30/23	United States	77,201,000	81,438,949
Secured Note, 144A, 8.125%, 6/30/24	United States	50,144,000	52,024,400
Senior Note, 144A, 6.875%, 4/01/28	United States	20,000,000	16,117,900
Senior Secured Note, 144A, 6.625%, 2/15/25	United States	27,600,000	29,100,198
Senior Secured Note, 144A, 8%, 3/15/26	United States	12,500,000	13,481,250
Senior Secured Note, 144A, 8%, 12/15/27	United States	20,000,000	21,750,000
Cigna Corp., Senior Note, 3.75%, 7/15/23	United States	13,292,000	14,372,071
CVS Health Corp., Senior Bond, 4.3%, 3/25/28	United States	8,000,000	9,528,196
Senior Bond, 5.05%, 3/25/48	United States	3,900,000	5,286,045
Senior Note, 4.1%, 3/25/25	United States	1,225,000	1,387,525
HCA, Inc., Senior Bond, 5.875%, 5/01/23	United States	7,500,000	8,251,537
Senior Secured Note, 5%, 3/15/24	United States	10,400,000	11,703,287
Tenet Healthcare Corp., Secured Note, 5.125%, 5/01/25	United States	2,000,000	2,041,480
^d Secured Note, 144A, 6.25%, 2/01/27	United States	29,000,000	30,780,455
Senior Note, 6.75%, 6/15/23	United States	58,200,000	62,669,760
^d Senior Note, 144A, 6.125%, 10/01/28	United States	9,000,000	9,409,770
			369,342,823
Hotels, Restaurants & Leisure 1.0%			
^d Caesars Entertainment, Inc., Senior Secured Note, 144A, 6.25%, 7/01/25	United States	18,000,000	19,192,590
^d Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Senior Bond, 144A, 5.5%, 3/01/25	United States	13,200,000	13,816,044
Senior Note, 144A, 5.25%, 5/15/27	United States	10,000,000	10,326,250
			43,334,884
Media 1.9%			
^d Diamond Sports Group LLC / Diamond Sports Finance Co., Senior Secured Note, 144A, 5.375%, 8/15/26	United States	10,000,000	8,143,750

Franklin Income VIP Fund (continued)

	Country	Principal Amount ^a	Value
Corporate Bonds (continued)			
Media (continued)			
DISH DBS Corp.,			
Senior Note, 5.875%, 7/15/22	United States	27,000,000	\$28,242,000
Senior Note, 5%, 3/15/23	United States	21,000,000	21,708,750
Senior Note, 5.875%, 11/15/24	United States	9,400,000	9,870,000
^d Univision Communications, Inc.,			
Senior Secured Note, 144A, 5.125%, 2/15/25	United States	7,140,000	7,206,938
Senior Secured Note, 144A, 6.625%, 6/01/27	United States	8,500,000	9,144,087
			84,315,525
Metals & Mining 0.3%			
^d Cleveland-Cliffs, Inc., Senior Secured Note, 144A, 6.75%, 3/15/26.	United States	5,000,000	5,406,250
^d FMG Resources August 2006 Pty. Ltd., Senior Note, 144A, 5.125%, 5/15/24	Australia	6,700,000	7,282,062
			12,688,312
Oil, Gas & Consumable Fuels 1.4%			
Calumet Specialty Products Partners LP / Calumet Finance Corp.,			
Senior Note, 7.625%, 1/15/22	United States	2,815,000	2,796,745
Senior Note, 7.75%, 4/15/23	United States	2,000,000	1,957,290
^d Senior Note, 144A, 11%, 4/15/25	United States	23,500,000	23,793,515
^d Senior Secured Note, 144A, 9.25%, 7/15/24	United States	5,185,000	5,807,200
HighPoint Operating Corp.,			
Senior Bond, 7%, 10/15/22	United States	17,937,000	7,058,478
Senior Note, 8.75%, 6/15/25	United States	26,600,000	10,507,000
Occidental Petroleum Corp.,			
Senior Note, 8%, 7/15/25	United States	5,000,000	5,704,375
Senior Note, 6.625%, 9/01/30	United States	6,000,000	6,523,500
			64,148,103
Pharmaceuticals 2.6%			
^d Bausch Health Cos., Inc.,			
Senior Bond, 144A, 6.125%, 4/15/25	United States	9,400,000	9,697,604
Senior Note, 144A, 9%, 12/15/25	United States	5,000,000	5,539,775
Senior Note, 144A, 5%, 2/15/29	United States	5,000,000	5,150,375
Senior Secured Note, 144A, 7%, 3/15/24	United States	4,500,000	4,633,875
Senior Secured Note, 144A, 5.5%, 11/01/25	United States	31,000,000	32,155,990
^d Bayer US Finance II LLC, Senior Note, 144A, 4.25%, 12/15/25	Germany	15,000,000	17,165,127
Bristol-Myers Squibb Co., Senior Note, 3.4%, 7/26/29	United States	8,000,000	9,316,300
^d Endo Dac / Endo Finance LLC / Endo Finco, Inc.,			
Secured Note, 144A, 9.5%, 7/31/27	United States	5,273,000	5,895,873
Senior Note, 144A, 6%, 6/30/28	United States	7,094,000	6,036,994
^d Par Pharmaceutical, Inc., Senior Secured Note, 144A, 7.5%, 4/01/27	United States	8,429,000	9,156,507
Utah Acquisition Sub, Inc., Senior Note, 3.95%, 6/15/26	United States	10,000,000	11,446,846
			116,195,266
Road & Rail 0.1%			
^d Ashtead Capital, Inc., Senior Note, 144A, 4.25%, 11/01/29	United Kingdom	4,500,000	4,938,030
Tobacco 0.7%			
BAT Capital Corp.,			
Senior Note, 3.222%, 8/15/24	United Kingdom	10,000,000	10,831,379
Senior Note, 3.557%, 8/15/27	United Kingdom	20,000,000	22,273,854
			33,105,233
Trading Companies & Distributors 0.8%			
United Rentals North America, Inc., Senior Bond, 4.875%, 1/15/28	United States	18,000,000	19,192,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Trading Companies & Distributors (continued)			
^d WESCO Distribution, Inc., Senior Note, 144A, 7.125%, 6/15/25 . . .	United States	14,000,000	\$15,416,170
			<u>34,608,670</u>
Wireless Telecommunication Services 1.6%			
Sprint Communications, Inc.,			
Senior Note, 11.5%, 11/15/21	United States	30,000,000	32,606,250
Senior Note, 6%, 11/15/22	United States	6,300,000	6,827,625
Sprint Corp.,			
Senior Note, 7.875%, 9/15/23	United States	12,500,000	14,488,125
Senior Note, 7.125%, 6/15/24	United States	8,200,000	9,599,330
Senior Note, 7.625%, 3/01/26	United States	7,500,000	9,320,325
			<u>72,841,655</u>
Total Corporate Bonds (Cost \$1,119,932,688)			1,206,657,593
U.S. Government and Agency Securities 4.1%			
U.S. Treasury Notes,			
2.375%, 3/15/21	United States	75,000,000	75,326,835
2.75%, 4/30/23	United States	25,000,000	26,514,649
2.75%, 5/31/23	United States	50,000,000	53,138,672
2.875%, 5/31/25	United States	25,000,000	27,816,406
			<u>182,796,562</u>
Total U.S. Government and Agency Securities (Cost \$174,976,356)			182,796,562
Asset-Backed Securities 0.2%			
Airlines 0.2%			
United Airlines Pass-Through Trust, 2020-1, A, 5.875%, 10/15/27	United States	10,000,000	10,832,164
			<u>10,832,164</u>
Total Asset-Backed Securities (Cost \$10,000,000)			10,832,164
Mortgage-Backed Securities 3.2%			
Federal National Mortgage Association (FNMA) Fixed Rate 0.7%			
FNMA, 30 Year, 3%, 8/01/50	United States	28,031,580	29,397,019
FNMA, 30 Year, 4%, 8/01/49	United States	3,331,353	3,631,291
			<u>33,028,310</u>
Government National Mortgage Association (GNMA) Fixed Rate 2.5%			
GNMA II, Single-family, 30 Year, 3%, 7/20/50	United States	40,409,533	42,413,258
GNMA II, Single-family, 30 Year, 3.5%, 6/20/50	United States	63,587,689	67,438,716
			<u>109,851,974</u>
Total Mortgage-Backed Securities (Cost \$143,928,125)			142,880,284
		<u>Shares</u>	
Escrows and Litigation Trusts 0.0%			
^{a,g} Motors Liquidation Co., Escrow Account, Convertible Preferred, C	United States	1,400,000	—
			<u>—</u>
Total Escrows and Litigation Trusts (Cost \$—)			—
Total Long Term Investments (Cost \$3,734,625,632)			4,309,806,502

Franklin Income VIP Fund (continued)

Short Term Investments 3.1%

	Country	Shares	Value
Money Market Funds 2.9%			
^{h,j} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	129,156,296	\$129,156,296
Total Money Market Funds (Cost \$129,156,296)			129,156,296
ⁱInvestments from Cash Collateral Received for Loaned Securities 0.2%			
Money Market Funds 0.2%			
^{h,j} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	8,117,000	8,117,000
		Principal Amount[†]	
Repurchase Agreements 0.0%[†]			
^k Joint Repurchase Agreement, BofA Securities, Inc., 0.06%, 1/04/21 (Maturity Value \$2,029,506) Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$2,070,085)			
		2,029,492	2,029,492
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$10,146,492)			10,146,492
Total Short Term Investments (Cost \$139,302,788)			139,302,788
Total Investments (Cost \$3,873,928,420) 99.7%			\$4,449,109,290
Other Assets, less Liabilities 0.3%			12,714,934
Net Assets 100.0%			\$4,461,824,224

See Abbreviations on page FI-31.

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

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

^aNon-income producing.

^bA portion or all of the security is on loan at December 31, 2020. See Note 1(f).

^cSee Note 1(e) regarding equity-linked securities.

^dSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$964,600,923, representing 21.6% of net assets.

^ePerpetual security with no stated maturity date.

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

^gFair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

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

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

^jSee Note 1(f) regarding securities on loan.

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

Statement of Assets and Liabilities

December 31, 2020

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$3,734,625,632
Cost - Non-controlled affiliates (Note 3e)	137,273,296
Cost - Unaffiliated repurchase agreements	2,029,492
Value - Unaffiliated issuers (Includes securities loaned of \$12,342,255)	\$4,309,806,502
Value - Non-controlled affiliates (Note 3e)	137,273,296
Value - Unaffiliated repurchase agreements	2,029,492
Cash	3,767,754
Receivables:	
Investment securities sold	148,290
Capital shares sold	3,185,083
Dividends and interest	19,897,579
European Union tax reclaims (Note 1g)	1,815,625
Other assets	593
Total assets	<u>4,477,924,214</u>
Liabilities:	
Payables:	
Capital shares redeemed	2,883,479
Management fees	1,700,567
Distribution fees	903,050
Payable upon return of securities loaned (Note 1f)	10,147,450
Accrued expenses and other liabilities	465,444
Total liabilities	<u>16,099,990</u>
Net assets, at value	<u>\$4,461,824,224</u>
Net assets consist of:	
Paid-in capital	\$4,098,783,262
Total distributable earnings (losses)	363,040,962
Net assets, at value	<u>\$4,461,824,224</u>
	Franklin Income VIP Fund
Class 1:	
Net assets, at value	<u>\$306,640,581</u>
Shares outstanding	<u>19,595,784</u>
Net asset value and maximum offering price per share	<u>\$15.65</u>
Class 2:	
Net assets, at value	<u>\$3,852,709,182</u>
Shares outstanding	<u>256,135,806</u>
Net asset value and maximum offering price per share	<u>\$15.04</u>
Class 4:	
Net assets, at value	<u>\$302,474,461</u>
Shares outstanding	<u>19,580,873</u>
Net asset value and maximum offering price per share	<u>\$15.45</u>

Statement of Operations

for the year ended December 31, 2020

**Franklin Income
VIP Fund**

Investment income:	
Dividends: (net of foreign taxes of \$983,509)	
Unaffiliated issuers	\$74,390,932
Non-controlled affiliates (Note 3e)	359,949
Interest:	
Unaffiliated issuers	113,942,527
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	65,989
Non-controlled affiliates (Note 3e)	11,050
Other income (Note 1g)	1,763,953
Total investment income.	<u>190,534,400</u>
Expenses:	
Management fees (Note 3a)	19,563,347
Distribution fees: (Note 3c)	
Class 2	9,305,342
Class 4	1,017,005
Custodian fees (Note 4)	28,971
Reports to shareholders	429,141
Professional fees	70,275
Trustees' fees and expenses	25,612
Other	106,902
Total expenses	<u>30,546,595</u>
Expense reductions (Note 4)	(38,943)
Expenses waived/paid by affiliates (Note 3e)	(463,552)
Net expenses	<u>30,044,100</u>
Net investment income	<u>160,490,300</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(373,510,166)
Written options	7,013,522
Foreign currency transactions	56,254
Net realized gain (loss)	<u>(366,440,390)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	189,707,080
Translation of other assets and liabilities denominated in foreign currencies	73,571
Net change in unrealized appreciation (depreciation)	<u>189,780,651</u>
Net realized and unrealized gain (loss)	<u>(176,659,739)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(16,169,439)</u>

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$160,490,300	\$211,417,673
Net realized gain (loss)	(366,440,390)	40,047,821
Net change in unrealized appreciation (depreciation)	189,780,651	514,968,839
Net increase (decrease) in net assets resulting from operations	(16,169,439)	766,434,333
Distributions to shareholders:		
Class 1	(16,535,949)	(26,604,329)
Class 2	(219,850,517)	(301,656,285)
Class 4	(16,548,919)	(21,101,452)
Total distributions to shareholders	(252,935,385)	(349,362,066)
Capital share transactions: (Note 2)		
Class 1	11,863,357	(360,324,820)
Class 2	(227,620,547)	(103,843,936)
Class 4	(4,380,893)	4,153,985
Total capital share transactions	(220,138,083)	(460,014,771)
Net increase (decrease) in net assets	(489,242,907)	(42,942,504)
Net assets:		
Beginning of year	4,951,067,131	4,994,009,635
End of year	\$4,461,824,224	\$4,951,067,131

Notes to Financial Statements

Franklin Income VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

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

c. Joint Repurchase Agreement

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

Franklin Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**c. Joint Repurchase Agreement** (continued)

seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

d. Derivative Financial Instruments

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

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

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

See Note 10 regarding other derivative information.

e. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single note form. Income received from equity-linked securities is recorded as realized gains in the Statements of Operations and may be based on the performance of an underlying equity security, an equity index, or an option position.

The risks of investing in equity-linked securities include unfavorable price movements in the underlying security and the credit risk of the issuing financial institution. There may be no guarantee of a return of principal with equity-linked securities and the appreciation potential may be limited. Equity-linked securities may be more volatile and less liquid than other investments held by the Fund.

f. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. Additionally, The Fund received \$2,464,779 in U.S. Government and Agency securities as collateral. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Income and Deferred Taxes

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

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

h. Security Transactions, Investment Income, Expenses and Distributions

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

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

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

Franklin Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**i. 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.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,306,541	\$33,745,188	1,872,752	\$30,211,199
Shares issued in reinvestment of distributions	1,187,928	16,535,949	1,709,790	26,604,329
Shares redeemed	(2,618,645)	(38,417,780)	(25,004,206)	(417,140,348)
Net increase (decrease)	875,824	\$11,863,357	(21,421,664)	\$(360,324,820)
Class 2 Shares:				
Shares sold	18,351,749	\$260,263,939	16,435,568	\$256,969,286
Shares issued in reinvestment of distributions	16,406,755	219,850,517	20,097,021	301,656,285
Shares redeemed	(49,970,834)	(707,735,003)	(42,487,994)	(662,469,507)
Net increase (decrease)	(15,212,330)	\$(227,620,547)	(5,955,405)	\$(103,843,936)
Class 4 Shares:				
Shares sold	2,068,153	\$30,108,099	2,582,430	\$41,387,759
Shares issued in reinvestment of distributions	1,201,809	16,548,919	1,370,224	21,101,452
Shares redeemed	(3,520,562)	(51,037,911)	(3,658,374)	(58,335,226)
Net increase (decrease)	(250,600)	\$(4,380,893)	294,280	\$4,153,985

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment Manager
Franklin Templeton Services, LLC (FT Services)	Administrative Manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

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

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

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.456% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Income VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$83,971,136	\$1,539,873,425	\$(1,494,688,265)	\$—	\$—	\$129,156,296	129,156,296	\$359,949
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$747,000	\$182,584,000	\$(175,214,000)	\$—	\$—	\$8,117,000	8,117,000	\$11,050
Total Affiliated Securities	\$84,718,136	\$1,722,457,425	\$(1,669,902,265)	\$—	\$—	\$137,273,296		\$370,999

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

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

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$249,422,628	\$268,440,004
Long term capital gain	3,512,757	80,922,062
	\$252,935,385	\$349,362,066

Franklin Income VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$3,870,914,430
Unrealized appreciation	\$718,582,199
Unrealized depreciation	(140,387,339)
Net unrealized appreciation (depreciation)	<u>\$578,194,860</u>
Distributable earnings:	
Undistributed ordinary income	<u>\$197,818,227</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 equity-linked securities, bond discounts and premiums, convertible securities and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$1,881,432,362 and \$2,189,513,542, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$10,147,450 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Credit Risk

At December 31, 2020, the Fund had 20.6% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

Franklin Income VIP Fund (continued)

9. Other Derivative Information

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Income VIP Fund				
Equity Contracts				
	Investments	\$(30,006,115) ^a	Investments	\$22,734,076 ^a
	Written options	7,013,522	Written options	—
Total		<u>\$(22,992,593)</u>		<u>\$22,734,076</u>

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

For the year ended December 31, 2020, the average month end notional amount of options represented 211,538 shares.

See Note 1(c) regarding derivative financial instruments.

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, 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.)

Franklin Income VIP Fund (continued)

11. Fair Value Measurements (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.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Income VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$53,401,200	\$—	\$—	\$53,401,200
Air Freight & Logistics	36,660,680	—	—	36,660,680
Automobiles	24,984,000	—	—	24,984,000
Banks	305,445,925	25,078,006	—	330,523,931
Beverages	132,280,400	—	—	132,280,400
Capital Markets	56,879,900	—	—	56,879,900
Chemicals	19,125,400	25,689,921	—	44,815,321
Diversified Telecommunication Services	90,438,983	—	—	90,438,983
Electric Utilities	210,746,100	—	—	210,746,100
Energy Equipment & Services	4,500,000	—	—	4,500,000
Equity Real Estate Investment Trusts (REITs)	14,630,000	—	—	14,630,000
Health Care Providers & Services	70,266,000	—	—	70,266,000
Household Products	69,570,000	—	—	69,570,000
Industrial Conglomerates	63,810,000	—	—	63,810,000
Insurance	62,683,321	—	—	62,683,321
IT Services	12,588,000	—	—	12,588,000
Machinery	22,710,000	—	—	22,710,000
Media	26,200,000	—	—	26,200,000
Metals & Mining	60,176,000	—	—	60,176,000
Multi-Utilities	115,357,928	—	—	115,357,928
Oil, Gas & Consumable Fuels	219,166,500	—	—	219,166,500
Personal Products	—	14,994,515	—	14,994,515
Pharmaceuticals	186,400,000	45,372,857	—	231,772,857
Road & Rail	37,479,600	—	—	37,479,600
Semiconductors & Semiconductor Equipment	105,335,000	—	—	105,335,000
Software	2,484,096	—	—	2,484,096
Specialty Retail	8,499,840	—	—	8,499,840
Tobacco	28,976,500	—	—	28,976,500
Equity-Linked Securities	—	380,802,457	—	380,802,457
Convertible Preferred Stocks:				
Capital Markets	5,123,800	—	—	5,123,800
Electric Utilities	78,151,374	—	—	78,151,374
Multi-Utilities	44,816,000	—	—	44,816,000
Semiconductors & Semiconductor Equipment	71,123,500	—	—	71,123,500
Thriffs & Mortgage Finance	—	14,843,750	—	14,843,750
Preferred Stocks	7,459,596	—	—	7,459,596
Convertible Bonds	—	12,388,750	—	12,388,750
Corporate Bonds	—	1,206,657,593	—	1,206,657,593
U.S. Government and Agency Securities	—	182,796,562	—	182,796,562
Asset-Backed Securities	—	10,832,164	—	10,832,164
Mortgage-Backed Securities	—	142,880,284	—	142,880,284
Escrows and Litigation Trusts	—	—	^a	—
Short Term Investments	137,273,296	2,029,492	—	139,302,788
Total Investments in Securities	<u>\$2,384,742,939</u>	<u>\$2,064,366,351</u>	<u>\$—</u>	<u>\$4,449,109,290</u>

^aIncludes securities determined to have no value at December 31, 2020.

Franklin Income VIP Fund (continued)

11. Fair Value Measurements (continued)

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

12. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

13. Subsequent Events

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

Abbreviations

Currency

USD United States Dollar

Selected Portfolio

ADR American Depositary Receipt
FNMA Federal National Mortgage Association
FRN Floating Rate Note
GNMA Government National Mortgage Association
LIBOR London Inter-Bank Offered Rate

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Income VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Income VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$3,512,757 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 23.12% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Large Cap Growth VIP Fund

This annual report for Franklin Large Cap Growth VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

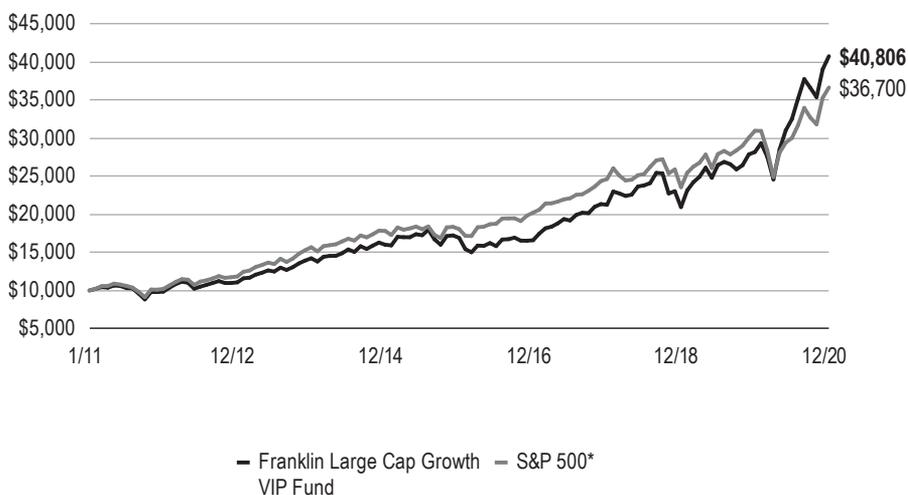
Share Class	Average Annual Total Return
2	
1-Year	+44.63%
5-Year	+19.26%
10-Year	+15.10%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Large Cap Growth VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of large-capitalization companies. For this Fund, large-capitalization companies are those with market capitalization values within those of the top 50% of companies in the Russell 1000® Index at the time of purchase.¹

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. The Fund may focus on particular sectors of the market from time to time, which can carry greater risks of adverse developments in such sectors. Investments in foreign securities may involve special risks including currency fluctuations and economic and political uncertainty. Smaller or mid-sized companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's benchmark, the Standard & Poor's 500 Index (S&P 500), posted a 18.40% total return.²

1. Please see Index Descriptions following the Fund Summaries.

2. 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.

3. Source: Bureau of Labor Statistics.

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

Portfolio Composition

12/31/20

	% of Total Net Assets
Software	18.7%
IT Services	15.5%
Internet & Direct Marketing Retail	9.2%
Health Care Equipment & Supplies	7.1%
Capital Markets	5.8%
Professional Services	4.6%
Semiconductors & Semiconductor Equipment	4.3%
Technology Hardware, Storage & Peripherals	4.2%
Interactive Media & Services	3.2%
Equity Real Estate Investment Trusts (REITs)	2.6%
Health Care Providers & Services	2.5%
Industrial Conglomerates	2.1%
Health Care Technology	2.0%
Pharmaceuticals	1.7%
Biotechnology	1.7%
Beverages	1.4%
Life Sciences Tools & Services	1.3%
Chemicals	1.3%
Wireless Telecommunication Services	1.3%
Food Products	1.3%
Automobiles	1.2%
Other	6.1%
Short-Term Investments & Other Net Assets	0.9%

Economic and Market Overview

U.S. equities, as measured by the S&P 500, advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.³ The longest

U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.³

Investment Strategy

We are a research driven, fundamental investor, pursuing a growth strategy. As a bottom-up investor focusing primarily on individual securities, we seek companies that have identifiable drivers of future earnings growth and that present, in our opinion, the best trade-off between that potential earnings growth, business and financial risk, and valuation.

Manager's Discussion

The Fund's relative outperformance during the 12-month period was partially due to an overweighting and stock selection in the information technology sector, which has powered much of the market's rebound since March 2020. ServiceNow and Twilio were top relative contributors in this space. The cloud computing specialist ServiceNow has been a beneficiary of the broad digital transformation opportunity created by the pandemic crisis as businesses quickly transitioned physical workflows into the digital space.

Top 10 Holdings

12/31/20

Company Industry	% of Total Net Assets
Amazon.com, Inc. <i>Internet & Direct Marketing Retail</i>	8.7%
Microsoft Corp. <i>Software</i>	5.2%
Mastercard, Inc. <i>IT Services</i>	4.5%
Apple, Inc. <i>Technology Hardware, Storage & Peripherals</i>	4.2%
Visa, Inc. <i>IT Services</i>	4.0%
ServiceNow, Inc. <i>Software</i>	3.3%
CoStar Group, Inc. <i>Professional Services</i>	2.6%
Adobe, Inc. <i>Software</i>	2.5%
Alphabet, Inc. <i>Interactive Media & Services</i>	2.3%
NVIDIA Corp. <i>Semiconductors & Semiconductor Equipment</i>	2.3%

The COVID-19 environment also accelerated demand for Twilio's digital communication services from businesses in telehealth, online education and remote customer care, among others.

Other relative contributors included stock selection and an overweighting in consumer discretionary, stock selection and an underweighting in financials and stock selection in health care.

In the consumer discretionary sector, Amazon.com helped relative results as consumers increasingly turned to the company for basic goods as they spent growing amounts of time sheltering in place. The online retailer also benefited from the increase in remote working, which has made more employers reliant on technology infrastructure provided by Amazon Web Services. Peloton Interactive also contributed in the sector, benefiting from a COVID-19-related surge in demand for the company's at-home, connected fitness products.

In the financials sector, the Fund benefited from its lack of exposure to banks as the impact of falling yields on bank profitability put a damper on the industry.

In health care, relative performance was bolstered by a position in Veeva Systems, which provides cloud-based software for the life sciences industry. The company has sizeable exposure to the ongoing cloud transition by commercial and research-based biopharmaceutical and medical technology organizations. We believe there

are underpenetrated opportunities in clinical trial data management, drug safety workflow and patient data science that could sustain revenue growth for Veeva for many years.

The materials sector was the only sector that detracted slightly from relative performance. Stock selection hurt the sector as shares in specialty chemicals manufacturer Ingevity declined. The Fund liquidated its position in the company before period-end.

Elsewhere, an underweighting in strong-performing shares of Apple hampered the Fund's relative results. Booming iPhone sales and a fast-growing wearables business have been growth drivers for the technology giant.

Heron Therapeutics and Reata Pharmaceuticals hurt relative results as both companies faced U.S. Food and Drug Administration hurdles for their non-opioid painkiller and rare neurological disorder treatment, respectively.

Diamondback Energy hurt relative performance as well, hurt by the collapse of oil prices brought on by the global economic shutdown and Russia-Saudi price war. We liquidated our position due to uncertainty about when oil prices will recover to the level needed for the company to be profitable.

Aerospace and defense company Raytheon also detracted from relative results. Raytheon merged with United Technologies on April 3, 2020, to form Raytheon Technologies. However, declining aviation demand has pressured the aerospace industry and the Fund liquidated its position during the period.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,256.01	\$6.14	\$1,019.69	\$5.50	1.08%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Financial Highlights

Franklin Large Cap Growth VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$22.73	\$19.19	\$20.93	\$17.85	\$18.42
Income from investment operations ^a :					
Net investment (loss) ^b	(0.09)	(0.06)	(0.04)	(0.03)	(0.04)
Net realized and unrealized gains (losses)	9.54	6.51	0.03	4.91	(0.26)
Total from investment operations	9.45	6.45	(0.01)	4.88	(0.30)
Less distributions from:					
Net investment income	—	—	—	(0.20)	—
Net realized gains	(2.40)	(2.91)	(1.73)	(1.60)	(0.27)
Total distributions	(2.40)	(2.91)	(1.73)	(1.80)	(0.27)
Net asset value, end of year	\$29.78	\$22.73	\$19.19	\$20.93	\$17.85
Total return ^c	44.98%	34.98%	(1.24)%	28.38%	(1.49)%
Ratios to average net assets					
Expenses ^d	0.84% ^e	0.84% ^e	0.85%	0.87%	0.80%
Net investment (loss)	(0.36)%	(0.25)%	(0.17)%	(0.14)%	(0.19)%
Supplemental data					
Net assets, end of year (000's)	\$4,606	\$1,350	\$1,040	\$1,092	\$883
Portfolio turnover rate	14.90%	17.01%	21.93%	24.96%	36.26% ^f

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Large Cap Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$22.00	\$18.70	\$20.48	\$17.48	\$18.09
Income from investment operations ^a :					
Net investment (loss) ^b	(0.14)	(0.11)	(0.09)	(0.08)	(0.08)
Net realized and unrealized gains (losses)	9.19	6.32	0.04	4.81	(0.26)
Total from investment operations	9.05	6.21	(0.05)	4.73	(0.34)
Less distributions from:					
Net investment income	—	—	—	(0.13)	—
Net realized gains	(2.40)	(2.91)	(1.73)	(1.60)	(0.27)
Total distributions	(2.40)	(2.91)	(1.73)	(1.73)	(0.27)
Net asset value, end of year	\$28.65	\$22.00	\$18.70	\$20.48	\$17.48
Total return ^c	44.63%	34.58%	(1.47)%	28.11%	(1.79)%
Ratios to average net assets					
Expenses ^d	1.09% ^e	1.09% ^e	1.10%	1.12%	1.05%
Net investment (loss)	(0.58)%	(0.50)%	(0.42)%	(0.39)%	(0.44)%
Supplemental data					
Net assets, end of year (000's)	\$131,001	\$114,170	\$100,435	\$118,875	\$113,028
Portfolio turnover rate	14.90%	17.01%	21.93%	24.96%	36.26% ^f

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2020

Franklin Large Cap Growth VIP Fund

	Country	Shares	Value
Common Stocks 99.1%			
Auto Components 0.7%			
Aptiv plc	United States	7,165	\$933,528
Automobiles 1.2%			
^a Tesla, Inc.	United States	2,225	1,570,116
Beverages 1.4%			
Constellation Brands, Inc., A	United States	4,784	1,047,935
^a Monster Beverage Corp.	United States	9,074	839,164
			1,887,099
Biotechnology 1.7%			
^{a,b} Heron Therapeutics, Inc.	United States	54,191	1,146,953
^a Novavax, Inc.	United States	7,136	795,735
^a PTC Therapeutics, Inc.	United States	5,750	350,922
			2,293,610
Capital Markets 5.8%			
^a Dragoneer Growth Opportunities Corp.	United States	28,900	404,311
Intercontinental Exchange, Inc.	United States	13,810	1,592,155
MarketAxess Holdings, Inc.	United States	2,308	1,316,852
MSCI, Inc.	United States	5,568	2,486,279
S&P Global, Inc.	United States	6,060	1,992,104
			7,791,701
Chemicals 1.3%			
Ecolab, Inc.	United States	3,227	698,194
Linde plc.	United Kingdom	4,039	1,064,317
			1,762,511
Commercial Services & Supplies 0.3%			
Republic Services, Inc.	United States	4,233	407,638
Entertainment 0.7%			
^a Walt Disney Co. (The).	United States	5,434	984,532
Equity Real Estate Investment Trusts (REITs) 2.6%			
American Tower Corp.	United States	2,709	608,062
SBA Communications Corp.	United States	10,533	2,971,675
			3,579,737
Food Products 1.3%			
^a Freshpet, Inc.	United States	3,731	529,765
Lamb Weston Holdings, Inc.	United States	8,243	649,054
^a Nomad Foods Ltd.	United Kingdom	21,530	547,292
			1,726,111
Health Care Equipment & Supplies 7.1%			
Danaher Corp.	United States	6,448	1,432,359
^a Edwards Lifesciences Corp.	United States	15,268	1,392,900
^a IDEXX Laboratories, Inc.	United States	3,067	1,533,101
^a Intuitive Surgical, Inc.	United States	1,752	1,433,311
^a Nevro Corp.	United States	7,606	1,316,598
West Pharmaceutical Services, Inc.	United States	8,864	2,511,260
			9,619,529
Health Care Providers & Services 2.5%			
^a Guardant Health, Inc.	United States	4,411	568,490
UnitedHealth Group, Inc.	United States	8,198	2,874,874
			3,443,364

Franklin Large Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Technology 2.0%			
^a Veeva Systems, Inc., A	United States	9,972	\$2,714,877
Hotels, Restaurants & Leisure 1.0%			
^{a,b} Airbnb, Inc., A	United States	600	88,080
^a Chipotle Mexican Grill, Inc.	United States	918	1,273,000
			1,361,080
Industrial Conglomerates 2.1%			
Honeywell International, Inc.	United States	6,246	1,328,524
Roper Technologies, Inc.	United States	3,427	1,477,346
			2,805,870
Interactive Media & Services 3.2%			
^a Alphabet, Inc., A	United States	1,748	3,063,615
^a Facebook, Inc., A	United States	4,783	1,306,524
			4,370,139
Internet & Direct Marketing Retail 9.2%			
^a Amazon.com, Inc.	United States	3,623	11,799,857
^a Booking Holdings, Inc.	United States	318	708,272
			12,508,129
IT Services 15.5%			
^a Black Knight, Inc.	United States	9,271	819,093
Mastercard, Inc., A	United States	17,130	6,114,382
^a Okta, Inc.	United States	2,587	657,771
^a PayPal Holdings, Inc.	United States	11,987	2,807,355
^a Shopify, Inc., A	Canada	1,341	1,517,945
^a Snowflake, Inc., A	United States	3,416	961,262
^a Twilio, Inc., A	United States	7,675	2,597,988
Visa, Inc., A	United States	25,031	5,475,031
			20,950,827
Leisure Products 0.5%			
^a Peloton Interactive, Inc., A	United States	4,454	675,761
Life Sciences Tools & Services 1.3%			
^a Illumina, Inc.	United States	2,045	756,650
^a Maravai LifeSciences Holdings, Inc., A	United States	3,300	92,565
^a Wuxi Biologics Cayman, Inc., ADR	China	36,144	950,949
			1,800,164
Media 0.9%			
^a Liberty Broadband Corp., C	United States	7,911	1,252,865
Pharmaceuticals 1.7%			
AstraZeneca plc, ADR	United Kingdom	19,409	970,256
^a Catalent, Inc.	United States	6,825	710,278
^{a,b} Reata Pharmaceuticals, Inc., A	United States	2,944	363,937
^b Royalty Pharma plc, A	United States	6,420	321,321
			2,365,792
Professional Services 4.6%			
^a CoStar Group, Inc.	United States	3,829	3,539,068
TransUnion	United States	6,285	623,598
Verisk Analytics, Inc.	United States	10,158	2,108,699
			6,271,365

Franklin Large Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Road & Rail 1.0%			
Union Pacific Corp.	United States	6,367	\$1,325,737
Semiconductors & Semiconductor Equipment 4.3%			
Analog Devices, Inc.	United States	6,706	990,678
Monolithic Power Systems, Inc.	United States	4,664	1,708,097
NVIDIA Corp.	United States	5,988	3,126,933
			5,825,708
Software 18.7%			
^a Adobe, Inc.	United States	6,649	3,325,298
^a Atlassian Corp. plc, A	United States	2,189	511,941
^a Autodesk, Inc.	United States	2,231	681,214
^a Avalara, Inc.	United States	955	157,470
^a Bill.com Holdings, Inc.	United States	10,457	1,427,380
^{a,b} C3.ai, Inc., A	United States	1,300	180,375
^a DocuSign, Inc.	United States	4,078	906,539
Intuit, Inc.	United States	1,974	749,824
Microsoft Corp.	United States	32,004	7,118,330
^a Paycom Software, Inc.	United States	875	395,719
^a PTC, Inc.	United States	10,482	1,253,752
^a salesforce.com, Inc.	United States	5,891	1,310,924
^a ServiceNow, Inc.	United States	8,221	4,525,085
^a Synopsys, Inc.	United States	4,421	1,146,100
^a Workday, Inc., A	United States	3,121	747,823
^a Zendesk, Inc.	United States	6,623	947,884
			25,385,658
Specialty Retail 0.3%			
^a Burlington Stores, Inc.	United States	1,375	359,631
Technology Hardware, Storage & Peripherals 4.2%			
Apple, Inc.	United States	43,166	5,727,697
Textiles, Apparel & Luxury Goods 0.7%			
NIKE, Inc., B.	United States	7,018	992,836
Wireless Telecommunication Services 1.3%			
^a T-Mobile US, Inc.	United States	12,878	1,736,598
Total Common Stocks (Cost \$43,968,760)			134,430,210
Short Term Investments 1.1%			
		Principal Amount^c	Value
Repurchase Agreements 1.0%			
^c Joint Repurchase Agreement, 0.054%, 1/04/21 (Maturity Value \$1,308,944)			
BNP Paribas Securities Corp. (Maturity Value \$836,205)			
Deutsche Bank Securities, Inc. (Maturity Value \$249,747)			
HSBC Securities (USA), Inc. (Maturity Value \$222,992)			
Collateralized by U.S. Government Agency Securities, 4.00%			
- 5.00%, 2/20/49 - 5/20/49; and U.S. Treasury Notes, 0.13% -			
2.63%, 1/31/21 - 12/31/25 (valued at \$1,335,273)			
		1,308,936	1,308,936
Total Repurchase Agreements (Cost \$1,308,936)			1,308,936

Franklin Large Cap Growth VIP Fund (continued)

Short Term Investments (continued)

	Principal Amount[†]	Value
^dInvestments from Cash Collateral Received for Loaned Securities 0.1%		
	Country	Shares
Money Market Funds 0.0%[†]		
^e Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	14,000
		\$14,000
	Principal Amount[†]	
Repurchase Agreements 0.1%		
^c Joint Repurchase Agreement, BofA Securities, Inc., 0.06%, 1/04/21 (Maturity Value \$169,974)		
Collateralized by U.S. Treasury Note, 1.5%, 11/30/24 (valued at \$173,373)		169,973
		169,973
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$183,973)		183,973
Total Short Term Investments (Cost \$1,492,909)		1,492,909
Total Investments (Cost \$45,461,669) 100.2%		\$135,923,119
Other Assets, less Liabilities (0.2)%		(315,823)
Net Assets 100.0%		\$135,607,296

See Abbreviations on page FLG-22.

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

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

^aNon-income producing.

^bA portion or all of the security is on loan at December 31, 2020. See Note 1(d).

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

^dSee Note 1(d) regarding securities on loan.

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

[†]The rate shown is the annualized seven-day effective yield at period end.

Statement of Assets and Liabilities

December 31, 2020

	Franklin Large Cap Growth VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$43,968,760
Cost - Non-controlled affiliates (Note 3e)	14,000
Cost - Unaffiliated repurchase agreements	1,478,909
Value - Unaffiliated issuers (Includes securities loaned of \$430,485)	\$134,430,210
Value - Non-controlled affiliates (Note 3e)	14,000
Value - Unaffiliated repurchase agreements	1,478,909
Receivables:	
Capital shares sold	34,539
Dividends and interest	9,899
Other assets	16
Total assets	<u>135,967,573</u>
Liabilities:	
Payables:	
Capital shares redeemed	1,771
Management fees	84,162
Distribution fees	32,023
Reports to shareholders	21,767
Professional fees	32,339
Payable upon return of securities loaned (Note 1d)	183,973
Accrued expenses and other liabilities	4,242
Total liabilities	<u>360,277</u>
Net assets, at value	<u>\$135,607,296</u>
Net assets consist of:	
Paid-in capital	\$28,781,608
Total distributable earnings (losses)	106,825,688
Net assets, at value	<u>\$135,607,296</u>
	Franklin Large Cap Growth VIP Fund
Class 1:	
Net assets, at value	\$4,605,962
Shares outstanding	154,687
Net asset value and maximum offering price per share	<u>\$29.78</u>
Class 2:	
Net assets, at value	\$131,001,334
Shares outstanding	4,572,461
Net asset value and maximum offering price per share	<u>\$28.65</u>

Statement of Operations

for the year ended December 31, 2020

**Franklin Large
Cap Growth VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$178)	
Unaffiliated issuers	\$566,065
Interest:	
Unaffiliated issuers	3,673
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	35,030
Non-controlled affiliates (Note 3e)	1,039
Total investment income	605,807
Expenses:	
Management fees (Note 3a)	898,540
Distribution fees: (Note 3c)	
Class 2	291,446
Custodian fees (Note 4)	2,163
Reports to shareholders	36,094
Professional fees	55,473
Trustees' fees and expenses	686
Other	11,892
Total expenses	1,296,294
Expense reductions (Note 4)	(414)
Expenses waived/paid by affiliates (Note 3e)	(957)
Net expenses	1,294,923
Net investment income (loss)	(689,116)
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	17,097,318
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	28,111,649
Net realized and unrealized gain (loss)	45,208,967
Net increase (decrease) in net assets resulting from operations	\$44,519,851

Statements of Changes in Net Assets

	Franklin Large Cap Growth VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(689,116)	\$(573,122)
Net realized gain (loss)	17,097,318	11,677,580
Net change in unrealized appreciation (depreciation)	28,111,649	22,617,082
Net increase (decrease) in net assets resulting from operations	44,519,851	33,721,540
Distributions to shareholders:		
Class 1	(319,951)	(156,170)
Class 2	(11,348,356)	(14,406,046)
Total distributions to shareholders	(11,668,307)	(14,562,216)
Capital share transactions: (Note 2)		
Class 1	2,179,293	107,346
Class 2	(14,944,016)	(5,221,870)
Total capital share transactions	(12,764,723)	(5,114,524)
Net increase (decrease) in net assets	20,086,821	14,044,800
Net assets:		
Beginning of year	115,520,475	101,475,675
End of year	\$135,607,296	\$115,520,475

Notes to Financial Statements

Franklin Large Cap Growth VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Large Cap Growth 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. At December 31, 2020, 67.5% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar

Franklin Large Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral,

Franklin Large Cap Growth VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Securities Lending** (continued)

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

e. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income and capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

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

Franklin Large Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

h. Guarantees and Indemnifications (continued)

Additionally, in the normal course of business, the Trust,

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	91,945	\$2,104,488	—	\$—
Shares issued in reinvestment of distributions	14,182	319,951	7,497	156,170
Shares redeemed	(10,851)	(245,146)	(2,288)	(48,824)
Net increase (decrease)	95,276	\$2,179,293	5,209	\$107,346
Class 2 Shares:				
Shares sold	358,053	\$8,575,790	338,704	\$6,860,065
Shares issued in reinvestment of distributions	522,004	11,348,356	713,171	14,406,046
Shares redeemed	(1,496,315)	(34,868,162)	(1,234,745)	(26,487,981)
Net increase (decrease)	(616,258)	\$(14,944,016)	(182,870)	\$(5,221,870)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	In excess of \$1 billion

Franklin Large Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Large Cap Growth VIP Fund								
Non-Controlled Affiliates								
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$411,000	\$9,786,000	\$(10,183,000)	\$—	\$—	\$14,000	14,000	\$1,039
Total Affiliated Securities	\$411,000	\$9,786,000	\$(10,183,000)	\$—	\$—	\$14,000		\$1,039

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

Franklin Large Cap Growth VIP Fund (continued)

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Long term capital gain	\$11,668,307	\$14,562,216

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$45,727,406
Unrealized appreciation	\$90,461,450
Unrealized depreciation	(265,737)
Net unrealized appreciation (depreciation)	\$90,195,713
Distributable earnings:	
Undistributed ordinary income	\$593,248
Undistributed long term capital gains	\$16,036,725
Total distributable earnings	\$16,629,973

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of passive foreign investment company shares.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$17,792,302 and \$43,152,365, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$183,973 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Franklin Large Cap Growth VIP Fund (continued)**8. Credit Facility** (continued)

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Large Cap Growth VIP Fund				
Assets:				
Investments in Securities: ^a				
Common Stocks	\$134,430,210	\$—	\$—	\$134,430,210
Short Term Investments	14,000	1,478,909	—	1,492,909
Total Investments in Securities	\$134,444,210	\$1,478,909	\$—	\$135,923,119

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

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

11. Subsequent Events

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

Franklin Large Cap Growth VIP Fund (continued)

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Large Cap Growth VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Large Cap Growth VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Large Cap Growth VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$11,668,307 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Franklin Mutual Global Discovery VIP Fund

This annual report for Franklin Mutual Global Discovery VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

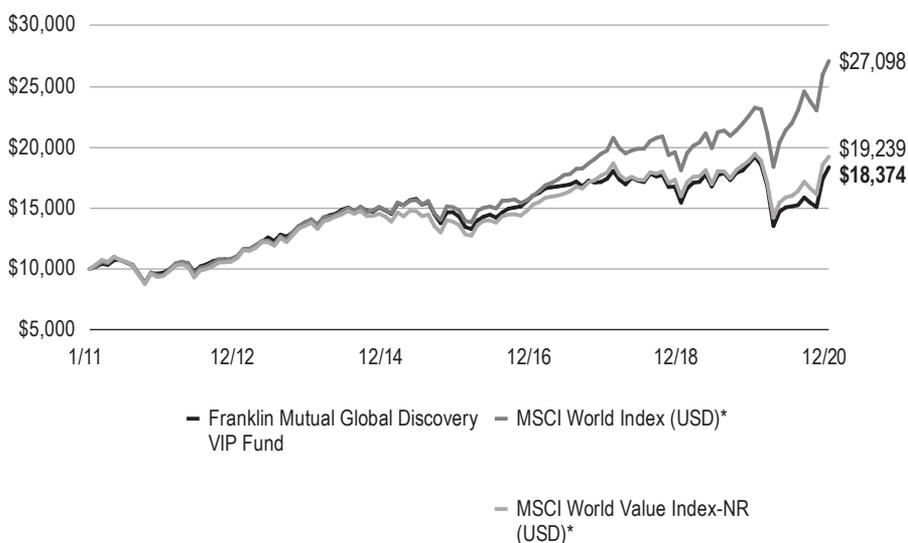
Share Class	Average Annual Total Return
2	
1-Year	-4.46%
5-Year	+5.14%
10-Year	+6.27%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the MSCI World Index (USD) and the MSCI World Value Index-NR (USD). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Mutual Global Discovery VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests primarily in U.S. and foreign equity securities that we believe are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock, with a current focus on mid- and large cap companies. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Value securities may not increase in price as anticipated, or may decline further in value. The Fund's investments in foreign securities involve more risks than U.S. securities, including political and economic developments, trading practices, availability of information, limited markets, and currency exchange fluctuations and policies. Because the Fund may invest at least a significant portion of its assets in companies in a specific region, including Europe, the Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Securities issued by small and mid-capitalization companies may be more volatile in price than those of larger companies and may involve additional risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time the Fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to the Fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default and are generally more likely to become worthless than the securities

Geographic Composition

12/31/20

	% of Total Net Assets
United States	51.7%
United Kingdom	9.6%
Germany	8.4%
Switzerland	7.3%
Netherlands	5.6%
South Korea	2.9%
Israel	2.0%
China	1.9%
Japan	1.6%
Canada	1.3%
France	1.2%
Other	0.6%
Short-Term Investments & Other Net Assets	5.9%

of more financially stable companies. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's new benchmark, the MSCI World Value Index-NR (USD), posted a -1.16% total return for the period under review.¹ Also for comparison, the Fund's former benchmark, the MSCI World Index (USD), posted a +16.50% total return for the same period.¹ The MSCI World Value Index-NR (USD; net of taxes on dividends) is replacing the MSCI World Index (USD; gross of taxes on dividends) as the Fund's benchmark. The investment manager believes the composition of the MSCI World Value Index-NR (USD) more accurately reflects the Fund's current investment strategy and portfolio characteristics, and that the actual withholding rates for the Fund are closer to the assumptions of the MSCI World Value Index-NR (USD) than the MSCI World Index (USD).

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as

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).

many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains

due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹ Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well. Our portfolio selection process

2. Source: U.S. Bureau of Labor Statistics.

generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as deals, the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

Manager's Discussion

A year ago, we reflected on a decade of equity market strength and solid, but weaker, returns for our value investing strategy. 2020 turned out to be an amplification of this performance gap, rather than a correction. The year started with a continuation of strong performance from market-darling growth stocks. The gap exploded as COVID-19 led to lockdowns and people working from home. The market leaders often benefited from these changes, with technology tools being adopted more quickly than before. Meanwhile, the lockdowns and disruption severely impacted many companies thought of as value stocks.

Even as central banks and governments across the globe acted through fiscal and monetary stimulus, the recovery came slowly and only accelerated when the prospects of an effective vaccine helped markets understand when the health crisis might be over. By the end of 2020, the MSCI World Value Index (USD) had recovered to be almost flat, with a -0.38% return.¹ However, growth stocks advanced substantially further, as evidenced by the MSCI World Growth Index (USD), ending the year up +34.18%.¹

Top 10 Industries

12/31/20

	% of Total Net Assets
Pharmaceuticals	11.4%
Insurance	8.2%
Oil, Gas & Consumable Fuels	7.2%
Banks	7.0%
Technology Hardware, Storage & Peripherals	5.3%
Health Care Providers & Services	4.2%
Software	3.7%
Tobacco	3.7%
Chemicals	3.7%
Automobiles	3.4%

Many signs of increased speculation in the market have appeared, with a surge in the number of IPOs not seen since the tech bubble and a boom in special purpose acquisition companies (SPACs), a type of company which raises money opportunistically and then looks around for a profitable opportunity. There is no guarantee that equity markets will not go higher or that some speculation will not be profitable, but we try to look through the speculation and continue to see attractive values in various parts of the market.

Our traditional value equity investment approach is complemented with two other strategies, distressed investing and merger arbitrage. We were active in both during 2020.

Within merger arbitrage, which involves trading the stocks of companies involved in a merger or acquisition (M&A), activity has climbed in tandem with increasing confidence about an end to the pandemic crisis. Significant new deals have been announced and some present attractive investment opportunities. In addition, the deals which were impacted by the emergence of the coronavirus have seen renegotiated terms and moved toward amicable resolution. This includes deals such as Tiffany's acquisition by LVMH Moët Hennessy Louis Vuitton and Taubman's acquisition by Simon Property Group. We expect an ongoing acceleration of M&A activity given a recovering economy, strong markets, and the hope for increasing regulatory and trade predictability under the incoming U.S. administration.

Within our distressed credit strategy, we targeted companies and industries directly impacted by the coronavirus pandemic. The robust government fiscal and monetary interventions have limited the number of attractive options, but we found opportunities in the energy sector and the retail and travel industries. As the vaccine news arrived and liquidity remained strong, the opportunities have become

more limited. We expect to see fewer new distressed debt opportunities than the merger arbitrage opportunities discussed above.

Fund Performance

Turning to Fund performance, top positive contributors included Samsung Electronics, Charter Communications and Cognizant Technology.

After experiencing COVID-related volatility during the first few months of the year, the stock price of South Korea-based electronics and computer peripherals manufacturer Samsung Electronics started to recover in April and continued an upward trajectory for the remainder of the year, making it a leading contributor to portfolio performance. The company posted strong first-quarter results, with revenue and operating profit rising year-over-year, propelled by sales of its memory chips. Demand for memory chips increased during the lockdown, driven by hyperscale data center spending and spending to enable working from home and online learning. Investors are optimistic that strength in memory prices can continue, and Samsung is expected to announce a new capital return program in early 2021, which may include a special dividend.

Shares of U.S.-based cable operator Charter Communications rallied throughout much of 2020's second half, lifted by second-quarter earnings that exceeded consensus expectations. The stay-at-home economy emerging in the wake of the coronavirus pandemic led to an increase in the number of high-speed data subscribers and lower turnover among the existing customer base. These factors drove higher margins and increased free cash flow, which management used to buy back stock. Third-quarter results were also strong, with high-speed data net subscriber additions and residential video growth soundly beating expectations. The company's financials also continued to improve.

Shares of U.S.-based Cognizant Technology Solutions Group, a provider of information technology (IT), consulting and business process outsourcing services, rose in February largely due to fourth-quarter 2019 financial results that beat expectations. After price fluctuation in March due to uncertainty around the impact of COVID-19, the stock continued its rally after first-quarter 2020 results announced in May were also better than expected, despite softer-than-expected margins and pandemic-related expenses. Second-quarter financial results similarly beat expectations. Shares of Cognizant rallied as management's turnaround initiatives contributed to positive investor sentiment. The pandemic has also accelerated digital transformation across industries, which resulted in solid growth for IT services

vendors such as Cognizant. Growth in the company's digital practice segments—which were up by half—drove second-quarter results. Cognizant continued to ramp up its digital strategy by acquiring seven companies that it merged into existing divisions during 2020's first three quarters. A strong third-quarter announcement and broader recovery in IT services demand continued to support the stock price, which generally rose throughout the remainder of the period.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
GlaxoSmithKline plc Pharmaceuticals, United Kingdom	3.1%
Novartis AG Pharmaceuticals, Switzerland	2.9%
Samsung Electronics Co. Ltd. Technology Hardware, Storage & Peripherals, South Korea	2.9%
Medtronic plc Health Care Equipment & Supplies, United States	2.8%
Merck & Co., Inc. Pharmaceuticals, United States	2.8%
Charter Communications, Inc. Media, United States	2.8%
CVS Health Corp. Health Care Providers & Services, United States	2.7%
NN Group NV Insurance, Netherlands	2.6%
British American Tobacco plc Tobacco, United Kingdom	2.6%
Hartford Financial Services Group, Inc. (The) Insurance, United States	2.6%

During the period under review, Fund investments that detracted from performance included American International Group (AIG), Citizens Financial Group and Wells Fargo.

The stock price of U.S.-based insurer AIG fell from mid-February through late March. The declining valuation was fueled by investor concerns regarding the coronavirus outbreak and operating shortfalls in fourth-quarter earnings. An uncertain environment and changes in leadership and business strategy continued to affect the company throughout the remainder of the year, culminating in the announcement of the spinoff of its life insurance business and a change in leadership. We have since exited the position.

The stock price of U.S.-based banking services company Citizens Financial Group declined from mid-February through late March. The valuation reduction was fueled by investor concern regarding the coronavirus outbreak and its economic effects, including increased borrower defaults and a falling interest-rate environment, which decreases the profitability of lending products. However, the price

stabilized as the broader market calmed down. In April, the bank posted decent first-quarter financial results amid a deteriorating economic environment. Management reported modest increases in revenue, loans and net interest margin, and broadly stable credit performance in the loan portfolio. However, in June, bank stocks retreated based on concerns about potential dividend cuts resulting from the Federal Reserve Board's stress tests of large banks. The company's stock price was bolstered in July by favorable second-quarter earnings, but continued to experience volatility toward period-end as third-quarter results fell short of consensus, due in part to large payments into reserves. We have since exited the stock.

The performance of U.S.-based diversified financial services company Wells Fargo was affected by the regulatory restrictions placed on it following the account opening scandal, particularly the ability to grow the size of its balance sheet freely. These limits negatively impacted the company in March when a flurry of companies rushed to draw on their credit lines to strengthen their liquidity positions as the effects of the pandemic became more tangible. After the March downturn, COVID-related uncertainty and interest-rate declines continued to hinder the organization, leading management to revise its forward guidance several times throughout the year. First-quarter earnings fell short of expectations, and Wells Fargo posted a second-quarter loss, although much of it was due to the bank's massive contribution to its loan loss reserves. The company also drastically cut its dividend. During the third quarter, headline earnings fell short of expectations, but many of the costs endured during the quarter were associated with restructuring, which management expects will reduce costs in 2021. In addition to shedding its student loan business in 2020, the company looks forward to streamlining its business model further in the year ahead.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a negative overall impact on the Fund's performance as the dollar fell against most currencies during the period.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,212.37	\$6.78	\$1,018.85	\$6.19	1.22%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Mutual Global Discovery VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.17	\$17.47	\$20.38	\$20.22	\$19.85
Income from investment operations ^a :					
Net investment income ^b	0.57 ^c	0.43	0.36	0.47	0.41
Net realized and unrealized gains (losses)	(1.52)	3.64	(2.50)	1.29	1.92
Total from investment operations	(0.95)	4.07	(2.14)	1.76	2.33
Less distributions from:					
Net investment income	(0.42)	(0.37)	(0.52)	(0.42)	(0.39)
Net realized gains	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	(0.72)	(2.37)	(0.77)	(1.60)	(1.96)
Net asset value, end of year	\$17.50	\$19.17	\$17.47	\$20.38	\$20.22
Total return ^d	(4.22)%	24.71%	(11.01)%	8.99%	12.32%
Ratios to average net assets					
Expenses ^{e,f,g}	0.97%	0.94%	0.96%	1.01%	1.01%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.57% ^c	2.22%	1.81%	2.29%	2.10%
Supplemental data					
Net assets, end of year (000's)	\$3,788	\$3,878	\$3,282	\$3,189	\$3,084
Portfolio turnover rate	34.79%	21.82%	29.84%	17.49%	17.54%

^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.

^cNet investment income per share includes approximately \$0.24 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.07%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Franklin Mutual Global Discovery VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.54	\$16.96	\$19.80	\$19.69	\$19.37
Income from investment operations ^a :					
Net investment income ^b	0.51 ^c	0.37	0.30	0.41	0.35
Net realized and unrealized gains (losses)	(1.47)	3.53	(2.42)	1.25	1.87
Total from investment operations	(0.96)	3.90	(2.12)	1.66	2.22
Less distributions from:					
Net investment income	(0.37)	(0.32)	(0.47)	(0.37)	(0.33)
Net realized gains	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	(0.67)	(2.32)	(0.72)	(1.55)	(1.90)
Net asset value, end of year	\$16.91	\$18.54	\$16.96	\$19.80	\$19.69
Total return ^d	(4.46)%	24.37%	(11.22)%	8.71%	12.06%
Ratios to average net assets					
Expenses ^{e,f,g}	1.22%	1.19%	1.21%	1.26%	1.26%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.33% ^c	1.97%	1.56%	2.04%	1.85%
Supplemental data					
Net assets, end of year (000's)	\$467,653	\$539,759	\$500,607	\$631,179	\$630,397
Portfolio turnover rate	34.79%	21.82%	29.84%	17.49%	17.54%

^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.

^cNet investment income per share includes approximately \$0.24 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.83%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Franklin Mutual Global Discovery VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.98	\$17.30	\$20.17	\$20.02	\$19.66
Income from investment operations ^a :					
Net investment income ^b	0.51 ^c	0.36	0.29	0.40	0.34
Net realized and unrealized gains (losses)	(1.50)	3.61	(2.47)	1.27	1.89
Total from investment operations	(0.99)	3.97	(2.18)	1.67	2.23
Less distributions from:					
Net investment income	(0.35)	(0.29)	(0.44)	(0.34)	(0.30)
Net realized gains	(0.30)	(2.00)	(0.25)	(1.18)	(1.57)
Total distributions	(0.65)	(2.29)	(0.69)	(1.52)	(1.87)
Net asset value, end of year	\$17.34	\$18.98	\$17.30	\$20.17	\$20.02
Total return ^d	(4.54)%	24.28%	(11.31)%	8.61%	11.91%
Ratios to average net assets					
Expenses ^{e,f,g}	1.32%	1.29%	1.31%	1.36%	1.36%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.22% ^c	1.87%	1.46%	1.94%	1.75%
Supplemental data					
Net assets, end of year (000's)	\$26,688	\$30,865	\$30,094	\$41,713	\$45,262
Portfolio turnover rate	34.79%	21.82%	29.84%	17.49%	17.54%

^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.

^cNet investment income per share includes approximately \$0.24 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.72%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Statement of Investments, December 31, 2020

Franklin Mutual Global Discovery VIP Fund

	Country	Shares	Value
Common Stocks 91.2%			
Aerospace & Defense 1.4%			
BAE Systems plc	United Kingdom	1,054,973	\$7,035,891
Auto Components 0.0%[†]			
^{a,b,c} International Automotive Components Group Brazil LLC	Belgium	424,073	9,018
Automobiles 1.0%			
General Motors Co.	United States	119,200	4,963,488
Banks 7.0%			
Citigroup, Inc.	United States	104,550	6,446,553
^b ING Groep NV	Netherlands	964,232	8,965,646
JPMorgan Chase & Co.	United States	77,386	9,833,439
Wells Fargo & Co.	United States	313,466	9,460,404
			34,706,042
Beverages 1.2%			
Heineken NV	Netherlands	55,066	6,136,746
Biotechnology 0.3%			
^b Alexion Pharmaceuticals, Inc.	United States	10,293	1,608,178
Building Products 1.2%			
Johnson Controls International plc.	United States	130,642	6,086,611
Capital Markets 3.4%			
Credit Suisse Group AG	Switzerland	722,165	9,323,785
^b Deutsche Bank AG	Germany	526,158	5,787,441
^d Guotai Junan Securities Co. Ltd., H, 144A, Reg S	China	1,275,797	1,859,057
			16,970,283
Chemicals 3.7%			
BASF SE	Germany	102,530	8,104,577
^d Covestro AG, 144A, Reg S	Germany	163,168	10,053,754
			18,158,331
Communications Equipment 0.9%			
Cisco Systems, Inc.	United States	101,280	4,532,280
Construction Materials 1.2%			
^b LafargeHolcim Ltd.	Switzerland	109,629	6,017,295
Consumer Finance 1.6%			
Capital One Financial Corp.	United States	79,688	7,877,159
Containers & Packaging 1.1%			
International Paper Co.	United States	106,400	5,290,208
Diversified Financial Services 1.9%			
Voya Financial, Inc.	United States	161,150	9,477,232
Diversified Telecommunication Services 1.1%			
Deutsche Telekom AG.	Germany	304,611	5,560,170
Entertainment 2.2%			
^b Walt Disney Co. (The)	United States	60,591	10,977,878
Food Products 2.1%			
Kraft Heinz Co. (The)	United States	306,200	10,612,892
Health Care Equipment & Supplies 2.8%			
Medtronic plc	United States	118,813	13,917,755

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Providers & Services 4.2%			
Anthem, Inc.	United States	23,232	\$7,459,563
CVS Health Corp.	United States	199,991	13,659,385
			21,118,948
Hotels, Restaurants & Leisure 1.2%			
^b Accor SA	France	167,404	6,073,799
Industrial Conglomerates 1.4%			
General Electric Co.	United States	625,050	6,750,540
Insurance 9.0%			
Alleghany Corp.	United States	7,530	4,545,786
China Pacific Insurance Group Co. Ltd., H.	China	1,931,308	7,551,368
Everest Re Group Ltd.	United States	15,078	3,529,609
Hartford Financial Services Group, Inc. (The)	United States	259,896	12,729,706
NN Group NV	Netherlands	299,072	12,929,482
Willis Towers Watson plc.	United States	16,114	3,394,897
			44,680,848
IT Services 2.1%			
Cognizant Technology Solutions Corp., A.	United States	127,760	10,469,932
Media 3.0%			
^b Charter Communications, Inc., A.	United States	20,786	13,750,978
^b iHeartMedia, Inc., A.	United States	95,199	1,235,683
^a ^b iHeartMedia, Inc., B	United States	1,606	19,387
			15,006,048
Oil, Gas & Consumable Fuels 7.2%			
BP plc.	United Kingdom	2,966,046	10,235,810
Canadian Natural Resources Ltd.	Canada	278,200	6,689,834
Kinder Morgan, Inc.	United States	499,770	6,831,856
Williams Cos., Inc. (The)	United States	611,601	12,262,600
			36,020,100
Pharmaceuticals 11.7%			
^b Elanco Animal Health, Inc.	United States	60,998	1,870,809
Eli Lilly and Co.	United States	73,735	12,449,417
GlaxoSmithKline plc	United Kingdom	850,402	15,561,764
Merck & Co., Inc.	United States	169,416	13,858,229
Novartis AG, ADR	Switzerland	151,697	14,324,748
			58,064,967
Semiconductors & Semiconductor Equipment 2.6%			
^b Inphi Corp.	United States	8,200	1,315,854
^b Renesas Electronics Corp.	Japan	758,463	7,938,825
Xilinx, Inc.	United States	25,200	3,572,604
			12,827,283
Software 3.7%			
^b Avaya Holdings Corp.	United States	4	76
^b Check Point Software Technologies Ltd.	Israel	73,259	9,736,854
Oracle Corp.	United States	134,000	8,668,460
			18,405,390
Technology Hardware, Storage & Peripherals 5.3%			
Catcher Technology Co. Ltd.	Taiwan	411,000	3,021,335
Samsung Electronics Co. Ltd.	South Korea	191,101	14,248,989

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Technology Hardware, Storage & Peripherals (continued)			
Western Digital Corp.	United States	166,446	\$9,219,444
			26,489,768
Textiles, Apparel & Luxury Goods 1.3%			
Cie Financiere Richemont SA	Switzerland	73,673	6,655,768
Tobacco 3.7%			
Altria Group, Inc.	United States	135,684	5,563,044
British American Tobacco plc.	United Kingdom	290,877	10,803,050
British American Tobacco plc, ADR	United Kingdom	53,648	2,011,264
			18,377,358
Wireless Telecommunication Services 0.7%			
Vodafone Group plc	United Kingdom	2,197,260	3,609,237
Total Common Stocks (Cost \$355,728,998)			454,487,443
Preferred Stocks 2.5%			
Automobiles 2.5%			
^e Volkswagen AG, 3.18%	Germany	65,040	12,155,426
Total Preferred Stocks (Cost \$10,628,895)			12,155,426
			Warrants
Warrants 0.0%[†]			
Software 0.0%[†]			
^b Avaya Holdings Corp., 12/15/22	United States	5,179	16,832
Textiles, Apparel & Luxury Goods 0.0%[†]			
^b Cie Financiere Richemont SA, 11/22/23.	Switzerland	147,346	38,280
Total Warrants (Cost \$—)			55,112
			Principal Amount[†]
Corporate Bonds 2.3%			
Airlines 1.3%			
^d American Airlines, Inc., Senior Secured Note, 144A, 11.75%, 7/15/25	United States	3,988,000	4,605,143
^d Mileage Plus Holdings LLC / Mileage Plus Intellectual Property Assets Ltd., Senior Secured Note, 144A, 6.5%, 6/20/27	United States	2,060,000	2,218,363
			6,823,506
Diversified Telecommunication Services 0.8%			
^f Frontier Communications Corp., Senior Note, 10.5%, 9/15/22	United States	3,610,000	1,889,889
Senior Note, 11%, 9/15/25	United States	4,065,000	2,141,747
			4,031,636
Multiline Retail 0.2%			
^d Macy's, Inc., Senior Secured Note, 144A, 8.375%, 6/15/25	United States	829,000	921,516
Total Corporate Bonds (Cost \$13,968,435)			11,776,658
			Shares
Companies in Liquidation 0.0%[†]			
^{a,b,g} Tribune Media, Litigation Trust, Contingent Distribution	United States	57,457	—
^{a,b,g} Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	5,912,264	8,868

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares	Value
Companies in Liquidation (continued)			
^{a,b,g} Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	966,000	\$—
Total Companies in Liquidation (Cost \$185,800)			8,868
Total Long Term Investments (Cost \$380,512,128)			478,483,507
Short Term Investments 2.6%			
	Country	Principal Amount ^f	Value
U.S. Government and Agency Securities 2.6%			
^h FHLB, 1/04/21	United States	1,000,000	1,000,000
^h U.S. Treasury Bills,			
1/05/21	United States	4,500,000	4,500,000
ⁱ 1/14/21	United States	1,500,000	1,499,985
ⁱ 1/21/21	United States	2,500,000	2,499,959
ⁱ 2/04/21	United States	1,500,000	1,499,942
ⁱ 2/11/21	United States	1,500,000	1,499,921
ⁱ 6/24/21	United States	500,000	499,828
			11,999,635
Total U.S. Government and Agency Securities (Cost \$12,999,230)			12,999,635
Total Short Term Investments (Cost \$12,999,230)			12,999,635
Total Investments (Cost \$393,511,358) 98.6%			\$491,483,142
Securities Sold Short (1.9)%			(9,658,529)
Other Assets, less Liabilities 3.3%			16,304,059
Net Assets 100.0%			\$498,128,672
		Shares	
Securities Sold Short (1.9)%			
Common Stocks (1.9)%			
Insurance (0.7)%			
^j Aon plc, A	United States	17,404	(3,676,943)
Pharmaceuticals (0.2)%			
^j AstraZeneca plc, ADR	United Kingdom	21,865	(1,093,031)
Semiconductors & Semiconductor Equipment (1.0)%			
Advanced Micro Devices, Inc.	United States	43,430	(3,982,965)
Marvell Technology Group Ltd.	United States	19,049	(905,590)
			(4,888,555)
Total Common Stocks (Proceeds \$9,551,906)			(9,658,529)
Total Securities Sold Short (Proceeds \$9,551,906)			\$(9,658,529)

Franklin Mutual Global Discovery VIP Fund (continued)

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

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

[¶]Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

[¶]Non-income producing.

[¶]See Note 10 regarding restricted securities.

[¶]Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$19,657,833, representing 3.9% of net assets.

[¶]Variable rate security. The rate shown represents the yield at period end.

[¶]See Note 7 regarding credit risk and defaulted securities.

[¶]Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

[¶]The security was issued on a discount basis with no stated coupon rate.

[¶]A portion or all of the security has been segregated as collateral for securities sold short and forward exchange contracts. At December 31, 2020, the aggregate value of these securities pledged amounted to \$5,652,000, representing 1.1% of net assets.

[¶]See Note 1(d) regarding securities sold short.

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Foreign exchange contracts					
Foreign Exchange EUR/USD	Short	94	\$14,389,050	3/15/21	\$(84,810)
Foreign Exchange GBP/USD	Short	115	9,817,406	3/15/21	(145,812)
Total Futures Contracts					<u>\$(230,622)</u>

*As of period end.

At December 31, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
British Pound	BNY	Buy	12,562	17,087	1/19/21	\$96	\$—
British Pound	BOFA	Buy	1,187,076	1,552,325	1/19/21	71,329	—
British Pound	HSBK	Buy	2,150,250	2,464,839	1/19/21	92,418	—
British Pound	HSBK	Sell	8,496,369	11,082,573	1/19/21	—	(538,548)
British Pound	SSBT	Buy	48,666	65,623	1/19/21	941	—
British Pound	UBSW	Buy	901,437	1,178,800	1/19/21	54,164	—
New Taiwan Dollar ..	HSBK	Sell	39,559,878	1,409,551	1/29/21	392	(3,850)
New Taiwan Dollar ..	UBSW	Sell	41,719,482	1,487,819	1/29/21	458	(2,786)
Swiss Franc	HSBK	Sell	3,918,376	4,415,236	2/16/21	—	(16,445)
Swiss Franc	UBSW	Sell	3,918,376	4,413,952	2/16/21	—	(17,728)
Euro	BOFA	Sell	81,850	99,824	2/23/21	—	(285)
Euro	HSBK	Sell	27,252,626	33,096,105	2/23/21	—	(236,171)
Euro	UBSW	Sell	1,740,181	2,119,348	2/23/21	—	(9,042)
South Korean Won ..	HSBK	Buy	2,026,564,425	1,839,874	5/14/21	22,635	(318)
South Korean Won ..	HSBK	Sell	5,698,790,095	5,083,226	5/14/21	—	(153,341)
South Korean Won ..	UBSW	Sell	926,097,546	832,597	5/14/21	—	(18,387)
South Korean Won ..	HSBK	Sell	6,252,499,822	5,658,966	6/18/21	—	(86,069)

Franklin Mutual Global Discovery VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counter-party^a	Type	Quantity	Contract Amount[*]	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
South Korean Won	UBSW	Sell	178,093,425	160,842	6/18/21	\$—	\$(2,798)
Total Forward Exchange Contracts						\$242,433	\$(1,085,768)
Net unrealized appreciation (depreciation)							\$(843,335)

[†]In U.S. dollars unless otherwise indicated.

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

See Note 11 regarding other derivative information.

See Abbreviations on page 32.

Statement of Assets and Liabilities

December 31, 2020

**Franklin
Mutual Global
Discovery VIP
Fund**

Assets:

Investments in securities:	
Cost - Unaffiliated issuers	\$393,511,358
Value - Unaffiliated issuers	\$491,483,142
Cash	472,463
Foreign currency, at value (cost \$194,668)	194,668
Receivables:	
Investment securities sold	3,339,573
Capital shares sold	242,820
Dividends and interest	1,287,709
European Union tax reclaims (Note 1g)	2,809,872
Deposits with brokers for:	
Securities sold short	9,764,289
Futures contracts	552,431
Variation margin on futures contracts	43,969
Unrealized appreciation on OTC forward exchange contracts	242,433
Other assets	194,734
Total assets	<u>\$510,628,103</u>

Liabilities:

Payables:	
Investment securities purchased	445,584
Capital shares redeemed	548,142
Management fees	366,500
Distribution fees	106,230
Securities sold short, at value (proceeds \$9,551,906)	9,658,529
Unrealized depreciation on OTC forward exchange contracts	1,085,768
Accrued expenses and other liabilities	288,678
Total liabilities	<u>12,499,431</u>
Net assets, at value	<u>\$498,128,672</u>

Net assets consist of:

Paid-in capital	\$417,112,250
Total distributable earnings (losses)	81,016,422
Net assets, at value	<u>\$498,128,672</u>

**Franklin
Mutual Global
Discovery VIP
Fund**

Class 1:

Net assets, at value	\$3,787,718
Shares outstanding	216,444
Net asset value and maximum offering price per share	<u>\$17.50</u>

Class 2:

Net assets, at value	\$467,653,328
Shares outstanding	27,648,982
Net asset value and maximum offering price per share	<u>\$16.91</u>

Class 4:

Net assets, at value	\$26,687,626
Shares outstanding	1,539,333
Net asset value and maximum offering price per share	<u>\$17.34</u>

Statement of Operations

for the year ended December 31, 2020

	Franklin Mutual Global Discovery VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$518,967)	
Unaffiliated issuers	\$17,985,535
Interest:	
Unaffiliated issuers	800,391
Adjustment for uncollectible interest (Note 7)	(404,250)
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	104,673
Non-controlled affiliates (Note 3e)	1,064
Other income (Note 1g)	2,677,692
Total investment income	<u>21,165,105</u>
Expenses:	
Management fees (Note 3a)	4,061,717
Distribution fees: (Note 3c)	
Class 2	1,089,401
Class 4	88,190
Custodian fees (Note 4)	13,928
Reports to shareholders	126,559
Professional fees	155,568
Trustees' fees and expenses	2,798
Dividends on securities sold short	56,530
Other	127,926
Total expenses	<u>5,722,617</u>
Expense reductions (Note 4)	(2,828)
Expenses waived/paid by affiliates (Note 3e)	(1,186)
Net expenses	<u>5,718,603</u>
Net investment income	<u>15,446,502</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(24,816,002)
Foreign currency transactions	99,343
Forward exchange contracts	(4,767,212)
Futures contracts	(1,661,927)
Securities sold short	(293,748)
Net realized gain (loss)	<u>(31,439,546)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(12,743,596)
Translation of other assets and liabilities denominated in foreign currencies	128,044
Forward exchange contracts	531,023
Futures contracts	103,829
Securities sold short	268,328
Net change in unrealized appreciation (depreciation)	<u>(11,712,372)</u>
Net realized and unrealized gain (loss)	<u>(43,151,918)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(27,705,416)</u>

Statements of Changes in Net Assets

	Franklin Mutual Global Discovery VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$15,446,502	\$11,110,516
Net realized gain (loss)	(31,439,546)	10,200,575
Net change in unrealized appreciation (depreciation)	(11,712,372)	100,899,252
Net increase (decrease) in net assets resulting from operations	(27,705,416)	122,210,343
Distributions to shareholders:		
Class 1	(151,550)	(427,555)
Class 2	(18,507,580)	(61,286,007)
Class 4	(1,028,932)	(3,431,154)
Total distributions to shareholders	(19,688,062)	(65,144,716)
Capital share transactions: (Note 2)		
Class 1	172,218	231,219
Class 2	(27,296,236)	(14,266,368)
Class 4	(1,856,627)	(2,510,695)
Total capital share transactions	(28,980,645)	(16,545,844)
Net increase (decrease) in net assets	(76,374,123)	40,519,783
Net assets:		
Beginning of year	574,502,795	533,983,012
End of year	\$498,128,672	\$574,502,795

Notes to Financial Statements

Franklin Mutual Global Discovery VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual Global Discovery 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. At December 31, 2020, 43.4% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

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

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

Franklin Mutual Global Discovery VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

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

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

c. 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

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

c. Derivative Financial Instruments (continued)

with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2020 the Fund had OTC derivatives in a net liability position of \$843,335 and the aggregate value of collateral pledged for such contracts was \$871,985.

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 exchange traded futures contracts primarily to manage and/or gain exposure to interest rate and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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.

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.

See Note 11 regarding other derivative information.

d. Securities Sold Sho

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

Franklin Mutual Global Discovery VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**e. Securities Lending**

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2020, the Fund had no securities on loan.

f. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate.

As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

g. Income and Deferred Taxes

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

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Income and Deferred Taxes (continued)

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.

h. Security Transactions, Investment Income, Expenses and Distributions

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

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.

i. 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.

j. Guarantees and Indemnifications

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

Franklin Mutual Global Discovery VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	35,855	\$553,637	24,462	\$464,734
Shares issued in reinvestment of distributions	10,310	151,550	24,488	427,555
Shares redeemed	(32,073)	(532,969)	(34,522)	(661,070)
Net increase (decrease)	14,092	\$172,218	14,428	\$231,219
Class 2 Shares:				
Shares sold	2,017,207	\$28,571,483	753,358	\$13,863,507
Shares issued in reinvestment of distributions	1,301,518	18,507,580	3,626,391	61,286,007
Shares redeemed	(4,784,030)	(74,375,299)	(4,790,566)	(89,415,882)
Net increase (decrease)	(1,465,305)	\$(27,296,236)	(410,817)	\$(14,266,368)
Class 4 Shares:				
Shares sold	178,276	\$2,524,788	22,659	\$428,560
Shares issued in reinvestment of distributions	70,572	1,028,932	198,332	3,431,154
Shares redeemed	(336,123)	(5,410,347)	(334,363)	(6,370,409)
Net increase (decrease)	(87,275)	\$(1,856,627)	(113,372)	\$(2,510,695)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC. (Franklin Mutual)	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

Franklin Mutual Global Discovery VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.875%	Up to and including \$4 billion
0.845%	Over \$4 billion, up to and including \$7 billion
0.825%	Over \$7 billion, up to and including \$10 billion
0.805%	Over \$10 billion, up to and including \$13 billion
0.785%	Over \$13 billion, up to and including \$16 billion
0.765%	Over \$16 billion, up to and including \$19 billion
0.745%	Over \$19 billion, up to and including \$22 billion
0.725%	Over \$22 billion, up to and including \$25 billion
0.705%	Over \$25 billion, up to and including \$28 billion
0.685%	In excess of \$28 billion

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Franklin Mutual Global Discovery VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Mutual Global Discovery VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$21,908,000	\$(21,908,000)	\$—	\$—	\$— ^a	—	\$1,064
Total Affiliated Securities	\$—	\$21,908,000	\$(21,908,000)	\$—	\$—	\$—		\$1,064

^a As of December 31, 2020, no longer held by the fund.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$3,106,976
Long term	26,241,010
Total capital loss carryforwards	\$29,347,986

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows

	2020	2019
Distributions paid from:		
Ordinary income	\$14,126,592	\$16,065,752
Long term capital gain	5,561,470	49,078,964
	\$19,688,062	\$65,144,716

Franklin Mutual Global Discovery VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$385,834,100
Unrealized appreciation	\$118,052,649
Unrealized depreciation	(23,136,093)
Net unrealized appreciation (depreciation)	<u>\$94,916,556</u>
Distributable earnings:	
Undistributed ordinary income	<u>\$12,712,129</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 partnerships, bond market discounts and premiums, return of capital distributions, defaulted securities, foreign currency transactions and wash sales, EU reclaims, passive foreign investment company shares and tax straddles.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2020, aggregated \$153,687,922 and \$191,146,300, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest. For the period ended December 31, 2020, the Fund recorded an uncollectible interest of \$404,250 as noted in the Statement of Operations.

At December 31, 2020, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$4,031,636, representing 0.8% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

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, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

Franklin Mutual Global Discovery VIP Fund (continued)

9. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

10. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At December 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
424,073	International Automotive Components Group Brazil LLC	4/13/06 - 12/26/08	\$281,629	\$9,018

11. Other Derivative Information

At December 31, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Mutual Global Discovery VIP Fund				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$230,622 ^a
	Unrealized appreciation on OTC forward exchange contracts	242,433	Unrealized depreciation on OTC forward exchange contracts	1,085,768
Total		<u>\$242,433</u>		<u>\$1,316,390</u>

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

Franklin Mutual Global Discovery VIP Fund (continued)

11. Other Derivative Information (continued)

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Mutual Global Discovery VIP Fund				
Foreign exchange contracts . . .				
	Futures contracts	\$(1,661,927)	Futures contracts	\$103,829
	Forward exchange contracts	(4,767,212)	Forward exchange contracts	531,023
Total		<u>\$(6,429,139)</u>		<u>\$634,852</u>

For the year ended December 31, 2020, the average month end notional amount of futures contracts represented \$30,263,706. The average month end contract value of forward exchange contracts was \$82,634,629.

See Note 1(c) regarding derivative financial instruments.

12. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

13. 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.)

Franklin Mutual Global Discovery VIP Fund (continued)

13. Fair Value Measurements (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.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Mutual Global Discovery VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$7,035,891	\$—	\$7,035,891
Auto Components	—	—	9,018	9,018
Automobiles	4,963,488	—	—	4,963,488
Banks	25,740,396	8,965,646	—	34,706,042
Beverages	6,136,746	—	—	6,136,746
Biotechnology	1,608,178	—	—	1,608,178
Building Products	6,086,611	—	—	6,086,611
Capital Markets	—	16,970,283	—	16,970,283
Chemicals	—	18,158,331	—	18,158,331
Communications Equipment	4,532,280	—	—	4,532,280
Construction Materials	—	6,017,295	—	6,017,295
Consumer Finance	7,877,159	—	—	7,877,159
Containers & Packaging	5,290,208	—	—	5,290,208
Diversified Financial Services	9,477,232	—	—	9,477,232
Diversified Telecommunication Services	—	5,560,170	—	5,560,170
Entertainment	10,977,878	—	—	10,977,878
Food Products	10,612,892	—	—	10,612,892
Health Care Equipment & Supplies	13,917,755	—	—	13,917,755
Health Care Providers & Services	21,118,948	—	—	21,118,948
Hotels, Restaurants & Leisure	—	6,073,799	—	6,073,799
Industrial Conglomerates	6,750,540	—	—	6,750,540
Insurance	24,199,998	20,480,850	—	44,680,848
IT Services	10,469,932	—	—	10,469,932
Media	14,986,661	—	19,387	15,006,048
Oil, Gas & Consumable Fuels	25,784,290	10,235,810	—	36,020,100
Pharmaceuticals	42,503,203	15,561,764	—	58,064,967
Semiconductors & Semiconductor Equipment	4,888,458	7,938,825	—	12,827,283
Software	18,405,390	—	—	18,405,390
Technology Hardware, Storage & Peripherals	9,219,444	17,270,324	—	26,489,768
Textiles, Apparel & Luxury Goods	—	6,655,768	—	6,655,768
Tobacco	7,574,308	10,803,050	—	18,377,358
Wireless Telecommunication Services	—	3,609,237	—	3,609,237
Preferred Stocks	—	12,155,426	—	12,155,426
Warrants:				
Software	—	16,832	—	16,832
Textiles, Apparel & Luxury Goods	38,280	—	—	38,280
Corporate Bonds	—	11,776,658	—	11,776,658
Companies in Liquidation	—	—	8,868 ^a	8,868
Short Term Investments	11,999,635	1,000,000	—	12,999,635
Total Investments in Securities	\$305,159,910	\$186,285,959	\$37,273	\$491,483,142
Other Financial Instruments:				
Forward exchange contracts	\$—	\$242,433	\$—	\$242,433
Total Other Financial Instruments	\$—	\$242,433	\$—	\$242,433

Franklin Mutual Global Discovery VIP Fund (continued)

13. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Mutual Global Discovery VIP Fund (continued)				
Liabilities:				
Other Financial Instruments:				
Securities Sold Short	\$9,658,529	\$—	\$—	\$9,658,529
Forward exchange contracts	—	1,085,768	—	1,085,768
Futures contracts	230,622	—	—	230,622
Total Other Financial Instruments	\$9,889,151	\$1,085,768	\$—	\$10,974,919

^aIncludes securities determined to have no value at December 31, 2020.

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

14. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

15. Subsequent Events

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

Abbreviations

Counterparty

BNY	Bank of New York
BOFA	Bank of America Corp.
HSBK	HSBC Bank plc
SSBT	State Street Bank and Trust Co.
UBSW	UBS AG

Currency

EUR	Euro
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
FHLB	Federal Home Loan Banks

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Mutual Global Discovery VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 19, 2021

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

Tax Information (unaudited)

Franklin Mutual Global Discovery VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$5,561,470 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 70.38% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Mutual Shares VIP Fund

This annual report for Franklin Mutual Shares VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

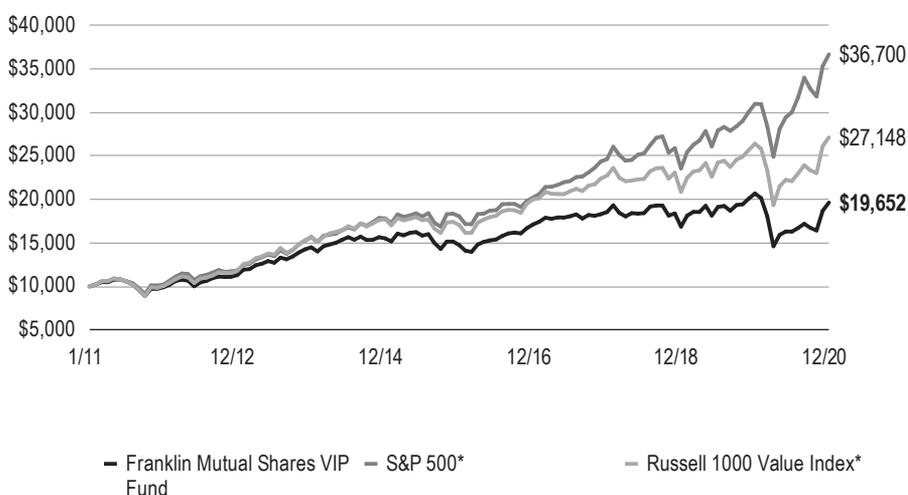
Share Class	Average Annual Total Return
2	
1-Year	-5.04%
5-Year	+5.88%
10-Year	+6.99%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®) and the Russell 1000® Value Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Mutual Shares VIP Fund

Fund Goal and Main Investments

The Fund seeks capital appreciation. Its secondary goal is income. Under normal market conditions, the Fund invests primarily in U.S. and foreign equity securities that we believe are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock, with a current focus on companies with market capitalizations greater than \$5 billion. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest up to 35% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Value securities may not increase in price as anticipated or may decline further in value. Investing in foreign securities typically involves more risks than investing in U.S. securities, including risks related to currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation and greater price volatility. Securities issued by small and mid-capitalization companies may be more volatile in price than those of larger companies and may involve additional risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time the Fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, which may result in losses to the Fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default and are generally more likely to become worthless than the securities of more financially stable companies. To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to

Geographic Composition

12/31/20

	% of Total Net Assets
United States	82.1%
United Kingdom	6.9%
Switzerland	3.4%
South Korea	2.8%
Other	0.6%
Short-Term Investments & Other Net Assets	4.2%

greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's new benchmark, the Russell 1000[®] Value Index, posted a +2.80% total return for the period under review.¹ Also for comparison, the Fund's prior benchmark, the Standard & Poor's[®] 500 Index (S&P 500[®]), posted a +18.40% total return for the same period.¹ The Russell 1000[®] Value Index is replacing the S&P 500 as the Fund's benchmark. The investment manager believes the composition of the Russell 1000[®] Value Index more accurately reflects the Fund's current investment strategy and portfolio characteristics.

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines,

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).

the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

2. Source: U.S. Bureau of Labor Statistics.

Top 10 Industries

12/31/20

	% of Total Net Assets
Pharmaceuticals	10.1%
Banks	8.3%
Insurance	6.3%
Media	6.0%
Software	4.8%
Oil, Gas & Consumable Fuels	4.7%
Technology Hardware, Storage & Peripherals	4.3%
Food Products	4.2%
Health Care Providers & Services	3.9%
Health Care Equipment & Supplies	3.4%

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹ Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings

disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well. Our portfolio selection process generally includes an assessment of the potential impacts of any material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as deals, the target company may trade at a discount to the bid it ultimately accepts. One form of arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

Manager's Discussion

A year ago, we reflected on a decade of equity market strength and solid, but weaker, returns for our value investing strategy. 2020 turned out to be an amplification of this performance gap, rather than a correction. The year started with a continuation of strong performance from market-darling growth stocks. The gap exploded as COVID-19 led to lockdowns and people working from home. The market leaders often benefited from these changes, with technology tools being adopted more quickly than before. Meanwhile, the lockdowns and disruption severely impacted many companies thought of as value stocks.

Even as central banks and governments across the globe acted through fiscal and monetary stimulus, the recovery came slowly and only accelerated when the prospects of an effective vaccine helped markets understand when the

health crisis might be over. By the end of 2020, the MSCI World Value Index (USD) had recovered to be almost flat, with a -0.38% return.¹ However, growth stocks advanced substantially further, as evidenced by the MSCI World Growth Index (USD), ending the year up +34.18%.¹

Many signs of increased speculation in the market have appeared, with a surge in the number of IPOs not seen since the tech bubble and a boom in special purpose acquisition companies (SPACs), a type of company which raises money opportunistically and then looks around for a profitable opportunity. There is no guarantee that equity markets will not go higher or that some speculation will not be profitable, but we try to look through the speculation and continue to see attractive values in various parts of the market.

Our traditional value equity investment approach is complemented with two other strategies, distressed investing and merger arbitrage. We were active in both during 2020.

Within merger arbitrage, which involves trading the stocks of companies involved in a merger or acquisition (M&A), activity has climbed in tandem with increasing confidence about an end to the pandemic crisis. Significant new deals have been announced and some present attractive investment opportunities. In addition, the deals which were impacted by the emergence of the coronavirus have seen renegotiated terms and moved toward amicable resolution. This includes deals such as Tiffany's acquisition by LVMH Moët Hennessy Louis Vuitton and Taubman's acquisition by Simon Property Group. We expect an ongoing acceleration of M&A activity given a recovering economy, strong markets, and the hope for increasing regulatory and trade predictability under the incoming U.S. administration.

Within our distressed credit strategy, we targeted companies and industries directly impacted by the coronavirus pandemic. The robust government fiscal and monetary interventions have limited the number of attractive options, but we found opportunities in the energy sector and the retail and travel industries. As the vaccine news arrived and liquidity remained strong, the opportunities have become more limited. We expect to see fewer new distressed debt opportunities than the merger arbitrage opportunities discussed above.

Fund Performance

Turning to Fund performance, top positive contributors included Charter Communications, Samsung Electronics and Cognizant Technologies.

Shares of U.S.-based cable operator Charter Communications rallied throughout much of 2020's second half, lifted by second-quarter earnings that exceeded consensus expectations. The stay-at-home economy emerging in the wake of the coronavirus pandemic led to an increase in the number of high-speed data subscribers and lower turnover among the existing customer base. These factors drove higher margins and increased free cash flow, which management used to buy back stock. Third-quarter results were also strong, with high-speed data net subscriber additions and residential video growth soundly beating expectations. The company's financials also continued to improve.

After experiencing COVID-related volatility during the first few months of the year, the stock price of South Korea-based electronics and computer peripherals manufacturer Samsung Electronics started to recover in April and continued an upward trajectory for the remainder of the year, making it a leading contributor to portfolio performance. The company posted strong first-quarter results, with revenue and operating profit rising year-over-year, propelled by sales of its memory chips. Demand for memory chips increased during the lockdown, driven by hyperscale data center spending and spending to enable working from home and online learning. Investors are optimistic that strength in memory prices can continue and Samsung is expected to announce a new capital return program in early 2021, which may include a special dividend.

Shares of U.S.-based Cognizant Technology Solutions Group, a provider of information technology (IT), consulting and business process outsourcing services, rose in February largely due to fourth-quarter 2019 financial results that beat expectations. After price fluctuation in March due to uncertainty around the impact of COVID-19, the stock continued its rally after first-quarter 2020 results announced in May were also better than expected, despite softer-than-expected margins and pandemic-related expenses. Second-quarter financial results similarly beat expectations. Shares of Cognizant rallied as management's turnaround initiatives contributed to positive investor sentiment. The pandemic has also accelerated digital transformation across industries, which resulted in solid growth for IT services vendors such as Cognizant. Growth in the company's digital practice segments—which were up by half—drove second-quarter results. Cognizant continued to ramp up its digital strategy by acquiring seven companies that it merged into existing divisions during 2020's first three quarters. A strong third-quarter announcement and broader recovery in IT services demand continued to support the stock price, which generally rose throughout the remainder of the period.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Medtronic plc <i>Health Care Equipment & Supplies, United States</i>	3.4%
Charter Communications, Inc. <i>Media, United States</i>	3.3%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage & Peripherals, South Korea</i>	2.8%
Merck & Co., Inc. <i>Pharmaceuticals, United States</i>	2.6%
CVS Health Corp. <i>Health Care Providers & Services, United States</i>	2.5%
Oracle Corp. <i>Software, United States</i>	2.5%
Walt Disney Co. (The) <i>Entertainment, United States</i>	2.4%
Kraft Heinz Co. (The) <i>Food Products, United States</i>	2.3%
Comcast Corp. <i>Media, United States</i>	2.3%
JPMorgan Chase & Co. <i>Banks, United States</i>	2.3%

During the period under review, Fund investments that detracted from performance included American International Group (AIG), Wells Fargo and Citizens Financial Group.

The stock price of U.S.-based insurer AIG fell from mid-February through late March. The declining valuation was fueled by investor concerns regarding the coronavirus outbreak and operating shortfalls in fourth-quarter earnings. An uncertain environment and changes in leadership and business strategy continued to affect the company throughout the remainder of the year, culminating in the announcement of the spinoff of its life insurance business and a change in leadership. We have since exited the position.

The performance of U.S.-based diversified financial services company Wells Fargo was affected by the regulatory restrictions placed on it following the account opening scandal, particularly the ability to grow the size of its balance sheet freely. These limits negatively impacted the company in March when a flurry of companies rushed to draw on their credit lines to strengthen their liquidity positions as the effects of the pandemic became more tangible. After the March downturn, COVID-related uncertainty and interest-rate declines continued to hinder the organization, leading management to revise its forward guidance several times throughout the year. First-quarter earnings fell short of expectations, and Wells Fargo posted a second-quarter loss, although much of it was due to the bank's massive contribution to its loan loss reserves. The company also drastically cut its dividend. During the third quarter,

headline earnings fell short of expectations, but many of the costs endured during the quarter were associated with restructuring, which management expects will reduce cost in 2021. In addition to shedding its student loan business in 2020, the company looks forward to streamlining its business model further in the year ahead.

The stock price of U.S.-based banking services company Citizens Financial Group declined from mid-February through late March. The valuation reduction was fueled by investor concern regarding the coronavirus outbreak and its economic effects, including increased borrower defaults and a falling interest-rate environment which decreases the profitability of lending products. However, the price stabilized as the broader market calmed down. In April, the bank posted decent first-quarter financial results amid a deteriorating economic environment. Management reported modest increases in revenue, loans and net interest margin, and broadly stable credit performance in the loan portfolio. However, in June, bank stocks retreated based on concerns about potential dividend cuts resulting from the Federal Reserve Board's stress tests of large banks. The company's stock price was bolstered in July by favorable second-quarter earnings, but continued to experience volatility toward period-end as third-quarter results fell short of consensus, due in part to large payments into reserves. We have since exited the stock.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-U.S. dollar investments. The hedges had a negative overall impact on the Fund's performance as the dollar fell against most currencies during the period.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,205.20	\$5.37	\$1,020.27	\$4.92	0.97%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Mutual Shares VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.19	\$17.71	\$20.71	\$20.40	\$19.48
Income from investment operations ^a :					
Net investment income ^b	0.55 ^c	0.46	0.36	0.49	0.50
Net realized and unrealized gains (losses)	(1.68)	3.39	(2.04)	1.22	2.56
Total from investment operations	(1.13)	3.85	(1.68)	1.71	3.06
Less distributions from:					
Net investment income	(0.50)	(0.42)	(0.55)	(0.53)	(0.46)
Net realized gains	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions	(1.13)	(2.37)	(1.32)	(1.40)	(2.14)
Net asset value, end of year	\$16.93	\$19.19	\$17.71	\$20.71	\$20.40
Total return ^d	(4.85)%	22.92%	(8.86)%	8.64%	16.35%
Ratios to average net assets					
Expenses ^{e,f,g}	0.73%	0.71%	0.71%	0.72%	0.72%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.48% ^c	2.35%	1.77%	2.34%	2.57%
Supplemental data					
Net assets, end of year (000's)	\$157,734	\$158,431	\$537,324	\$653,700	\$610,395
Portfolio turnover rate	36.96%	38.50%	24.67%	18.32%	24.45%

^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.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.27%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Franklin Mutual Shares VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.81	\$17.40	\$20.36	\$20.08	\$19.20
Income from investment operations ^a :					
Net investment income ^b	0.51 ^c	0.40	0.31	0.43	0.45
Net realized and unrealized gains (losses)	(1.65)	3.32	(2.00)	1.20	2.52
Total from investment operations	(1.14)	3.72	(1.69)	1.63	2.97
Less distributions from:					
Net investment income	(0.45)	(0.36)	(0.50)	(0.48)	(0.41)
Net realized gains	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions	(1.08)	(2.31)	(1.27)	(1.35)	(2.09)
Net asset value, end of year	\$16.59	\$18.81	\$17.40	\$20.36	\$20.08
Total return ^d	(5.04)%	22.57%	(9.07)%	8.35%	16.06%
Ratios to average net assets					
Expenses ^{e,f,g}	0.98%	0.96%	0.96%	0.97%	0.97%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.25% ^c	2.10%	1.52%	2.09%	2.32%
Supplemental data					
Net assets, end of year (000's)	\$2,620,645	\$2,931,753	\$2,516,834	\$3,476,913	\$3,621,358
Portfolio turnover rate	36.96%	38.50%	24.67%	18.32%	24.45%

^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.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.04%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Franklin Mutual Shares VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.99	\$17.55	\$20.53	\$20.23	\$19.32
Income from investment operations ^a :					
Net investment income ^b	0.49 ^c	0.38	0.29	0.41	0.44
Net realized and unrealized gains (losses)	(1.66)	3.36	(2.02)	1.21	2.53
Total from investment operations	(1.17)	3.74	(1.73)	1.62	2.97
Less distributions from:					
Net investment income	(0.44)	(0.35)	(0.48)	(0.45)	(0.38)
Net realized gains	(0.63)	(1.95)	(0.77)	(0.87)	(1.68)
Total distributions	(1.07)	(2.30)	(1.25)	(1.32)	(2.06)
Net asset value, end of year	\$16.75	\$18.99	\$17.55	\$20.53	\$20.23
Total return ^d	(5.17)%	22.44%	(9.16)%	8.25%	15.94%
Ratios to average net assets					
Expenses ^{e,f,g}	1.08%	1.06%	1.06%	1.07%	1.07%
Expenses - incurred in connection with securities sold short	0.01%	0.02%	0.01%	—	0.01%
Net investment income	3.13% ^c	2.00%	1.42%	1.99%	2.22%
Supplemental data					
Net assets, end of year (000's)	\$116,704	\$120,345	\$105,047	\$122,942	\$122,476
Portfolio turnover rate	36.96%	38.50%	24.67%	18.32%	24.45%

^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.

^cNet investment income per share includes approximately \$0.19 per share related to income received in the form of special dividends and EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.92%.

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

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

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

^gIncludes dividends and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

Statement of Investments, December 31, 2020

Franklin Mutual Shares VIP Fund

	Country	Shares	Value
Common Stocks 93.8%			
Aerospace & Defense 2.3%			
BAE Systems plc	United Kingdom	4,955,228	\$33,047,711
Huntington Ingalls Industries, Inc.	United States	201,965	34,430,993
			67,478,704
Auto Components 0.0%[†]			
^{a,b,c} International Automotive Components Group Brazil LLC	Belgium	1,730,515	36,801
Automobiles 0.9%			
General Motors Co.	United States	626,250	26,077,050
Banks 8.3%			
Bank of America Corp.	United States	1,220,023	36,978,897
Citigroup, Inc.	United States	998,798	61,585,885
JPMorgan Chase & Co.	United States	528,683	67,179,749
Synovus Financial Corp.	United States	962,235	31,147,547
Wells Fargo & Co.	United States	1,416,289	42,743,602
			239,635,680
Beverages 0.6%			
Heineken NV	Netherlands	158,036	17,612,080
Biotechnology 0.3%			
^b Alexion Pharmaceuticals, Inc.	United States	59,817	9,345,808
Building Products 1.7%			
Johnson Controls International plc.	United States	1,052,349	49,028,940
Capital Markets 1.2%			
Credit Suisse Group AG	Switzerland	2,740,559	35,383,025
Communications Equipment 1.0%			
Cisco Systems, Inc.	United States	645,776	28,898,476
Consumer Finance 1.9%			
Capital One Financial Corp.	United States	561,002	55,455,048
Containers & Packaging 1.5%			
International Paper Co.	United States	863,984	42,957,284
Diversified Financial Services 2.1%			
^b Berkshire Hathaway, Inc., B.	United States	64,294	14,907,850
Voya Financial, Inc.	United States	758,210	44,590,330
			59,498,180
Diversified Telecommunication Services 0.3%			
^{a,b,c} Windstream Holdings, Inc.	United States	609,467	8,068,734
Electric Utilities 1.0%			
Pinnacle West Capital Corp.	United States	367,001	29,341,730
Electrical Equipment 2.2%			
^b Sensata Technologies Holding plc.	United States	1,214,086	64,030,896
Electronic Equipment, Instruments & Components 0.6%			
Corning, Inc.	United States	497,343	17,904,348
Energy Equipment & Services 0.8%			
Schlumberger NV	United States	1,034,400	22,580,952
Entertainment 2.4%			
^b Walt Disney Co. (The).	United States	380,169	68,879,019

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Equity Real Estate Investment Trusts (REITs) 1.2%			
Alexander's, Inc.	United States	31,168	\$8,644,445
Uniti Group, Inc.	United States	517,941	6,075,448
Vornado Realty Trust.	United States	577,242	21,554,216
			36,274,109
Food & Staples Retailing 1.8%			
Kroger Co. (The).	United States	1,604,213	50,949,805
Food Products 4.2%			
Archer-Daniels-Midland Co.	United States	647,613	32,646,171
Conagra Brands, Inc.	United States	606,522	21,992,488
Kraft Heinz Co. (The)	United States	1,959,930	67,931,174
			122,569,833
Health Care Equipment & Supplies 3.4%			
Medtronic plc	United States	828,839	97,090,200
Health Care Providers & Services 3.9%			
Anthem, Inc.	United States	126,694	40,680,176
CVS Health Corp.	United States	1,074,742	73,404,879
			114,085,055
Household Durables 2.7%			
Lennar Corp., A.	United States	398,374	30,368,050
Newell Brands, Inc.	United States	2,255,143	47,876,686
			78,244,736
Household Products 0.7%			
Energizer Holdings, Inc.	United States	494,021	20,837,806
Industrial Conglomerates 1.4%			
General Electric Co.	United States	3,783,136	40,857,869
Insurance 7.0%			
Alleghany Corp.	United States	106,350	64,202,431
Everest Re Group Ltd.	United States	142,284	33,307,262
Hartford Financial Services Group, Inc. (The)	United States	1,040,835	50,980,098
MetLife, Inc.	United States	732,181	34,375,898
Willis Towers Watson plc	United States	90,068	18,975,526
			201,841,215
IT Services 2.1%			
Cognizant Technology Solutions Corp., A.	United States	748,658	61,352,523
Media 6.0%			
^b Charter Communications, Inc., A.	United States	145,766	96,431,497
Comcast Corp., A.	United States	1,282,070	67,180,468
^b iHeartMedia, Inc., A.	United States	717,645	9,315,032
^a ^b iHeartMedia, Inc., B.	United States	12,783	154,309
			173,081,306
Oil, Gas & Consumable Fuels 4.7%			
BP plc.	United Kingdom	13,763,147	47,496,552
Kinder Morgan, Inc.	United States	1,821,394	24,898,456
Williams Cos., Inc. (The)	United States	3,163,081	63,419,774
			135,814,782
Pharmaceuticals 10.3%			
^b Elanco Animal Health, Inc.	United States	326,387	10,010,289

Franklin Mutual Shares VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Pharmaceuticals (continued)			
Eli Lilly and Co.	United States	396,656	\$66,971,399
GlaxoSmithKline plc	United Kingdom	3,207,819	58,700,848
Merck & Co., Inc.	United States	916,817	74,995,631
Novartis AG, ADR	Switzerland	676,615	63,892,754
Perrigo Co. plc	United States	524,909	23,473,931
			298,044,852
Semiconductors & Semiconductor Equipment 1.0%			
^b Inphi Corp.	United States	47,300	7,590,231
Xilinx, Inc.	United States	146,300	20,740,951
			28,331,182
Software 3.2%			
^b Avaya Holdings Corp.	United States	116	2,221
NortonLifeLock, Inc.	United States	1,034,757	21,502,251
Oracle Corp.	United States	1,110,810	71,858,299
			93,362,771
Specialty Retail 1.1%			
Tiffany & Co.	United States	210,393	27,656,160
^{a,b} TRU Kids Parent LLC	United States	2,039	4,656,309
^{a,b} Wayne Services Legacy, Inc.	United States	2,039	—
			32,312,469
Technology Hardware, Storage & Peripherals 4.3%			
Samsung Electronics Co. Ltd.	South Korea	1,077,041	80,306,987
Western Digital Corp.	United States	796,144	44,098,416
			124,405,403
Textiles, Apparel & Luxury Goods 1.4%			
PVH Corp.	United States	417,411	39,190,719
Tobacco 3.0%			
Altria Group, Inc.	United States	674,777	27,665,857
British American Tobacco plc.	United Kingdom	1,292,980	48,020,738
British American Tobacco plc, ADR	United Kingdom	307,878	11,542,346
			87,228,941
Wireless Telecommunication Services 1.3%			
^b T-Mobile US, Inc.	United States	219,900	29,653,515
Vodafone Group plc	United Kingdom	4,928,703	8,095,927
			37,749,442
Total Common Stocks (Cost \$2,066,489,398)			2,715,837,773
		Warrants	
Warrants 0.0%[†]			
Diversified Telecommunication Services 0.0%[†]			
^{a,b} Windstream Holdings, Inc., 9/21/55	United States	34,368	454,998
Software 0.0%[†]			
^b Avaya Holdings Corp., 12/15/22	United States	91,551	297,541
Total Warrants (Cost \$436,130)			752,539

Franklin Mutual Shares VIP Fund (continued)

	Country	Principal Amount [†]	Value
Corporate Bonds 3.5%			
Airlines 1.1%			
^d American Airlines, Inc., Senior Secured Note, 144A, 11.75%, 7/15/25	United States	17,841,000	\$20,601,895
^d Mileage Plus Holdings LLC / Mileage Plus Intellectual Property Assets Ltd., Senior Secured Note, 144A, 6.5%, 6/20/27	United States	11,070,000	11,921,006
			<u>32,522,901</u>
Diversified Telecommunication Services 0.9%			
^e Frontier Communications Corp., Senior Note, 10.5%, 9/15/22	United States	22,633,000	11,848,715
Senior Note, 11%, 9/15/25	United States	25,535,000	13,453,753
			<u>25,302,468</u>
Machinery 0.2%			
^d Navistar International Corp., Senior Secured Note, 144A, 9.5%, 5/01/25	United States	4,878,200	5,484,926
Multiline Retail 0.2%			
^d Macy's, Inc., Senior Secured Note, 144A, 8.375%, 6/15/25	United States	4,438,000	4,933,281
Software 1.1%			
^d Veritas US, Inc. / Veritas Bermuda Ltd., Senior Note, 144A, 10.5%, 2/01/24	United States	23,445,000	23,929,491
Senior Secured Note, 144A, 7.5%, 2/01/23	United States	2,856,000	2,868,209
Senior Secured Note, 144A, 7.5%, 9/01/25	United States	6,752,000	6,937,680
			<u>33,735,380</u>
Total Corporate Bonds (Cost \$113,484,377)			<u>101,978,956</u>
Senior Floating Rate Interests 0.4%			
Software 0.4%			
^g Veritas US, Inc., Term Loan, B, 6.5%, (3-month USD LIBOR + 5.5%), 9/01/25	United States	10,477,740	10,463,333
Total Senior Floating Rate Interests (Cost \$10,283,135)			<u>10,463,333</u>
		Shares	
Companies in Liquidation 0.0%[†]			
^{a,b,h} Bosgen Liquidating Trust c/o Verdolino and Lowey P.C., Contingent Distribution	Netherlands	347,093	—
^{a,b,h} Tribune Media, Litigation Trust, Contingent Distribution	United States	397,730	—
^{a,b,h} Vistra Energy Corp., Litigation Trust, Contingent Distribution	United States	90,618,405	135,928
^{a,b,h} Walter Energy, Inc., Litigation Trust, Contingent Distribution	United States	6,301,000	—
Total Companies in Liquidation (Cost \$2,834,275)			<u>135,928</u>
Total Long Term Investments (Cost \$2,193,527,315)			<u>2,829,168,529</u>
Short Term Investments 1.8%			
	Country	Principal Amount [†]	Value
U.S. Government and Agency Securities 1.8%			
ⁱ FHLB, 1/04/21	United States	10,000,000	10,000,000
ⁱ U.S. Treasury Bills, 1/05/21	United States	5,000,000	5,000,001
^j 1/14/21	United States	4,000,000	3,999,961

Franklin Mutual Shares VIP Fund (continued)

Short Term Investments (continued)

	Country	Principal Amount [†]	Value
U.S. Government and Agency Securities (continued)			
U.S. Treasury Bills, (continued)			
ⁱ 1/21/21	United States	5,000,000	\$4,999,917
ⁱ 2/04/21	United States	6,000,000	5,999,768
ⁱ 2/11/21	United States	6,000,000	5,999,683
ⁱ 6/10/21	United States	15,000,000	14,995,241
ⁱ 6/24/21	United States	2,500,000	2,499,139
			43,493,710
Total U.S. Government and Agency Securities (Cost \$53,491,453)			53,493,710
Total Short Term Investments (Cost \$53,491,453)			53,493,710
Total Investments (Cost \$2,247,018,768) 99.5%			\$2,882,662,239
Securities Sold Short (1.9)%			(55,249,855)
Other Assets, less Liabilities 2.4%			67,670,775
Net Assets 100.0%			\$2,895,083,159
		Shares	
Securities Sold Short (1.9)%			
Common Stocks (1.9)%			
Insurance (0.7)%			
^k Aon plc, A.	United States	97,273	(20,550,867)
Pharmaceuticals (0.2)%			
^k AstraZeneca plc, ADR.	United Kingdom	127,069	(6,352,179)
Semiconductors & Semiconductor Equipment (1.0)%			
Advanced Micro Devices, Inc.	United States	252,134	(23,123,209)
Marvell Technology Group Ltd.	United States	109,878	(5,223,600)
			(28,346,809)
Total Common Stocks (Proceeds \$54,658,735)			(55,249,855)
Total Securities Sold Short (Proceeds \$54,658,735)			\$(55,249,855)

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

ⁱRounds to less than 0.1% of net assets.

^aFair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

^bNon-income producing.

^cSee Note 9 regarding restricted securities.

^dSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$76,676,488, representing 2.6% of net assets.

^eSee Note 7 regarding credit risk and defaulted securities.

^fSee Note 1(f) regarding senior floating rate interests.

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

^hContingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

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

^jA portion or all of the security has been segregated as collateral for securities sold short and/or open forward exchange contract. At December 31, 2020, the aggregate value of these securities pledged amounted to \$30,077,000, representing 1.0% of net assets.

^kSee Note 1(d) regarding securities sold short.

Franklin Mutual Shares VIP Fund (continued)

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Foreign exchange contracts					
Foreign Exchange EUR/USD	Short	39	\$5,969,925	3/15/21	\$(35,213)
Foreign Exchange GBP/USD	Short	446	38,074,462	3/15/21	(565,439)
Total Futures Contracts					<u>\$(600,652)</u>

*As of period end.

At December 31, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
British Pound	BNY	Buy	868,495	1,181,261	1/19/21	\$6,645	\$—
British Pound	BOFA	Buy	2,215,312	2,898,020	1/19/21	132,027	—
British Pound	BOFA	Sell	970,000	1,289,199	1/19/21	—	(37,542)
British Pound	HSBK	Buy	4,546,959	4,925,332	1/19/21	101,601	—
British Pound	HSBK	Sell	23,898,346	31,333,163	1/19/21	—	(1,354,398)
British Pound	SSBT	Sell	270,445	358,706	1/19/21	—	(11,202)
British Pound	UBSW	Buy	3,077,763	4,150,424	1/19/21	59,264	—
British Pound	UBSW	Sell	4,713,613	6,309,979	1/19/21	—	(137,185)
Swiss Franc	HSBK	Sell	14,940,976	16,835,528	2/16/21	—	(62,705)
Swiss Franc	UBSW	Sell	14,940,976	16,830,635	2/16/21	—	(67,597)
Euro	HSBK	Sell	4,288,795	5,208,334	2/23/21	—	(37,227)
South Korean Won	HSBK	Buy	15,981,640,747	14,442,764	5/14/21	242,622	—
South Korean Won	HSBK	Sell	34,999,519,250	31,308,787	5/14/21	—	(851,957)
South Korean Won	UBSW	Sell	14,950,923,952	13,389,043	5/14/21	—	(349,226)
South Korean Won	HSBK	Sell	39,878,506,618	36,100,480	6/18/21	—	(541,407)
South Korean Won	UBSW	Sell	9,030,995,877	8,156,146	6/18/21	—	(141,875)
Total Forward Exchange Contracts						<u>\$542,159</u>	<u>\$(3,592,321)</u>
Net unrealized appreciation (depreciation)							<u>\$(3,050,162)</u>

¹In U.S. dollars unless otherwise indicated.

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

See Note 10 regarding other derivative information.

See Abbreviations on page MS-32.

Statement of Assets and Liabilities

December 31, 2020

	Franklin Mutual Shares VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,247,018,768
Value - Unaffiliated issuers	\$2,882,662,239
Cash	249,463
Receivables:	
Investment securities sold	7,218,599
Capital shares sold	77,457
Dividends and interest	8,193,647
European Union tax reclaims (Note 1g)	4,300,357
Deposits with brokers for:	
Securities sold short	55,864,970
Futures contracts	1,199,421
Variation margin on futures contracts	83,819
Unrealized appreciation on OTC forward exchange contracts	542,159
Other assets	510,791
Total assets	<u>2,960,902,922</u>
Liabilities:	
Payables:	
Investment securities purchased	2,588,829
Capital shares redeemed	1,490,220
Management fees	1,640,057
Distribution fees	584,295
Securities sold short, at value (proceeds \$54,658,735)	55,249,855
Unrealized depreciation on OTC forward exchange contracts	3,592,321
Accrued expenses and other liabilities	674,186
Total liabilities	<u>65,819,763</u>
Net assets, at value	<u>\$2,895,083,159</u>
Net assets consist of:	
Paid-in capital	\$2,293,080,699
Total distributable earnings (losses)	602,002,460
Net assets, at value	<u>\$2,895,083,159</u>
Franklin Mutual Shares VIP Fund	
Class 1:	
Net assets, at value	\$157,733,886
Shares outstanding	9,315,159
Net asset value and maximum offering price per share	<u>\$16.93</u>
Class 2:	
Net assets, at value	\$2,620,645,087
Shares outstanding	158,010,079
Net asset value and maximum offering price per share	<u>\$16.59</u>
Class 4:	
Net assets, at value	\$116,704,186
Shares outstanding	6,966,093
Net asset value and maximum offering price per share	<u>\$16.75</u>

Statement of Operations

for the year ended December 31, 2020

	Franklin Mutual Shares VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$1,075,153)	
Unaffiliated issuers	\$93,301,427
Interest:	
Unaffiliated issuers	13,460,951
Adjustment for uncollectible interest (Note 7)	(2,537,110)
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	2,493
Non-controlled affiliates (Note 3e)	3,234
Other income (Note 1d)	3,547,616
Total investment income	<u>107,778,611</u>
Expenses:	
Management fees (Note 3a)	17,224,633
Distribution fees: (Note 3c)	
Class 2	5,771,709
Class 4	368,212
Custodian fees (Note 4)	19,860
Reports to shareholders	538,247
Professional fees	182,211
Trustees' fees and expenses	15,435
Dividends on securities sold short	390,444
Other	192,728
Total expenses	24,703,479
Expense reductions (Note 4)	(14,263)
Expenses waived/paid by affiliates (Note 3e)	(1,883)
Net expenses	<u>24,687,333</u>
Net investment income	<u>83,091,278</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(76,454,397)
Written options	(262,792)
Realized gain distributions from REITs	866,978
Foreign currency transactions	17,575
Forward exchange contracts	(7,306,854)
Futures contracts	(994,414)
Securities sold short	(1,409,935)
Net realized gain (loss)	<u>(85,543,839)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(175,321,183)
Translation of other assets and liabilities denominated in foreign currencies	305,714
Forward exchange contracts	(664,306)
Futures contracts	119,615
Securities sold short	1,381,584
Net change in unrealized appreciation (depreciation)	<u>(174,178,576)</u>
Net realized and unrealized gain (loss)	<u>(259,722,415)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(176,631,137)</u>

Statements of Changes in Net Assets

	Franklin Mutual Shares VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$83,091,278	\$70,482,893
Net realized gain (loss)	(85,543,839)	95,516,825
Net change in unrealized appreciation (depreciation)	(174,178,576)	497,609,167
Net increase (decrease) in net assets resulting from operations	(176,631,137)	663,608,885
Distributions to shareholders:		
Class 1	(9,923,875)	(35,828,591)
Class 2	(153,724,682)	(330,340,832)
Class 4	(7,227,115)	(13,089,406)
Total distributions to shareholders	(170,875,672)	(379,258,829)
Capital share transactions: (Note 2)		
Class 1	15,161,489	(436,530,771)
Class 2	9,448,782	198,182,849
Class 4	7,450,316	5,322,730
Total capital share transactions	32,060,587	(233,025,192)
Net increase (decrease) in net assets	(315,446,222)	51,324,864
Net assets:		
Beginning of year	3,210,529,381	3,159,204,517
End of year	\$2,895,083,159	\$3,210,529,381

Notes to Financial Statements

Franklin Mutual Shares VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

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

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

Franklin Mutual Shares VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

c. 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.

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

c. Derivative Financial Instruments (continued)

Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2020 the Fund had OTC derivatives in a net liability position of \$3,050,162 and the aggregate value of collateral pledged for such contracts was \$3,166,835.

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 exchange traded futures contracts primarily to manage and/or gain exposure to interest rate and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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.

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 purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss. The Fund did not hold any option contracts at period end.

See Note 10 regarding other derivative information.

d. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements

Franklin Mutual Shares VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Securities Sold Short** (continued)

until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

e. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2020, the Fund had no securities on Loan.

f. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

g. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any

Franklin Mutual Shares VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

g. Income and Deferred Taxes (continued)

related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, when EU reclaims are received by the Fund and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Paydown gains and losses are recorded as an adjustment to interest income. Dividend income, capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications

have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

i. 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.

j. Guarantees and Indemnifications

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

Franklin Mutual Shares VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	991,549	\$14,998,414	765,653	\$14,772,259
Shares issued in reinvestment of distributions	686,298	9,923,875	2,031,099	35,828,591
Shares redeemed	(619,658)	(9,760,800)	(24,880,289)	(487,131,621)
Net increase (decrease)	1,058,189	\$15,161,489	(22,083,537)	\$(436,530,771)
Class 2 Shares:				
Shares sold	22,804,922	\$339,671,560	29,854,091	\$583,466,693
Shares issued in reinvestment of distributions	10,848,601	153,724,682	19,094,846	330,340,832
Shares redeemed	(31,525,525)	(483,947,460)	(37,705,675)	(715,624,676)
Net increase (decrease)	2,127,998	\$9,448,782	11,243,262	\$198,182,849
Class 4 Shares:				
Shares sold	1,256,949	\$18,190,882	625,179	\$11,842,479
Shares issued in reinvestment of distributions	504,687	7,227,115	749,250	13,089,406
Shares redeemed	(1,132,933)	(17,967,681)	(1,022,438)	(19,609,155)
Net increase (decrease)	628,703	\$7,450,316	351,991	\$5,322,730

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	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

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.675%	Up to and including \$5 billion
0.645%	Over \$5 billion, up to and including \$10 billion
0.625%	Over \$10 billion, up to and including \$15 billion
0.595%	Over \$15 billion, up to and including \$20 billion
0.585%	Over \$20 billion, up to and including \$25 billion
0.565%	Over \$25 billion, up to and including \$30 billion
0.555%	Over \$30 billion, up to and including \$35 billion
0.545%	In excess of \$35 billion

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Franklin Mutual Shares VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Mutual Shares VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$20,927,000	\$(20,927,000)	\$—	\$—	\$—	—	\$3,234
Total Affiliated Securities	\$—	\$20,927,000	\$(20,927,000)	\$—	\$—	\$—		\$3,234

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2020, these purchase and sale transactions aggregated \$0 and \$1,702,055, respectively.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$9,931,155
Long term	75,381,114
Total capital loss carryforwards	\$85,312,269

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$91,085,601	\$66,965,945
Long term capital gain	79,790,071	312,292,884
	\$170,875,672	\$379,258,829

Franklin Mutual Shares VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$2,217,193,537
Unrealized appreciation	\$764,953,178
Unrealized depreciation	(158,385,145)
Net unrealized appreciation (depreciation)	<u>\$606,568,033</u>
Distributable earnings:	
Undistributed ordinary income	<u>\$76,328,333</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 EU reclaims, partnerships, defaults, return of capital from securities, foreign currency transactions and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the year ended December 31, 2020, aggregated \$978,618,859 and \$908,035,887, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest. For the year ended December 31, 2020, the Fund recorded an adjustment for uncollectible interest of \$2,537,110 as noted in the Statement of Operations.

At December 31, 2020, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$25,302,468, representing 0.9% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

Franklin Mutual Shares VIP Fund (continued)

9. Restricted Securities (continued)

At December 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
Franklin Mutual Shares VIP Fund				
1,730,515	International Automotive Components Group Brazil LLC	12/26/08	\$1,149,241	\$36,801
609,467	^a Windstream Holdings, Inc.	9/21/20	4,827,676	8,068,734
Total Restricted Securities (Value is 0.28% of Net Assets).			\$5,976,917	\$8,105,535

^aThe Fund also invests in unrestricted securities of the issuer, valued at \$454,998 as of December 31, 2020.

10. Other Derivative Information

At December 31, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin Mutual Shares VIP Fund				
Foreign exchange contracts . . .				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$600,652 ^a
	Unrealized appreciation on OTC forward exchange contracts	542,159	Unrealized depreciation on OTC forward exchange contracts	3,592,321
Total		<u>\$542,159</u>		<u>\$4,192,973</u>

^aThis amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment. For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Mutual Shares VIP Fund				
Foreign exchange contracts . . .				
	Futures contracts	\$(994,414)	Futures contracts	\$119,615
	Forward exchange contracts	(7,306,854)	Forward exchange contracts	(664,306)
Equity Contracts				
	Written options	(262,792)	Written options	—
Total		<u>\$(8,564,060)</u>		<u>\$(544,691)</u>

For the year ended December 31, 2020, the average month end notional amount of futures contracts and options represented \$56,504,189 and 885 shares, respectively. The average month end contract value of forward exchange contracts was \$154,922,257.

Franklin Mutual Shares VIP Fund (continued)

10. Other Derivative Information (continued)

See Note 1(d) regarding derivative financial instruments.

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

12. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$34,430,993	\$33,047,711	\$—	\$67,478,704
Auto Components	—	—	36,801	36,801
Automobiles	26,077,050	—	—	26,077,050
Banks	239,635,680	—	—	239,635,680
Beverages	17,612,080	—	—	17,612,080
Biotechnology	9,345,808	—	—	9,345,808
Building Products	49,028,940	—	—	49,028,940
Capital Markets	—	35,383,025	—	35,383,025
Communications Equipment	28,898,476	—	—	28,898,476
Consumer Finance	55,455,048	—	—	55,455,048
Containers & Packaging	42,957,284	—	—	42,957,284

Franklin Mutual Shares VIP Fund (continued)

12. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Mutual Shares VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Diversified Financial Services	\$59,498,180	\$—	\$—	\$59,498,180
Diversified Telecommunication Services	—	—	8,068,734	8,068,734
Electric Utilities	29,341,730	—	—	29,341,730
Electrical Equipment	64,030,896	—	—	64,030,896
Electronic Equipment, Instruments & Components	17,904,348	—	—	17,904,348
Energy Equipment & Services	22,580,952	—	—	22,580,952
Entertainment	68,879,019	—	—	68,879,019
Equity Real Estate Investment Trusts (REITs)	36,274,109	—	—	36,274,109
Food & Staples Retailing	50,949,805	—	—	50,949,805
Food Products	122,569,833	—	—	122,569,833
Health Care Equipment & Supplies	97,090,200	—	—	97,090,200
Health Care Providers & Services	114,085,055	—	—	114,085,055
Household Durables	78,244,736	—	—	78,244,736
Household Products	20,837,806	—	—	20,837,806
Industrial Conglomerates	40,857,869	—	—	40,857,869
Insurance	201,841,215	—	—	201,841,215
IT Services	61,352,523	—	—	61,352,523
Media	172,926,997	—	154,309	173,081,306
Oil, Gas & Consumable Fuels	88,318,230	47,496,552	—	135,814,782
Pharmaceuticals	239,344,004	58,700,848	—	298,044,852
Semiconductors & Semiconductor Equipment	28,331,182	—	—	28,331,182
Software	93,362,771	—	—	93,362,771
Specialty Retail	27,656,160	—	4,656,309 ^a	32,312,469
Technology Hardware, Storage & Peripherals	44,098,416	80,306,987	—	124,405,403
Textiles, Apparel & Luxury Goods	39,190,719	—	—	39,190,719
Tobacco	39,208,203	48,020,738	—	87,228,941
Wireless Telecommunication Services	29,653,515	8,095,927	—	37,749,442
Warrants:				
Diversified Telecommunication Services	—	—	454,998	454,998
Software	—	297,541	—	297,541
Corporate Bonds	—	101,978,956	—	101,978,956
Senior Floating Rate Interests	—	10,463,333	—	10,463,333
Companies in Liquidation	—	—	135,928 ^a	135,928
Short Term Investments	43,493,710	10,000,000	—	53,493,710
Total Investments in Securities	<u>\$2,435,363,542</u>	<u>\$433,791,618</u>	<u>\$13,507,079</u>	<u>\$2,882,662,239</u>
Other Financial Instruments:				
Forward exchange contracts	\$—	\$542,159	\$—	\$542,159
Total Other Financial Instruments	<u>\$—</u>	<u>\$542,159</u>	<u>\$—</u>	<u>\$542,159</u>
Liabilities:				
Other Financial Instruments:				
Securities Sold Short	55,249,855	—	—	55,249,855
Forward exchange contracts	\$—	\$3,592,321	\$—	\$3,592,321
Futures contracts	600,652	—	—	600,652
Total Other Financial Instruments	<u>\$55,850,507</u>	<u>\$3,592,321</u>	<u>\$—</u>	<u>\$59,442,828</u>

^aIncludes securities determined to have no value at December 31, 2020.

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

Franklin Mutual Shares VIP Fund (continued)

13. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

14. Subsequent Events

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

Abbreviations

Counterparty

BNY	Bank of New York
BOFA	Bank of America Corp.
HSBK	HSBC Bank plc
SSBT	State Street Bank and Trust Co.
UBSW	UBS AG

Currency

EUR	Euro
GBP	British Pound
USD	United States Dollar

Selected Portfolio

ADR	American Depositary Receipt
FHLB	Federal Home Loan Banks
LIBOR	London Inter-Bank Offered Rate

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Mutual Shares VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Mutual Shares VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Mutual Shares VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$79,790,071 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 78.65% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Rising Dividends VIP Fund

This annual report for Franklin Rising Dividends VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

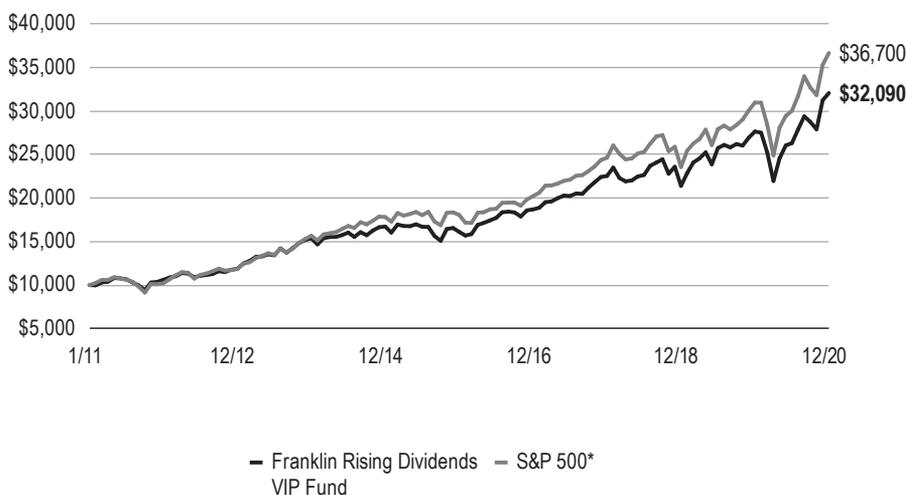
Share Class	Average Annual Total Return
2	
1-Year	+15.97%
5-Year	+14.76%
10-Year	+12.37%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Rising Dividends VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term capital appreciation. Preservation of capital, while not a goal, is also an important consideration. Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of financially sound companies that have paid consistently rising dividends.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Companies that have historically paid regular dividends to shareholders may decrease or eliminate dividend payments in the future. Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered relatively more speculative. To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Standard & Poor's® 500 Index (S&P 500®) posted a +16.26% total return for the same period.¹ Please note the Fund employs a bottom-up stock selection process, and the managers invest in securities without regard to benchmark comparisons.

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).

Portfolio Composition

12/31/20

	% of Total Net Assets
Health Care Equipment & Supplies	14.4%
Chemicals	10.9%
Industrial Conglomerates	8.6%
Software	8.2%
Semiconductors & Semiconductor Equipment	6.7%
IT Services	6.4%
Specialty Retail	3.8%
Aerospace & Defense	3.3%
Machinery	3.2%
Household Products	3.1%
Pharmaceuticals	3.0%
Textiles, Apparel & Luxury Goods	2.5%
Health Care Providers & Services	2.5%
Multiline Retail	2.4%
Air Freight & Logistics	1.9%
Commercial Services & Supplies	1.9%
Hotels, Restaurants & Leisure	1.7%
Beverages	1.7%
Oil, Gas & Consumable Fuels	1.6%
Food & Staples Retailing	1.6%
Food Products	1.6%
Insurance	1.5%
Building Products	1.4%
Road & Rail	1.4%
Capital Markets	1.2%
Other	2.4%
Short-Term Investments & Other Net Assets	1.1%

Economic and Market Overview

U.S. equities, as measured by the S&P 500, advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.² The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.²

Investment Strategy

We are a research-driven, fundamental investment adviser, pursuing a disciplined value-oriented strategy. As bottom-up investors concentrating primarily on individual securities, we seek fundamentally sound companies that we believe meet our screening criteria, which include consistent, substantial dividend increases; reinvested earnings; and strong balance sheets. We attempt to acquire such stocks at attractive prices, often when they are out of favor with other investors. In following these criteria, we do not necessarily focus on companies whose securities pay a high dividend but rather on companies that consistently raise their dividends.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Microsoft Corp. <i>Software, United States</i>	8.2%
Roper Technologies, Inc. <i>Industrial Conglomerates, United States</i>	4.9%
Accenture plc <i>IT Services, United States</i>	4.0%
Stryker Corp. <i>Health Care Equipment & Supplies, United States</i>	3.9%
Linde plc <i>Chemicals, United Kingdom</i>	3.6%
Texas Instruments, Inc. <i>Semiconductors & Semiconductor Equipment, United States</i>	3.4%
Analog Devices, Inc. <i>Semiconductors & Semiconductor Equipment, United States</i>	3.3%
Air Products and Chemicals, Inc. <i>Chemicals, United States</i>	3.2%
West Pharmaceutical Services, Inc. <i>Health Care Equipment & Supplies, United States</i>	3.0%
Honeywell International, Inc. <i>Industrial Conglomerates, United States</i>	2.9%

Manager's Discussion

During the 12-month period ended December 31, 2020, some companies that contributed to absolute performance included Microsoft, West Pharmaceutical Services and Albemarle.

Enterprise software firm Microsoft boosted absolute performance based on a strong earnings report and investor optimism that its cloud-based services could benefit as more people work from home during the novel coronavirus (COVID-19) pandemic. The company has seen strength in its commercial cloud services and in sales of Windows software as customers migrated away from Windows 7 in recent quarters. We believe that the trends of helping business customers move to the cloud and providing workers with productivity tools should support what we consider attractive growth over the medium to longer term.

West Pharmaceutical Services supported performance as its business saw strong demand for its products in recent quarters as demand from companies working to create therapeutics to combat COVID-19 was strong. We believe the company boasts a resilient business model and has strong long-term growth prospects even after the short-term impact from COVID-19 passes.

2. Source: Bureau of Labor Statistics.

Lithium producer Albemarle supported returns based on optimism that rising demand for lithium from electric vehicle producers will increase over the medium term as battery costs continue to decline, which could help reduce oversupply. Lithium projects that have been postponed during the current downcycle are also likely to restart over the coming years.

In contrast, some companies that detracted from absolute performance included Raytheon Technologies, Boeing and Occidental Petroleum.

In the industrials sector, aerospace and defense firms Raytheon and Boeing declined amid weakness in the civil aviation market due to the global pandemic. However, the approval of vaccines in late 2020 has raised investor hopes that the civil aviation market will rebound over the course of 2021 and beyond. During the reporting period, United Technologies acquired Raytheon to form Raytheon Technologies, and we exited our position in Boeing amid the broader market's uncertainties surrounding the company's 737 MAX jet.

Occidental Petroleum, an oil and gas exploration and production company, hampered performance as the global pandemic has reduced economic activity and pressured crude oil prices in 2020.

Thank you for your participation in Franklin Rising Dividends VIP Fund. We look forward to continuing to serve your investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,218.70	\$4.95	\$1,020.68	\$4.51	0.89%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses

Financial Highlights

Franklin Rising Dividends VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$27.90	\$25.75	\$29.21	\$25.51	\$25.26
Income from investment operations ^a :					
Net investment income ^b	0.32	0.37	0.39	0.40	0.42
Net realized and unrealized gains (losses)	3.76	6.77	(1.65)	4.76	3.45
Total from investment operations	4.08	7.14	(1.26)	5.16	3.87
Less distributions from:					
Net investment income	(0.41)	(0.45)	(0.44)	(0.48)	(0.44)
Net realized gains	(1.40)	(4.54)	(1.76)	(0.98)	(3.18)
Total distributions	(1.81)	(4.99)	(2.20)	(1.46)	(3.62)
Net asset value, end of year	\$30.17	\$27.90	\$25.75	\$29.21	\$25.51
Total return ^c	16.23%	29.58%	(4.84)%	20.85%	16.33%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.65%	0.63%	0.62%	0.62%	0.63%
Expenses net of waiver and payments by affiliates ^d	0.65% ^e	0.63% ^e	0.62% ^e	0.62% ^e	0.62%
Net investment income	1.20%	1.34%	1.38%	1.49%	1.67%
Supplemental data					
Net assets, end of year (000's)	\$156,585	\$150,864	\$157,838	\$216,015	\$181,072
Portfolio turnover rate	12.83%	7.26% ^f	3.09% ^f	3.36%	6.66%

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Rising Dividends VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$26.99	\$25.04	\$28.46	\$24.89	\$24.72
Income from investment operations ^a :					
Net investment income ^b	0.24	0.29	0.31	0.33	0.35
Net realized and unrealized gains (losses)	3.65	6.57	(1.61)	4.63	3.37
Total from investment operations	3.89	6.86	(1.30)	4.96	3.72
Less distributions from:					
Net investment income	(0.33)	(0.37)	(0.36)	(0.41)	(0.37)
Net realized gains	(1.41)	(4.54)	(1.76)	(0.98)	(3.18)
Total distributions	(1.74)	(4.91)	(2.12)	(1.39)	(3.55)
Net asset value, end of year	\$29.14	\$26.99	\$25.04	\$28.46	\$24.89
Total return ^c	15.97%	29.23%	(5.07)%	20.56%	16.04%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.90%	0.88%	0.87%	0.87%	0.88%
Expenses net of waiver and payments by affiliates ^d	0.90% ^e	0.88% ^e	0.87% ^e	0.87% ^e	0.87%
Net investment income	0.95%	1.09%	1.13%	1.24%	1.42%
Supplemental data					
Net assets, end of year (000's)	\$1,365,745	\$1,387,688	\$1,106,334	\$1,640,883	\$1,530,374
Portfolio turnover rate	12.83%	7.26% ^f	3.09% ^f	3.36%	6.66%

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Rising Dividends VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$27.08	\$25.11	\$28.54	\$24.98	\$24.81
Income from investment operations ^a :					
Net investment income ^b	0.22	0.26	0.29	0.30	0.32
Net realized and unrealized gains (losses)	3.65	6.60	(1.62)	4.65	3.39
Total from investment operations	3.87	6.86	(1.33)	4.95	3.71
Less distributions from:					
Net investment income	(0.32)	(0.35)	(0.34)	(0.41)	(0.36)
Net realized gains	(1.41)	(4.54)	(1.76)	(0.98)	(3.18)
Total distributions	(1.73)	(4.89)	(2.10)	(1.39)	(3.54)
Net asset value, end of year	\$29.22	\$27.08	\$25.11	\$28.54	\$24.98
Total return ^c	15.85%	29.16%	(5.16)%	20.40%	15.93%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.00%	0.98%	0.97%	0.97%	0.98%
Expenses net of waiver and payments by affiliates ^d	1.00% ^e	0.98% ^e	0.97% ^e	0.97% ^e	0.97%
Net investment income	0.85%	0.99%	1.03%	1.14%	1.32%
Supplemental data					
Net assets, end of year (000's)	\$51,137	\$46,539	\$32,825	\$36,407	\$28,579
Portfolio turnover rate	12.83%	7.26% ^f	3.09% ^f	3.36%	6.66%

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2020

Franklin Rising Dividends VIP Fund

	Country	Shares	Value
Common Stocks 98.9%			
Aerospace & Defense 3.3%			
General Dynamics Corp.	United States	115,252	\$17,151,803
Raytheon Technologies Corp.	United States	494,946	35,393,588
			<u>52,545,391</u>
Air Freight & Logistics 1.9%			
United Parcel Service, Inc., B	United States	179,267	30,188,563
Beverages 1.7%			
PepsiCo, Inc.	United States	182,330	27,039,539
Biotechnology 0.9%			
AbbVie, Inc.	United States	129,636	13,890,497
Building Products 1.4%			
Johnson Controls International plc.	United States	482,010	22,456,846
Capital Markets 1.2%			
Nasdaq, Inc.	United States	116,100	15,411,114
State Street Corp.	United States	56,141	4,085,942
			<u>19,497,056</u>
Chemicals 10.9%			
Air Products and Chemicals, Inc.	United States	182,267	49,798,990
Albemarle Corp.	United States	257,010	37,914,115
Ecolab, Inc.	United States	120,309	26,030,055
Linde plc.	United Kingdom	216,332	57,005,645
			<u>170,748,805</u>
Commercial Services & Supplies 1.9%			
Cintas Corp.	United States	82,072	29,009,169
Electrical Equipment 0.5%			
nVent Electric plc	United States	342,626	7,979,760
Food & Staples Retailing 1.6%			
Walmart, Inc.	United States	175,808	25,342,723
Food Products 1.6%			
McCormick & Co., Inc.	United States	255,894	24,463,466
Health Care Equipment & Supplies 14.4%			
Abbott Laboratories.	United States	308,895	33,820,913
Becton Dickinson and Co.	United States	164,115	41,064,855
Medtronic plc	United States	381,254	44,660,094
Stryker Corp.	United States	248,645	60,927,972
West Pharmaceutical Services, Inc.	United States	165,001	46,746,433
			<u>227,220,267</u>
Health Care Providers & Services 2.5%			
CVS Health Corp.	United States	147,093	10,046,452
UnitedHealth Group, Inc.	United States	80,900	28,370,012
			<u>38,416,464</u>
Hotels, Restaurants & Leisure 1.7%			
McDonald's Corp.	United States	127,599	27,380,193
Household Products 3.1%			
Colgate-Palmolive Co.	United States	246,640	21,090,187
Procter & Gamble Co. (The)	United States	199,894	27,813,251
			<u>48,903,438</u>
Industrial Conglomerates 8.6%			
Carlisle Cos., Inc.	United States	78,402	12,244,824

Franklin Rising Dividends VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Industrial Conglomerates (continued)			
Honeywell International, Inc.	United States	211,075	\$44,895,653
Roper Technologies, Inc.	United States	179,683	77,459,544
			134,600,021
Insurance 1.5%			
Aflac, Inc.	United States	190,604	8,476,160
Erie Indemnity Co., A.	United States	63,970	15,711,032
			24,187,192
IT Services 6.4%			
Accenture plc, A.	United States	241,578	63,102,590
Visa, Inc., A.	United States	171,062	37,416,391
			100,518,981
Machinery 3.2%			
Donaldson Co., Inc.	United States	185,297	10,354,396
Dover Corp.	United States	190,188	24,011,235
Pentair plc	United States	301,294	15,995,699
			50,361,330
Multiline Retail 2.4%			
Target Corp.	United States	217,237	38,348,848
Oil, Gas & Consumable Fuels 1.6%			
Chevron Corp.	United States	149,794	12,650,103
EOG Resources, Inc.	United States	137,461	6,855,180
Exxon Mobil Corp.	United States	143,861	5,929,951
			25,435,234
Pharmaceuticals 3.0%			
Johnson & Johnson	United States	192,829	30,347,428
Perrigo Co. plc	United States	101,563	4,541,897
Pfizer, Inc.	United States	335,415	12,346,626
			47,235,951
Road & Rail 1.4%			
Norfolk Southern Corp.	United States	90,647	21,538,634
Semiconductors & Semiconductor Equipment 6.7%			
Analog Devices, Inc.	United States	349,219	51,590,123
Texas Instruments, Inc.	United States	326,568	53,599,606
			105,189,729
Software 8.2%			
Microsoft Corp.	United States	576,928	128,320,326
Specialty Retail 3.8%			
Lowe's Cos., Inc.	United States	189,600	30,432,696
Ross Stores, Inc.	United States	234,930	28,851,753
			59,284,449
Textiles, Apparel & Luxury Goods 2.5%			
NIKE, Inc., B.	United States	280,384	39,665,924
Trading Companies & Distributors 1.0%			
WW Grainger, Inc.	United States	38,293	15,636,564
Total Common Stocks (Cost \$629,959,561)			1,555,405,360

Franklin Rising Dividends VIP Fund (continued)

Short Term Investments 1.2%

	Country	Shares	Value
Money Market Funds 1.2%			
^{a,b} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	18,135,871	\$18,135,871
Total Money Market Funds (Cost \$18,135,871)			18,135,871
Total Short Term Investments (Cost \$18,135,871)			18,135,871
Total Investments (Cost \$648,095,432) 100.1%			\$1,573,541,231
Other Assets, less Liabilities (0.1)%			(74,785)
Net Assets 100.0%			\$1,573,466,446

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

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

Statement of Assets and Liabilities

December 31, 2020

	Franklin Rising Dividends VIP Fund
<hr/>	
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$629,959,561
Cost - Non-controlled affiliates (Note 3e)	18,135,871
	<hr/>
Value - Unaffiliated issuers	\$1,555,405,360
Value - Non-controlled affiliates (Note 3e)	18,135,871
Receivables:	
Investment securities sold	45,237
Capital shares sold	389,623
Dividends	1,309,909
Other assets	192
	<hr/>
Total assets	1,575,286,192
Liabilities:	
Payables:	
Capital shares redeemed	564,201
Management fees	814,471
Distribution fees	300,271
Accrued expenses and other liabilities	140,803
	<hr/>
Total liabilities	1,819,746
	<hr/>
Net assets, at value	\$1,573,466,446
Net assets consist of:	
Paid-in capital	\$582,414,212
Total distributable earnings (losses)	991,052,234
	<hr/>
Net assets, at value	\$1,573,466,446
	<hr/>
	Franklin Rising Dividends VIP Fund
<hr/>	
Class 1:	
Net assets, at value	\$156,585,034
Shares outstanding	5,189,274
	<hr/>
Net asset value and maximum offering price per share	\$30.17
Class 2:	
Net assets, at value	\$1,365,744,647
Shares outstanding	46,864,497
	<hr/>
Net asset value and maximum offering price per share	\$29.14
Class 4:	
Net assets, at value	\$51,136,765
Shares outstanding	1,750,180
	<hr/>
Net asset value and maximum offering price per share	\$29.22

Statement of Operations

December 31, 2020

**Franklin Rising
Dividends VIP
Fund**

Investment income:	
Dividends:	
Unaffiliated issuers	\$25,971,074
Non-controlled affiliates (Note 3e)	38,591
Total investment income	<u>26,009,665</u>
Expenses:	
Management fees (Note 3a)	8,931,578
Distribution fees: (Note 3c)	
Class 2	3,066,004
Class 4	155,636
Custodian fees (Note 4)	7,698
Reports to shareholders	135,654
Professional fees	59,881
Trustees' fees and expenses	8,240
Other	39,751
Total expenses	<u>12,404,442</u>
Expense reductions (Note 4)	(3,121)
Expenses waived/paid by affiliates (Note 3e)	<u>(53,425)</u>
Net expenses	<u>12,347,896</u>
Net investment income	<u>13,661,769</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	<u>54,763,744</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	<u>120,578,165</u>
Net realized and unrealized gain (loss)	<u>175,341,909</u>
Net increase (decrease) in net assets resulting from operations	<u>\$189,003,678</u>

Statements of Changes in Net Assets

	Franklin Rising Dividends VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$13,661,769	\$17,322,041
Net realized gain (loss)	54,763,744	82,812,044
Net change in unrealized appreciation (depreciation)	120,578,165	279,796,675
Net increase (decrease) in net assets resulting from operations	189,003,678	379,930,760
Distributions to shareholders:		
Class 1	(9,363,148)	(28,799,833)
Class 2	(76,921,977)	(227,983,493)
Class 4	(2,888,656)	(6,300,776)
Total distributions to shareholders	(89,173,781)	(263,084,102)
Capital share transactions: (Note 2)		
Class 1	(6,915,276)	(21,678,109)
Class 2	(105,113,819)	182,626,753
Class 4	574,344	10,299,225
Total capital share transactions	(111,454,751)	171,247,869
Net increase (decrease) in net assets	(11,624,854)	288,094,527
Net assets:		
Beginning of year	1,585,091,300	1,296,996,773
End of year	\$1,573,466,446	\$1,585,091,300

Notes to Financial Statements

Franklin Rising Dividends VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time.

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

Franklin Rising Dividends VIP Fund (continued)

1. Organization and Significant Accounting Policies

(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. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

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

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the

Franklin Rising Dividends VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

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

combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

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

e. 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.

f. Guarantees and Indemnifications

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	144,545	\$3,628,818	238,379	\$6,420,546
Shares issued in reinvestment of distributions	386,747	9,363,148	1,132,514	28,799,833
Shares redeemed	(749,651)	(19,907,242)	(2,092,688)	(56,898,488)
Net increase (decrease)	(218,359)	\$(6,915,276)	(721,795)	\$(21,678,109)
Class 2 Shares:				
Shares sold	6,981,462	\$173,231,502	7,298,801	\$200,248,939
Shares issued in reinvestment of distributions	3,284,457	76,921,977	9,252,577	227,983,493
Shares redeemed in-kind (Note 9)	—	—	(897,175)	(22,646,135)
Shares redeemed	(14,809,098)	(355,267,298)	(8,430,854)	(222,959,544)
Net increase (decrease)	(4,543,179)	\$(105,113,819)	7,223,349	\$182,626,753
Class 4 Shares:				
Shares sold	261,260	\$6,613,767	415,831	\$10,934,186
Shares issued in reinvestment of distributions	122,974	2,888,656	254,783	6,300,776
Shares redeemed	(352,750)	(8,928,079)	(258,933)	(6,935,737)
Net increase (decrease)	31,484	\$574,344	411,681	\$10,299,225

Franklin Rising Dividends VIP Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin 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
0.750%	Up to and including \$500 million
0.625%	Over \$500 million, up to and including \$1 billion
0.500%	Over \$1 billion, up to and including \$5 billion
0.490%	In excess of \$5 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.633% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Franklin Rising Dividends VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Rising Dividends VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$17,735,928	\$238,058,320	\$(237,658,377)	\$—	\$—	\$18,135,871	18,135,871	\$38,591
Total Affiliated Securities	\$17,735,928	\$238,058,320	\$(237,658,377)	\$—	\$—	\$18,135,871		\$38,591

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$20,921,386	\$20,051,545
Long term capital gain	68,252,395	243,032,557
	<u>\$89,173,781</u>	<u>\$263,084,102</u>

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	<u>\$650,711,000</u>
Unrealized appreciation	\$948,700,201
Unrealized depreciation	(25,869,969)
Net unrealized appreciation (depreciation)	<u>\$922,830,232</u>
Distributable earnings:	
Undistributed ordinary income	\$15,693,513
Undistributed long term capital gains	\$52,528,490
Total distributable earnings	<u>\$68,222,003</u>

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

Franklin Rising Dividends VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$178,373,456 and \$362,182,387, respectively.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. Redemption In-Kind

During the year ended December 31, 2019, the Fund realized \$10,655,992 of net gains resulting from redemptions in-kind in which a shareholder redeemed fund shares for cash and securities held by the Fund. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they are reclassified from accumulated net realized gains to paid-in capital.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Franklin Rising Dividends VIP Fund (continued)

10. Fair Value Measurements (continued)

At December 31, 2020, all of the Fund's investments in financial instruments carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statement of Investments.

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of [the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Rising Dividends VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Rising Dividends VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Rising Dividends VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$68,252,395 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 100% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Small Cap Value VIP Fund

This annual report for Franklin Small Cap Value VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+5.19%
5-Year	+10.77%
10-Year	+9.20%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Russell 2000® Value Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Small Cap Value VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term total return. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small capitalization companies. For this Fund, small capitalization companies are those with market capitalizations not exceeding either the highest market capitalization in the Russell 2000® Index or the 12-month average of the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase. The Fund generally invests in equity securities of companies that the manager believes are undervalued at the time of purchase and have the potential for capital appreciation.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's investments in smaller company stocks carry special risks as such stocks have historically exhibited greater price volatility than large-company stocks, particularly over the short term. Additionally, smaller companies often have relatively small revenues, limited product lines and a small market share. Value securities may not increase in price as anticipated, or may decline further in value. In addition, the Fund may invest up to 25% of its total assets in foreign securities, which involve special risks, including currency fluctuations and economic and political uncertainty. The Fund also may invest in equity real estate investment trusts (REITs). The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Russell 2000® Value Index posted a +4.63% total return for the same period.¹ Please note the Fund employs a bottom-up stock selection process, and the managers invest in securities without regard to benchmark comparisons.

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.

Portfolio Composition

12/31/20

	% of Total Net Assets
Machinery	17.7%
Banks	15.0%
Insurance	12.8%
Chemicals	7.2%
Specialty Retail	4.2%
Hotels, Restaurants & Leisure	3.9%
Health Care Equipment & Supplies	3.9%
Building Products	3.1%
Leisure Products	2.6%
Electronic Equipment, Instruments & Components	2.3%
Food Products	2.0%
Multi-Utilities	1.8%
Communications Equipment	1.8%
Textiles, Apparel & Luxury Goods	1.8%
Construction & Engineering	1.8%
Metals & Mining	1.7%
Automobiles	1.7%
Oil, Gas & Consumable Fuels	1.4%
Software	1.4%
Equity Real Estate Investment Trusts (REITs)	1.4%
Commercial Services & Supplies	1.4%
Electric Utilities	1.3%
Paper & Forest Products	1.2%
Other	5.1%
Short-Term Investments & Other Net Assets	1.5%

Economic and Market Overview

U.S. equities, as measured by the Standard & Poor's® 500 Index (S&P 500®), advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

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).

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.² The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.²

Investment Strategy

Our strategy is to invest in small-cap companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. A stock is undervalued, or is a “value,” when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company’s worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price. The Fund also may invest in equity real estate investment trusts (REITs).

2. Source: Bureau of Labor Statistics.

Top 10 Holdings

12/31/20

Company Industry	% of Total Net Assets
Old Republic International Corp. <i>Insurance</i>	3.1%
Avient Corp. <i>Chemicals</i>	3.1%
First Horizon Corp. <i>Banks</i>	3.0%
Hanover Insurance Group, Inc. (The) <i>Insurance</i>	3.0%
Horace Mann Educators Corp. <i>Insurance</i>	2.9%
Hillenbrand, Inc. <i>Machinery</i>	2.6%
CNO Financial Group, Inc. <i>Insurance</i>	2.5%
Brunswick Corp. <i>Leisure Products</i>	2.2%
Timken Co. (The) <i>Machinery</i>	2.2%
Group 1 Automotive, Inc. <i>Specialty Retail</i>	2.2%

Manager’s Discussion

For the 12 months ended December 31, 2020, contributors to Fund performance included Avient, BJ’s Wholesale Club and Jack in the Box.

Shares of Avient, a higher value-add chemicals company, rose due to stronger than expected earnings results, driven by sequential improvement in demand across all regions and end markets including health care, consumer discretionary and automobiles. The company also completed the acquisition of Clariant’s Masterbatch business on July 1, 2020, which further improved the company’s exposure to specialty applications and business mix, deriving approximately 60% of revenues from consumer, packaging and health care end markets. Additionally, management issued guidance for higher cost synergies from the transaction compared to initial estimates and remains committed to returning cash to shareholders and deleveraging the corporate balance sheet.

Shares of BJ’s Wholesale Club, a warehouse club retailer, rose during the period as it benefited from increased consumer spending towards food at home as a result of the pandemic. Furthermore, BJ’s reported strong membership growth and material market share gains as customers consolidated shopping trips and became increasingly focused on value. Longer term, we believe the company’s membership model could provide it with another benefit, as a larger membership base could increase sales in future years.

Shares of Jack in the Box, a fast-food restaurant operator and franchisor, rallied during the period as its significant drive-through business and what we consider attractive value-priced offerings helped its same-store sales growth outperform peers amid the pandemic. Additionally, fiscal stimulus helped to increase consumer spending on food away from home.

Detractors from performance included Retail Properties of America, Brinker International and Toll Brothers.

Shares of Retail Properties of America, a shopping center real estate investment trust, declined as stay-at-home and closure guidelines issued to prevent the spread of the novel coronavirus (COVID-19) exacerbated a challenging environment for the shopping center operator's brick-and-mortar retail tenants. Although mandatory closure orders have largely been rescinded and rent collections started to recover, some watch-list tenants are not expected to reopen. Also, previously more stable sectors such as fitness and casual dining may face new pressures as consumer behavior shifts in response to new social distancing and spacing regulations. We exited the position.

Shares of Brinker International, an operator of casual dining restaurants, sold off early in the period due to COVID-19 lockdowns, which resulted in mandatory closures of dining rooms. Brinker's leverage also increased, magnifying risk amid an uncertain economic environment. As a result, we exited our position.

Shares of luxury homebuilder Toll Brothers declined as the spread of COVID-19 contributed to a deterioration in the housing market outlook. Unemployment increased as businesses quickly responded to social distancing directives. We exited our position prior to period-end.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1, 2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1, 2}	
2	\$1,000	\$1,288.90	\$5.32	\$1,020.48	\$4.70	0.93%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses

Financial Highlights

Franklin Small Cap Value VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$15.73	\$15.14	\$20.43	\$19.93	\$18.12
Income from investment operations ^a :					
Net investment income ^b	0.20	0.24 ^c	0.21	0.21 ^d	0.15
Net realized and unrealized gains (losses)	0.31	3.35	(2.29)	1.82	4.79
Total from investment operations	0.51	3.59	(2.08)	2.03	4.94
Less distributions from:					
Net investment income	(0.23)	(0.22)	(0.23)	(0.15)	(0.21)
Net realized gains	(0.81)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(1.04)	(3.00)	(3.21)	(1.53)	(3.13)
Net asset value, end of year	\$15.20	\$15.73	\$15.14	\$20.43	\$19.93
Total return ^e	5.41%	26.72%	(12.69)%	10.92%	30.54%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.68%	0.67%	0.66%	0.66%	0.66%
Expenses net of waiver and payments by affiliates ^f	0.68% ^g	0.67% ^g	0.65%	0.65%	0.64%
Net investment income	1.54%	1.58% ^c	1.13%	1.06% ^d	0.84%
Supplemental data					
Net assets, end of year (000's)	\$50,572	\$46,980	\$40,644	\$51,245	\$47,831
Portfolio turnover rate	69.40%	54.36%	47.82%	33.36%	34.60%

^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.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.23%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.75%.

^eTotal 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.

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

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

Franklin Small Cap Value VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$15.05	\$14.60	\$19.80	\$19.36	\$17.68
Income from investment operations ^a :					
Net investment income ^b	0.16	0.20 ^c	0.16	0.15 ^d	0.10
Net realized and unrealized gains (losses)	0.30	3.20	(2.20)	1.77	4.66
Total from investment operations	0.46	3.40	(2.04)	1.92	4.76
Less distributions from:					
Net investment income	(0.19)	(0.17)	(0.18)	(0.10)	(0.16)
Net realized gains	(0.82)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(1.01)	(2.95)	(3.16)	(1.48)	(3.08)
Net asset value, end of year	\$14.50	\$15.05	\$14.60	\$19.80	\$19.36
Total return ^e	5.19%	26.35%	(12.88)%	10.65%	30.19%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.93%	0.92%	0.91%	0.91%	0.91%
Expenses net of waiver and payments by affiliates ^f	0.93% ^g	0.92% ^g	0.90%	0.90%	0.89%
Net investment income	1.28%	1.33% ^c	0.88%	0.81% ^d	0.59%
Supplemental data					
Net assets, end of year (000's)	\$1,103,373	\$1,123,093	\$978,675	\$1,302,055	\$1,366,807
Portfolio turnover rate	69.40%	54.36%	47.82%	33.36%	34.60%

^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.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.98%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.50%.

^eTotal 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.

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

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

Franklin Small Cap Value VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$15.51	\$14.96	\$20.22	\$19.74	\$17.96
Income from investment operations ^a :					
Net investment income ^b	0.15	0.19 ^c	0.15	0.14 ^d	0.09
Net realized and unrealized gains (losses)	0.32	3.30	(2.28)	1.81	4.75
Total from investment operations	0.47	3.49	(2.13)	1.95	4.84
Less distributions from:					
Net investment income	(0.18)	(0.16)	(0.15)	(0.09)	(0.14)
Net realized gains	(0.81)	(2.78)	(2.98)	(1.38)	(2.92)
Total distributions	(0.99)	(2.94)	(3.13)	(1.47)	(3.06)
Net asset value, end of year	\$14.99	\$15.51	\$14.96	\$20.22	\$19.74
Total return ^e	5.13%	26.23%	(13.01)%	10.56%	30.12%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.03%	1.02%	1.01%	1.01%	1.01%
Expenses net of waiver and payments by affiliates ^f	1.03% ^g	1.02% ^g	1.00%	1.00%	0.99%
Net investment income	1.18%	1.23% ^c	0.78%	0.71% ^d	0.49%
Supplemental data					
Net assets, end of year (000's)	\$29,461	\$29,238	\$24,592	\$32,053	\$32,751
Portfolio turnover rate	69.40%	54.36%	47.82%	33.36%	34.60%

^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.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.88%.

^dNet investment income per share includes approximately \$0.06 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.40%.

^eTotal 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.

^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, December 31, 2020

Franklin Small Cap Value VIP Fund

	Country	Shares	Value
Common Stocks 98.3%			
Aerospace & Defense 0.7%			
^a Meggitt plc	United Kingdom	1,299,465	\$8,264,051
Auto Components 0.2%			
LCI Industries	United States	17,908	2,322,309
Automobiles 1.7%			
Thor Industries, Inc.	United States	214,828	19,976,856
Banks 15.0%			
Atlantic Union Bankshares Corp.	United States	394,830	13,005,700
Bryn Mawr Bank Corp.	United States	445,467	13,629,063
Columbia Banking System, Inc.	United States	693,226	24,886,813
First Horizon Corp.	United States	2,775,364	35,413,645
First of Long Island Corp. (The)	United States	614,355	10,966,237
German American Bancorp, Inc.	United States	196,123	6,489,710
Glacier Bancorp, Inc.	United States	123,625	5,687,986
Lakeland Financial Corp.	United States	275,503	14,761,451
Peoples Bancorp, Inc.	United States	289,712	7,848,298
South State Corp.	United States	352,108	25,457,408
TriCo Bancshares	United States	183,505	6,474,056
Washington Trust Bancorp, Inc.	United States	278,797	12,490,106
			177,110,473
Building Products 3.1%			
Apogee Enterprises, Inc.	United States	278,636	8,827,188
Insteel Industries, Inc.	United States	390,746	8,701,913
^a Masonite International Corp.	United States	51,299	5,044,744
UFP Industries, Inc.	United States	247,149	13,729,127
			36,302,972
Capital Markets 0.4%			
Houlihan Lokey, Inc.	United States	79,224	5,326,230
Chemicals 7.2%			
Avient Corp.	United States	906,524	36,514,787
Cabot Corp.	United States	455,854	20,458,727
^a Elementis plc	United Kingdom	2,432,290	3,825,360
Minerals Technologies, Inc.	United States	400,489	24,878,377
			85,677,251
Commercial Services & Supplies 1.4%			
McGrath RentCorp	United States	239,200	16,050,320
Communications Equipment 1.8%			
^a NetScout Systems, Inc.	United States	788,696	21,626,044
Construction & Engineering 1.8%			
Argan, Inc.	United States	113,749	5,060,693
^a Great Lakes Dredge & Dock Corp.	United States	36,964	486,816
^a WillScot Mobile Mini Holdings Corp.	United States	667,028	15,455,039
			21,002,548
Construction Materials 0.2%			
Eagle Materials, Inc.	United States	29,690	3,009,081
Electric Utilities 1.3%			
IDACORP, Inc.	United States	155,542	14,936,698
Electrical Equipment 0.8%			
Regal Beloit Corp.	United States	72,771	8,937,007

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Electronic Equipment, Instruments & Components 2.3%			
Benchmark Electronics, Inc.	United States	285,571	\$7,713,273
^a Coherent, Inc.	United States	131,968	19,797,839
			27,511,112
Energy Equipment & Services 0.5%			
Hunting plc	United Kingdom	1,395,634	4,256,332
^a Natural Gas Services Group, Inc.	United States	173,987	1,649,397
			5,905,729
Equity Real Estate Investment Trusts (REITs) 1.4%			
Healthcare Realty Trust, Inc.	United States	146,090	4,324,264
Highwoods Properties, Inc.	United States	172,967	6,854,682
Sunstone Hotel Investors, Inc.	United States	451,135	5,111,360
			16,290,306
Food & Staples Retailing 0.1%			
^a BJ's Wholesale Club Holdings, Inc.	United States	20,543	765,843
Food Products 2.0%			
Glanbia plc	Ireland	1,804,942	22,888,913
Maple Leaf Foods, Inc.	Canada	46,547	1,032,589
			23,921,502
Gas Utilities 0.1%			
Spire, Inc.	United States	21,983	1,407,791
Health Care Equipment & Supplies 3.9%			
^a Envista Holdings Corp.	United States	670,440	22,613,941
^a Integer Holdings Corp.	United States	295,632	24,002,362
			46,616,303
Hotels, Restaurants & Leisure 3.9%			
^a Dalata Hotel Group plc	Ireland	1,462,770	6,764,045
^a Denny's Corp.	United States	1,150,284	16,886,169
Jack in the Box, Inc.	United States	235,448	21,849,574
Wyndham Hotels & Resorts, Inc.	United States	19,847	1,179,706
			46,679,494
Household Durables 0.5%			
^a M/I Homes, Inc.	United States	121,848	5,396,648
Insurance 12.8%			
CNO Financial Group, Inc.	United States	1,314,787	29,227,715
Hanover Insurance Group, Inc. (The).	United States	301,564	35,258,863
Horace Mann Educators Corp.	United States	808,634	33,994,973
Old Republic International Corp.	United States	1,875,664	36,969,337
Selective Insurance Group, Inc.	United States	235,011	15,741,037
			151,191,925
Leisure Products 2.6%			
BRP, Inc.	United States	61,123	4,040,432
Brunswick Corp.	United States	347,684	26,507,428
			30,547,860
Machinery 17.5%			
Astec Industries, Inc.	United States	178,653	10,340,436
Columbus McKinnon Corp.	United States	291,637	11,210,526
Greenbrier Cos., Inc. (The)	United States	660,361	24,023,933

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Machinery (continued)			
Hillenbrand, Inc.	United States	761,953	\$30,325,730
^a Meritor, Inc.	United States	406,142	11,335,423
Mueller Industries, Inc.	United States	233,931	8,213,318
Mueller Water Products, Inc., A	United States	1,672,826	20,709,586
Oshkosh Corp.	United States	254,432	21,898,962
REV Group, Inc.	United States	134,658	1,186,337
Rexnord Corp.	United States	516,332	20,389,951
^a SPX FLOW, Inc.	United States	149,568	8,668,961
Timken Co. (The)	United States	342,923	26,528,523
Wabash National Corp.	United States	710,214	12,236,987
			207,068,673
Metals & Mining 1.7%			
Kaiser Aluminum Corp.	United States	35,147	3,476,039
Reliance Steel & Aluminum Co.	United States	139,647	16,722,728
			20,198,767
Multi-Utilities 1.8%			
Black Hills Corp.	United States	352,251	21,645,824
Oil, Gas & Consumable Fuels 1.4%			
Crescent Point Energy Corp.	Canada	7,157,980	16,711,894
Paper & Forest Products 1.2%			
Glatfelter Corp.	United States	856,913	14,036,235
Louisiana-Pacific Corp.	United States	3,152	117,160
			14,153,395
Professional Services 0.9%			
^a Huron Consulting Group, Inc.	United States	34,036	2,006,422
Kforce, Inc.	United States	213,631	8,991,729
			10,998,151
Road & Rail 0.3%			
Heartland Express, Inc.	United States	175,213	3,171,355
Software 1.4%			
^a ACI Worldwide, Inc.	United States	428,999	16,486,432
Specialty Retail 4.2%			
^a Boot Barn Holdings, Inc.	United States	329,377	14,281,787
^a Dufry AG.	Switzerland	140,130	8,827,494
Group 1 Automotive, Inc.	United States	202,868	26,604,109
			49,713,390
Textiles, Apparel & Luxury Goods 1.8%			
Carter's, Inc.	United States	164,583	15,482,323
Wolverine World Wide, Inc.	United States	194,401	6,075,031
			21,557,354
Thriffs & Mortgage Finance 0.4%			
TrustCo Bank Corp.	United States	782,700	5,220,609
Total Common Stocks (Cost \$949,939,177)			1,163,702,197

Franklin Small Cap Value VIP Fund (continued)

	Country	Principal Amount ^a	Value
Corporate Bonds 0.2%			
Machinery 0.2%			
Mueller Industries, Inc., Sub. Note, 6%, 3/01/27	United States	2,378,000	\$2,428,081
Total Corporate Bonds (Cost \$2,378,000)			2,428,081
Total Long Term Investments (Cost \$952,317,177)			1,166,130,278
Short Term Investments 1.8%			
	Country	Shares	Value
Money Market Funds 1.8%			
^{b,c} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	21,360,711	21,360,711
Total Money Market Funds (Cost \$21,360,711)			21,360,711
Total Short Term Investments (Cost \$21,360,711)			21,360,711
Total Investments (Cost \$973,677,888) 100.3%			\$1,187,490,989
Other Assets, less Liabilities (0.3)%			(4,085,068)
Net Assets 100.0%			\$1,183,405,921

^aThe principal amount is stated in U.S. dollars unless otherwise indicated.
^bNon-income producing.
^cSee Note 3(e) regarding investments in affiliated management investment companies.
^dThe rate shown is the annualized seven-day effective yield at period end.

Statement of Assets and Liabilities

December 31, 2020

**Franklin Small
Cap Value VIP
Fund**

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$952,317,177
Cost - Non-controlled affiliates (Note 3e)	21,360,711
Value - Unaffiliated issuers	\$1,166,130,278
Value - Non-controlled affiliates (Note 3e)	21,360,711
Foreign currency, at value (cost \$4,976)	4,976

Receivables:

Investment securities sold	1,119,236
Capital shares sold	106,957
Dividends and interest	1,300,255
Other assets	138

Total assets \$1,190,022,551

Liabilities:

Payables:

Investment securities purchased	4,588,595
Capital shares redeemed	930,340
Management fees	635,691
Distribution fees	240,912
Funds advanced by custodian	4,959
Accrued expenses and other liabilities	216,133

Total liabilities 6,616,630

Net assets, at value \$1,183,405,921

Net assets consist of:

Paid-in capital	\$925,563,433
Total distributable earnings (losses)	257,842,488
Net assets, at value	<u>\$1,183,405,921</u>

**Franklin Small
Cap Value VIP
Fund**

Class 1:

Net assets, at value	<u>\$50,571,501</u>
Shares outstanding	<u>3,326,110</u>
Net asset value and maximum offering price per share	<u>\$15.20</u>

Class 2:

Net assets, at value	<u>\$1,103,373,354</u>
Shares outstanding	<u>76,082,651</u>
Net asset value and maximum offering price per share	<u>\$14.50</u>

Class 4:

Net assets, at value	<u>\$29,461,066</u>
Shares outstanding	<u>1,965,550</u>
Net asset value and maximum offering price per share	<u>\$14.99</u>

Statements of Operations

for the year ended December 31, 2020

	Franklin Small Cap Value VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$26,748)	
Unaffiliated issuers	\$22,030,944
Non-controlled affiliates (Note 3e)	53,326
Interest:	
Unaffiliated issuers	143,076
Total investment income	<u>22,227,346</u>
Expenses:	
Management fees (Note 3a)	6,511,829
Distribution fees: (Note 3c)	
Class 2	2,351,290
Class 4	88,840
Custodian fees (Note 4)	5,456
Reports to shareholders	252,893
Professional fees	55,467
Trustees' fees and expenses	5,929
Other	30,291
Total expenses	<u>9,301,995</u>
Expense reductions (Note 4)	(880)
Expenses waived/paid by affiliates (Note 3e)	<u>(40,294)</u>
Net expenses	9,260,821
Net investment income	<u>12,966,525</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	35,362,377
Realized gain distributions from REITs	237,639
Foreign currency transactions	<u>(16,547)</u>
Net realized gain (loss)	<u>35,583,469</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	9,889,896
Translation of other assets and liabilities denominated in foreign currencies	<u>7,600</u>
Net change in unrealized appreciation (depreciation)	9,897,496
Net realized and unrealized gain (loss)	<u>45,480,965</u>
Net increase (decrease) in net assets resulting from operations	<u>\$58,447,490</u>

Statements of Changes in Net Assets

	Franklin Small Cap Value VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$12,966,525	\$15,229,928
Net realized gain (loss)	35,583,469	61,068,326
Net change in unrealized appreciation (depreciation)	9,897,496	187,554,772
Net increase (decrease) in net assets resulting from operations	58,447,490	263,853,026
Distributions to shareholders:		
Class 1	(3,163,057)	(7,896,338)
Class 2	(74,826,606)	(189,976,242)
Class 4	(1,993,248)	(4,683,798)
Total distributions to shareholders	(79,982,911)	(202,556,378)
Capital share transactions: (Note 2)		
Class 1	3,879,512	3,898,876
Class 2	1,523,597	87,139,038
Class 4	226,802	3,066,346
Total capital share transactions	5,629,911	94,104,260
Net increase (decrease) in net assets	(15,905,510)	155,400,908
Net assets:		
Beginning of year	1,199,311,431	1,043,910,523
End of year	\$1,183,405,921	\$1,199,311,431

Notes to Financial Statements

Franklin Small Cap Value VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at

Franklin Small Cap Value VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

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

c. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

d. 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

Franklin Small Cap Value VIP Fund (continued)

1. Organization and Significant Accounting Policies
(continued)

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

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

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	455,233	\$5,805,187	262,210	\$4,085,267
Shares issued in reinvestment of distributions	275,768	3,163,057	578,063	7,896,338
Shares redeemed	(392,293)	(5,088,732)	(537,480)	(8,082,729)
Net increase (decrease)	338,708	\$3,879,512	302,793	\$3,898,876

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.

e. 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.

f. Guarantees and Indemnifications

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

Franklin Small Cap Value VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	9,825,906	\$112,925,732	5,696,678	\$84,262,242
Shares issued in reinvestment of distributions	6,827,245	74,826,606	14,513,082	189,976,242
Shares redeemed	(15,190,634)	(186,228,741)	(12,637,486)	(187,099,446)
Net increase (decrease)	1,462,517	\$1,523,597	7,572,274	\$87,139,038
Class 4 Shares:				
Shares sold	422,087	\$4,787,696	279,692	\$4,200,102
Shares issued in reinvestment of distributions	175,927	1,993,248	346,948	4,683,798
Shares redeemed	(517,251)	(6,554,142)	(385,667)	(5,817,554)
Net increase (decrease)	80,763	\$226,802	240,973	\$3,066,346

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Mutual Advisers, LLC (Franklin Mutual)	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 Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$200 million
0.635%	Over \$200 million, up to and including \$700 million
0.600%	Over \$700 million, up to and including \$1.2 billion
0.575%	Over \$1.2 billion, up to and including \$1.3 billion
0.475%	In excess of \$1.3 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.647% of the Fund's average daily net assets.

b. Administrative Fees

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

Franklin Small Cap Value VIP Fund (continued)

3. Transactions with Affiliates (continued)

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Small Cap Value VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$24,977,897	\$254,626,849	\$(258,244,035)	\$—	\$—	\$21,360,711	21,360,711	\$53,326
Total Affiliated Securities	\$24,977,897	\$254,626,849	\$(258,244,035)	\$—	\$—	\$21,360,711		\$53,326

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$20,917,706	\$23,319,400
Long term capital gain	59,065,205	179,236,978
	\$79,982,911	\$202,556,378

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Franklin Small Cap Value VIP Fund (continued)**5. Income Taxes** (continued)

Cost of investments	\$977,870,906
Unrealized appreciation	\$237,209,883
Unrealized depreciation	(27,589,800)
Net unrealized appreciation (depreciation)	\$209,620,083
Distributable earnings:	
Undistributed ordinary income	\$28,690,115
Undistributed long term capital gains	\$19,524,447
Total distributable earnings	\$48,214,562

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$690,433,149 and \$743,112,552, respectively.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. 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

Franklin Small Cap Value VIP Fund (continued)

9. Fair Value Measurements (continued)

- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments).

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$8,264,051	\$—	\$8,264,051
Auto Components	2,322,309	—	—	2,322,309
Automobiles	19,976,856	—	—	19,976,856
Banks	177,110,473	—	—	177,110,473
Building Products	36,302,972	—	—	36,302,972
Capital Markets	5,326,230	—	—	5,326,230
Chemicals	85,677,251	—	—	85,677,251
Commercial Services & Supplies	16,050,320	—	—	16,050,320
Communications Equipment	21,626,044	—	—	21,626,044
Construction & Engineering	21,002,548	—	—	21,002,548
Construction Materials	3,009,081	—	—	3,009,081
Electric Utilities	14,936,698	—	—	14,936,698
Electrical Equipment	8,937,007	—	—	8,937,007
Electronic Equipment, Instruments & Components	27,511,112	—	—	27,511,112
Energy Equipment & Services	5,905,729	—	—	5,905,729
Equity Real Estate Investment Trusts (REITs)	16,290,306	—	—	16,290,306
Food & Staples Retailing	765,843	—	—	765,843
Food Products	23,921,502	—	—	23,921,502
Gas Utilities	1,407,791	—	—	1,407,791
Health Care Equipment & Supplies	46,616,303	—	—	46,616,303
Hotels, Restaurants & Leisure	46,679,494	—	—	46,679,494
Household Durables	5,396,648	—	—	5,396,648
Insurance	151,191,925	—	—	151,191,925
Leisure Products	30,547,860	—	—	30,547,860
Machinery	207,068,673	—	—	207,068,673
Metals & Mining	20,198,767	—	—	20,198,767
Multi-Utilities	21,645,824	—	—	21,645,824
Oil, Gas & Consumable Fuels	16,711,894	—	—	16,711,894
Paper & Forest Products	14,153,395	—	—	14,153,395
Professional Services	10,998,151	—	—	10,998,151
Road & Rail	3,171,355	—	—	3,171,355
Software	16,486,432	—	—	16,486,432
Specialty Retail	40,885,896	8,827,494	—	49,713,390
Textiles, Apparel & Luxury Goods	21,557,354	—	—	21,557,354
Thriffs & Mortgage Finance	5,220,609	—	—	5,220,609
Corporate Bonds	—	2,428,081	—	2,428,081
Short Term Investments	21,360,711	—	—	21,360,711
Total Investments in Securities	\$1,167,971,363	\$19,519,626	\$—	\$1,187,490,989

Franklin Small Cap Value VIP Fund (continued)

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of [the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

11. Subsequent Events

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

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Small Cap Value VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Small Cap Value VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin Small Cap Value VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$59,065,205 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 95.23% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Small-Mid Cap Growth VIP Fund

This annual report for Franklin Small-Mid Cap Growth VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+55.09%
5-Year	+19.52%
10-Year	+14.04%

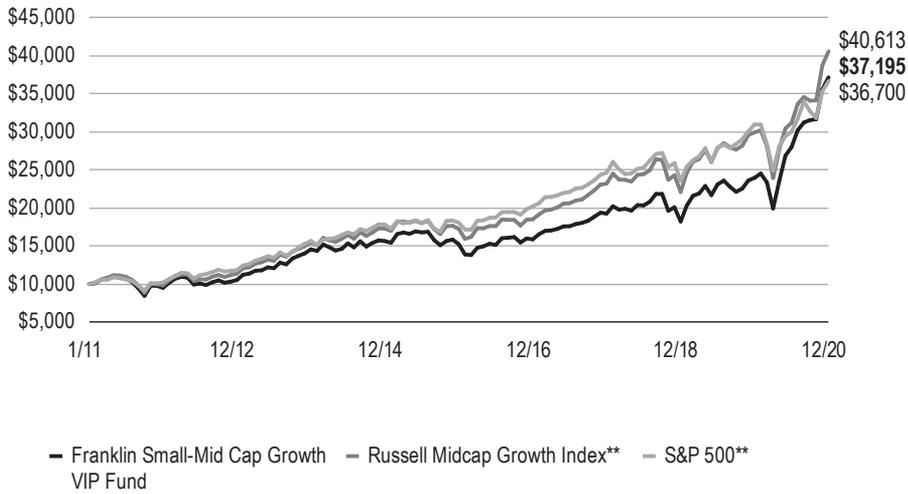
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Russell Midcap® Growth Index and the Standard & Poor's® 500 Index (S&P 500®). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Franklin Small-Mid Cap Growth Fund

Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small-capitalization and mid-capitalization companies. For this Fund, small-cap companies are those within the market capitalization range of companies in the Russell 2500™ Index at the time of purchase, and midcap companies are those within the market capitalization range of companies in the Russell Midcap® Index at the time of purchase.¹

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have experienced more price volatility than larger-company stocks, especially over the short term. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risk of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. From time to time, the trading market for a particular security or type of security in which the Fund invests may become less liquid or even illiquid. 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.

Portfolio Composition

12/31/20

	% of Total Net Assets
Software	17.3%
IT Services	11.5%
Semiconductors & Semiconductor Equipment	6.6%
Health Care Equipment & Supplies	6.5%
Professional Services	5.0%
Capital Markets	4.2%
Hotels, Restaurants & Leisure	4.0%
Biotechnology	3.9%
Specialty Retail	3.6%
Life Sciences Tools & Services	3.3%
Entertainment	3.2%
Electronic Equipment, Instruments & Components	2.5%
Health Care Providers & Services	2.3%
Health Care Technology	2.3%
Machinery	2.2%
Other	19.6%
Short-Term Investments & Other Net Assets	2.0%

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's narrow benchmark, the Russell Midcap Growth® Index, posted a +35.59% total return, and its broad benchmark, the Standard & Poor's 500 Index (S&P 500) posted a +18.40% total return for the same period.²

Economic and Market Overview

U.S. equities, as measured by the S&P 500, advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

1. Please see Index Descriptions following the Fund Summaries.

2. 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).

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.³ The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.³

Investment Strategy

We use fundamental, bottom-up research to seek companies meeting our criteria of growth potential, quality and valuation. In seeking sustainable growth characteristics, we look for companies we believe can produce sustainable earnings and cash flow growth, evaluating the long-term market opportunity and competitive structure of an industry to target leaders and emerging leaders. We define quality companies as those with strong and improving competitive positions in attractive markets. We also believe important attributes of quality are experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation and returns on capital employed. In assessing value, we

Top 10 Holdings

12/31/20

Company Industry	% of Total Net Assets
Synopsys, Inc. Software	2.5%
Twilio, Inc. IT Services	2.3%
CoStar Group, Inc. Professional Services	2.1%
IDEXX Laboratories, Inc. Health Care Equipment & Supplies	2.0%
DocuSign, Inc. Software	2.0%
Verisk Analytics, Inc. Professional Services	1.9%
Roku, Inc. Entertainment	1.7%
Okta, Inc. IT Services	1.6%
ANSYS, Inc. Software	1.6%
Zendesk, Inc. Software	1.6%

consider whether security prices fully reflect the balance of the sustainable growth opportunities relative to business and financial risks.

Manager's Discussion

During the period under review, the Fund outperformed the Russell Midcap® Growth Index. Stock selection in the information technology sector was the primary contributor to relative returns. Within the sector, the Fund benefited from positions in DocuSign, Twilio, CloudFlare and Bill.Com Holdings. Subscription revenue and billings growth have been positive drivers of performance for electric signature company DocuSign. While the company is benefiting from work-from-home-trends in the near term, we believe there is a large and under-penetrated market for the digital transformation of contracts and other types of agreements that require e-signatures. Twilio has seen accelerated demand in the COVID-19 environment for the company's digital communication services, particularly in telehealth, online education and remote customer care. COVID-19 and subsequent shelter-in-place mandates have also been an opportunity for cloud-security specialists CloudFlare, which provides tools that enable remote work and social distancing. Payment solutions provider Bill.Com has been benefiting from the growing need of smaller companies to switch to cost- and time-saving innovative technologies to stay competitive.

3. Bureau of Labor Statistics.

Stock selection in consumer discretionary also contributed to relative results. Digital sports entertainment and gaming company DraftKings was a top contributor in the sector. DraftKings has generated revenue from online gambling and has created new products such as simulated sports events, though the company's operations have been impacted by the suspension, postponement or cancellation of sports seasons and events due to COVID-19.

Turning to detractors, stock selection undermined relative performance in the materials sector, where a position in specialty chemicals manufacturer Ingevity detracted from results.

Elsewhere, satellite communications operator ViaSat hurt relative returns. The company has been negatively affected by emerging competition and the economic impact associated with the COVID-19 pandemic. We have since eliminated the position.

Other relative detractors included Hexcel and Diamondback Energy. Advanced materials company Hexcel, whose biggest client is the aerospace industry, was hit hard by the collapse in air travel caused by COVID-19, which resulted in airplane production cuts. Oil exploration and production company Diamondback also hindered results due to the collapse of oil prices brought on by the global economic shutdown and Russia-Saudi price war. We liquidated our positions in both Hexcel and Diamondback due to their price recovery uncertainty.

Reata Pharmaceuticals, which faced U.S. Food and Drug Administration hurdles for its neurological disorder treatment, hurt relative results as well.

Thank you for your participation in Franklin Small-Mid Cap Growth VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,327.40	\$6.37	\$1,019.66	\$5.53	1.09%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin Small-Mid Cap Growth VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$19.74	\$17.04	\$19.71	\$17.77	\$19.09
Income from investment operations ^a :					
Net investment (loss) ^b	(0.07)	(0.04)	(0.05)	(0.04)	(0.03)
Net realized and unrealized gains (losses)	9.96	5.31	(0.70)	3.74	0.77
Total from investment operations	9.89	5.27	(0.75)	3.70	0.74
Less distributions from:					
Net realized gains	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of year	\$26.99	\$19.74	\$17.04	\$19.71	\$17.77
Total return ^c	55.52%	31.80%	(5.15)%	21.75%	4.40%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.85%	0.84%	0.86%	0.85%	0.84%
Expenses net of waiver and payments by affiliates ^d	0.84%	0.83%	0.85%	0.84%	0.82%
Net investment (loss)	(0.33)%	(0.19)%	(0.24)%	(0.24)%	(0.16)%
Supplemental data					
Net assets, end of year (000's)	\$72,039	\$43,169	\$33,518	\$36,864	\$31,756
Portfolio turnover rate	48.93%	59.07%	44.78%	40.49%	32.23% ^e

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

^bBased on average daily shares outstanding.

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

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

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.29	\$15.22	\$17.83	\$16.27	\$17.69
Income from investment operations ^a :					
Net investment (loss) ^b	(0.11)	(0.08)	(0.09)	(0.08)	(0.07)
Net realized and unrealized gains (losses)	8.57	4.72	(0.60)	3.40	0.71
Total from investment operations	8.46	4.64	(0.69)	3.32	0.64
Less distributions from:					
Net realized gains	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of year	\$23.11	\$17.29	\$15.22	\$17.83	\$16.27
Total return ^c	55.09%	31.44%	(5.37)%	21.40%	4.17%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.10%	1.09%	1.11%	1.10%	1.09%
Expenses net of waiver and payments by affiliates ^d	1.09%	1.08%	1.10%	1.09%	1.07%
Net investment (loss)	(0.61)%	(0.44)%	(0.49)%	(0.49)%	(0.41)%
Supplemental data					
Net assets, end of year (000's)	\$503,032	\$372,442	\$310,300	\$390,094	\$392,777
Portfolio turnover rate	48.93%	59.07%	44.78%	40.49%	32.23% ^e

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

^bBased on average daily shares outstanding.

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

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

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.04	\$15.81	\$18.47	\$16.81	\$18.23
Income from investment operations ^a :					
Net investment (loss) ^b	(0.14)	(0.10)	(0.11)	(0.10)	(0.09)
Net realized and unrealized gains (losses)	9.00	4.90	(0.63)	3.52	0.73
Total from investment operations	8.86	4.80	(0.74)	3.42	0.64
Less distributions from:					
Net realized gains	(2.64)	(2.57)	(1.92)	(1.76)	(2.06)
Net asset value, end of year	\$24.26	\$18.04	\$15.81	\$18.47	\$16.81
Total return ^c	55.01%	31.26%	(5.46)%	21.30%	4.04%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.20%	1.19%	1.21%	1.20%	1.19%
Expenses net of waiver and payments by affiliates ^d	1.19%	1.18%	1.20%	1.19%	1.17%
Net investment (loss)	(0.71)%	(0.54)%	(0.59)%	(0.59)%	(0.51)%
Supplemental data					
Net assets, end of year (000's)	\$25,580	\$17,662	\$13,759	\$15,829	\$13,825
Portfolio turnover rate	48.93%	59.07%	44.78%	40.49%	32.23% ^e

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

^bBased on average daily shares outstanding.

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

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

^eExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2020

Franklin Small-Mid Cap Growth VIP Fund

	Country	Shares	Value
Common Stocks 97.4%			
Aerospace & Defense 1.6%			
^a Kratos Defense & Security Solutions, Inc.	United States	66,100	\$1,813,123
^a Mercury Systems, Inc.	United States	56,900	5,010,614
^a TransDigm Group, Inc.	United States	4,900	3,032,365
			9,856,102
Airlines 0.4%			
Southwest Airlines Co.	United States	55,000	2,563,550
Banks 0.5%			
TCF Financial Corp.	United States	77,000	2,850,540
Biotechnology 3.9%			
^a Certara, Inc.	United States	7,300	246,156
^a Deciphera Pharmaceuticals, Inc.	United States	50,400	2,876,328
^a Global Blood Therapeutics, Inc.	United States	71,700	3,105,327
^a Heron Therapeutics, Inc.	United States	153,400	3,246,711
^a Iovance Biotherapeutics, Inc.	United States	118,400	5,493,760
^a PTC Therapeutics, Inc.	United States	52,000	3,173,560
^a Rocket Pharmaceuticals, Inc.	United States	25,000	1,371,000
^a Seagen, Inc.	United States	20,700	3,625,398
			23,138,240
Capital Markets 4.2%			
Ares Management Corp.	United States	97,500	4,587,375
MarketAxess Holdings, Inc.	United States	12,200	6,960,832
MSCI, Inc.	United States	18,500	8,260,805
Tradeweb Markets, Inc., A.	United States	87,700	5,476,865
			25,285,877
Chemicals 0.3%			
^a Ingevity Corp.	United States	26,741	2,025,096
Commercial Services & Supplies 1.1%			
Republic Services, Inc.	United States	66,100	6,365,430
Construction Materials 0.6%			
Martin Marietta Materials, Inc.	United States	13,000	3,691,610
Containers & Packaging 1.1%			
Ball Corp.	United States	71,700	6,681,006
Electronic Equipment, Instruments & Components 2.5%			
Amphenol Corp., A.	United States	52,700	6,891,579
^a Keysight Technologies, Inc.	United States	59,550	7,865,959
			14,757,538
Entertainment 3.2%			
^a Roku, Inc.	United States	29,856	9,912,789
^a Spotify Technology SA.	United States	11,100	3,492,726
^a Zynga, Inc., A.	United States	572,500	5,650,575
			19,056,090
Equity Real Estate Investment Trusts (REITs) 1.9%			
SBA Communications Corp.	United States	32,257	9,100,667
Terreno Realty Corp.	United States	41,150	2,407,687
			11,508,354
Food & Staples Retailing 0.4%			
^a Grocery Outlet Holding Corp.	United States	61,700	2,421,725

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Food Products 0.1%			
^{a,b} Beyond Meat, Inc.	United States	4,700	\$587,500
Health Care Equipment & Supplies 6.5%			
^a Align Technology, Inc.	United States	3,400	1,816,892
^a DexCom, Inc.	United States	7,488	2,768,463
^a IDEXX Laboratories, Inc.	United States	24,150	12,071,860
^a Inari Medical, Inc.	United States	31,400	2,740,906
^a Insulet Corp.	United States	18,500	4,729,155
^a iRhythm Technologies, Inc.	United States	13,050	3,095,591
^{a,b} Penumbra, Inc.	United States	24,900	4,357,500
Teleflex, Inc.	United States	18,150	7,469,996
			39,050,363
Health Care Providers & Services 2.3%			
^a Guardant Health, Inc.	United States	56,900	7,333,272
^a HealthEquity, Inc.	United States	57,000	3,973,470
^a Oak Street Health, Inc.	United States	43,400	2,654,344
			13,961,086
Health Care Technology 2.3%			
^{a,b} American Well Corp., A.	United States	61,800	1,565,394
^a Teladoc Health, Inc.	United States	18,766	3,752,449
^a Veeva Systems, Inc., A.	United States	31,500	8,575,875
			13,893,718
Hotels, Restaurants & Leisure 4.0%			
^a Chipotle Mexican Grill, Inc.	United States	4,330	6,004,454
^a DraftKings, Inc., A.	United States	134,733	6,273,169
Vail Resorts, Inc.	United States	20,300	5,662,888
Wingstop, Inc.	United States	29,700	3,936,735
Wynn Resorts Ltd.	United States	18,300	2,064,789
			23,942,035
Household Durables 0.9%			
^a NVR, Inc.	United States	1,282	5,230,381
Household Products 0.8%			
Church & Dwight Co., Inc.	United States	58,300	5,085,509
Interactive Media & Services 2.1%			
^a Match Group, Inc.	United States	47,124	7,124,678
^a Pinterest, Inc., A.	United States	86,100	5,673,990
			12,798,668
Internet & Direct Marketing Retail 1.5%			
^{a,b} ContextLogic, Inc., A.	United States	29,000	528,960
Expedia Group, Inc.	United States	35,700	4,726,680
^{a,c,d} Marqeta, Inc.	United States	129,178	1,208,923
^a Wayfair, Inc., A.	United States	11,700	2,641,977
			9,106,540
IT Services 11.5%			
^{a,b} BigCommerce Holdings, Inc., 1.	United States	32,700	2,097,705
^a Black Knight, Inc.	United States	104,000	9,188,400
Booz Allen Hamilton Holding Corp.	United States	48,400	4,219,512
^a EPAM Systems, Inc.	United States	9,900	3,547,665
^a GoDaddy, Inc., A.	United States	68,917	5,716,665
Jack Henry & Associates, Inc.	United States	43,250	7,006,067

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
IT Services (continued)			
^a MongoDB, Inc.	United States	13,900	\$4,990,656
^a Nuvei Corp., 144A, Reg S	Canada	20,900	1,258,807
^a Okta, Inc.	United States	37,500	9,534,750
^a Shift4 Payments, Inc., A	United States	44,300	3,340,220
^a Twilio, Inc., A	United States	41,075	13,903,888
^a Wix.com Ltd.	Israel	16,800	4,199,328
			69,003,663
Life Sciences Tools & Services 3.3%			
^a 10X Genomics, Inc., A	United States	30,700	4,347,120
Bio-Techne Corp.	United States	19,625	6,231,919
^a Maravai LifeSciences Holdings, Inc., A	United States	58,800	1,649,340
^a Mettler-Toledo International, Inc.	United States	6,480	7,385,126
			19,613,505
Machinery 2.2%			
Fortive Corp.	United States	66,900	4,737,858
IDEX Corp.	United States	24,550	4,890,360
Stanley Black & Decker, Inc.	United States	20,846	3,722,262
			13,350,480
Personal Products 0.5%			
^a BellRing Brands, Inc., A	United States	125,800	3,058,198
Pharmaceuticals 1.9%			
^{a,b} GW Pharmaceuticals plc, ADR	United Kingdom	26,500	3,058,365
^a Horizon Therapeutics plc.	United States	70,000	5,120,500
^a Reata Pharmaceuticals, Inc., A	United States	25,100	3,102,862
			11,281,727
Professional Services 5.0%			
^a CoStar Group, Inc.	United States	13,735	12,694,986
TransUnion	United States	58,300	5,784,526
Verisk Analytics, Inc.	United States	54,661	11,347,077
			29,826,589
Road & Rail 1.5%			
Kansas City Southern	United States	23,200	4,735,816
Old Dominion Freight Line, Inc.	United States	21,850	4,264,683
			9,000,499
Semiconductors & Semiconductor Equipment 6.6%			
^a Allegro MicroSystems, Inc.	Japan	83,900	2,236,774
Entegris, Inc.	United States	25,000	2,402,500
KLA Corp.	United States	27,637	7,155,496
^a Lattice Semiconductor Corp.	United States	155,755	7,136,694
Microchip Technology, Inc.	United States	35,427	4,892,823
Monolithic Power Systems, Inc.	United States	13,350	4,889,170
^a Semtech Corp.	United States	56,700	4,087,503
^a SiTime Corp.	United States	60,000	6,715,800
			39,516,760
Software 17.2%			
^a Alteryx, Inc., A.	United States	49,400	6,016,426
^a ANSYS, Inc.	United States	25,800	9,386,040
^a Avalara, Inc.	United States	43,600	7,189,204
^a Bill.com Holdings, Inc.	United States	53,548	7,309,302
^{a,b} C3.ai, Inc., A	United States	5,500	763,125

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Software (continued)			
^a Cloudflare, Inc., A	United States	75,500	\$5,737,245
^a Coupa Software, Inc.	United States	10,500	3,558,555
^a DocuSign, Inc.	United States	52,700	11,715,210
^{a,b} Duck Creek Technologies, Inc.	United States	35,670	1,544,511
^a HubSpot, Inc.	United States	14,600	5,788,024
^a Lightspeed POS, Inc.	Canada	80,500	5,666,395
^a Paylocity Holding Corp.	United States	44,950	9,255,654
^a Q2 Holdings, Inc.	United States	40,496	5,123,959
^a Synopsys, Inc.	United States	57,750	14,971,110
^a Zendesk, Inc.	United States	65,600	9,388,672
			103,413,432
Specialty Retail 3.6%			
^a Burlington Stores, Inc.	United States	30,200	7,898,810
^a Five Below, Inc.	United States	37,050	6,483,009
Tractor Supply Co.	United States	27,737	3,899,267
^a Ulta Beauty, Inc.	United States	12,500	3,589,500
			21,870,586
Textiles, Apparel & Luxury Goods 1.1%			
Levi Strauss & Co., A	United States	175,000	3,514,000
VF Corp.	United States	39,200	3,348,072
			6,862,072
Trading Companies & Distributors 0.8%			
Fastenal Co.	United States	92,200	4,502,126
			585,156,595
Preferred Stocks 0.6%			
Internet & Direct Marketing Retail 0.3%			
^{a,c,d} Fanatics, Inc., E	United States	92,539	1,657,023
Software 0.1%			
^{a,c,d} Alkami Technology, Inc., F	United States	48,025	768,400
Textiles, Apparel & Luxury Goods 0.2%			
^{a,c,d} Allbirds, Inc., E	United States	92,392	1,068,276
			3,493,699
			588,650,294
Short Term Investments 3.5%			
Money Market Funds 2.1%			
^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	12,671,175	12,671,175
			12,671,175

Franklin Small-Mid Cap Growth VIP Fund (continued)

Short Term Investments (continued)

	Country	Shares	Value
^hInvestments from Cash Collateral Received for Loaned Securities 1.4%			
Money Market Funds 1.4%			
^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	8,418,420	\$8,418,420
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$8,418,420)			8,418,420
Total Short Term Investments (Cost \$21,089,595)			21,089,595
Total Investments (Cost \$354,128,181) 101.5%			\$609,739,889
Other Assets, less Liabilities (1.5)%			(9,087,689)
Net Assets 100.0%			\$600,652,200

See Abbreviations on page FSC-27

^a Non-income producing.

^b A portion or all of the security is on loan at December 31, 2020. See Note 1(c).

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

^d See Note 7 regarding restricted securities.

^e Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the value of this security was \$1,258,807, representing 0.2% of net assets.

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

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

^h See Note 1(c) regarding securities on loan.

Statement of Assets and Liabilities

December 31, 2020

**Franklin Small-
Mid Cap Growth
VIP Fund**

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$333,038,586
Cost - Non-controlled affiliates (Note 3e)	21,089,595
Value - Unaffiliated issuers (Includes securities loaned of \$8,062,670)	\$588,650,294
Value - Non-controlled affiliates (Note 3e)	21,089,595
Receivables:	
Investment securities sold	82,892
Capital shares sold	179,091
Dividends and interest	81,071
Other assets	54
Total assets	610,082,997
Liabilities:	
Payables:	
Investment securities purchased	106,263
Capital shares redeemed	262,074
Management fees	392,338
Distribution fees	113,228
Payable upon return of securities loaned	8,418,420
Accrued expenses and other liabilities	138,474
Total liabilities	9,430,797
Net assets, at value	\$600,652,200
Net assets consist of:	
Paid-in capital	\$275,921,954
Total distributable earnings (losses)	324,730,246
Net assets, at value	\$600,652,200

**Franklin Small-
Mid Cap Growth
VIP Fund**

Class 1:	
Net assets, at value	\$72,039,364
Shares outstanding	2,669,127
Net asset value and maximum offering price per share	\$26.99
Class 2:	
Net assets, at value	\$503,032,360
Shares outstanding	21,764,448
Net asset value and maximum offering price per share	\$23.11
Class 4:	
Net assets, at value	\$25,580,476
Shares outstanding	1,054,488
Net asset value and maximum offering price per share	\$24.26

Statement of Operations

for the year ended December 31, 2020

	Franklin Small- Mid Cap Growth VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$4,065)	
Unaffiliated issuers	\$1,955,300
Non-controlled affiliates (Note 3e)	32,723
Interest:	
Unaffiliated issuers	32,720
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	256,355
Non-controlled affiliates (Note 3e)	11,432
Total investment income	<u>2,288,530</u>
Expenses:	
Management fees (Note 3a)	3,770,389
Distribution fees: (Note 3c)	
Class 2	1,010,373
Class 4	68,089
Custodian fees (Note 4)	3,519
Reports to shareholders	134,771
Professional fees	78,392
Trustees' fees and expenses	2,614
Other	24,479
Total expenses	<u>5,092,626</u>
Expense reductions (Note 4)	(17)
Expenses waived/paid by affiliates (Note 3e)	<u>(32,556)</u>
Net expenses	5,060,053
Net investment income (loss)	<u>(2,771,523)</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	72,213,845
Foreign currency transactions	<u>(6,798)</u>
Net realized gain (loss)	<u>72,207,047</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	<u>144,395,647</u>
Net realized and unrealized gain (loss)	<u>216,602,694</u>
Net increase (decrease) in net assets resulting from operations	<u>\$213,831,171</u>

Statements of Changes in Net Assets

	Franklin Small-Mid Cap Growth VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(2,771,523)	\$(1,784,697)
Net realized gain (loss)	72,207,047	63,675,302
Net change in unrealized appreciation (depreciation)	144,395,647	48,782,330
Net increase (decrease) in net assets resulting from operations	213,831,171	110,672,935
Distributions to shareholders:		
Class 1	(5,568,768)	(5,113,428)
Class 2	(53,710,860)	(51,808,967)
Class 4	(2,461,041)	(2,209,122)
Total distributions to shareholders	(61,740,669)	(59,131,517)
Capital share transactions: (Note 2)		
Class 1	11,218,927	4,136,766
Class 2	2,617,481	18,159,781
Class 4	1,452,781	1,857,466
Total capital share transactions	15,289,189	24,154,013
Net increase (decrease) in net assets	167,379,691	75,695,431
Net assets:		
Beginning of year	433,272,509	357,577,078
End of year	\$600,652,200	\$433,272,509

Notes to Financial Statements

Franklin Small-Mid Cap Growth VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Small-Mid Cap Growth 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. At December 31, 2020, 40.9% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

Investments in open-end mutual funds are valued at the closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio

Franklin Small-Mid Cap Growth VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

a. Financial Instrument Valuation (continued)

securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Securities Lending

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

d. Income and Deferred Taxes

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

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

Franklin Small-Mid Cap Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

d. Income and Deferred Taxes (continued)

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

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

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the

relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

f. 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.

g. Guarantees and Indemnifications

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

Franklin Small-Mid Cap Growth VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	706,229	\$16,500,714	318,754	\$6,251,939
Shares issued in reinvestment of distributions	289,889	5,568,768	273,885	5,113,428
Shares redeemed	(514,114)	(10,850,555)	(372,027)	(7,228,601)
Net increase (decrease)	482,004	\$11,218,927	220,612	\$4,136,766
Class 2 Shares:				
Shares sold	2,526,425	\$47,366,200	1,911,894	\$33,367,659
Shares issued in reinvestment of distributions	3,261,133	53,710,860	3,162,941	51,808,967
Shares redeemed	(5,564,626)	(98,459,579)	(3,921,307)	(67,016,845)
Net increase (decrease)	222,932	\$2,617,481	1,153,528	\$18,159,781
Class 4 Shares:				
Shares sold	319,307	\$6,396,773	191,080	\$3,405,783
Shares issued in reinvestment of distributions	142,257	2,461,041	129,188	2,209,122
Shares redeemed	(385,938)	(7,405,033)	(211,768)	(3,757,439)
Net increase (decrease)	75,626	\$1,452,781	108,500	\$1,857,466

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC. (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Small-Mid Cap Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

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
0.800%	Up to and including \$500 million
0.700%	Over \$500 million, up to and including \$1 billion
0.650%	Over \$1 billion, up to and including \$1.5 billion
0.600%	Over \$1.5 billion, up to and including \$6.5 billion
0.575%	Over \$6.5 billion, up to and including \$11.5 billion
0.550%	Over \$11.5 billion, up to and including \$16.5 billion
0.540%	Over \$16.5 billion, up to and including \$19 billion
0.530%	Over \$19 billion, up to and including \$21.5 billion
0.520%	In excess of \$21.5 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.796% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

Franklin Small-Mid Cap Growth VIP Fund (continued)**3. Transactions with Affiliates** (continued)**e. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Small-Mid Cap Growth VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$10,406,987	\$138,868,272	\$(136,604,084)	\$—	\$—	\$12,671,175	12,671,175	\$32,723
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$4,879,541	\$71,410,508	\$(67,871,629)	\$—	\$—	\$8,418,420	8,418,420	\$11,432
Total Affiliated Securities	\$15,286,528	\$210,278,780	\$(204,475,713)	\$—	\$—	\$21,089,595		\$44,155

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2020, these purchase and sale transactions aggregated \$380,765 and \$0, respectively.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$4,542,643	—
Long term capital gain	57,198,026	\$59,131,517
	\$61,740,669	\$59,131,517

Franklin Small-Mid Cap Growth VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$354,230,433
Unrealized appreciation	\$258,929,286
Unrealized depreciation	(3,419,830)
Net unrealized appreciation (depreciation)	\$255,509,456
Distributable earnings:	
Undistributed ordinary income	\$5,519,604
Undistributed long term capital gains	\$63,701,185
Total distributable earnings	\$69,220,789

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$226,449,811 and \$277,517,497, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$8,418,420 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At December 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
Franklin Small-Mid Cap Growth VIP Fund				
48,025	Alkami Technology, Inc., F	9/24/20	\$768,400	\$768,400
92,392	Allbirds, Inc., E	9/22/20	1,068,276	1,068,276
92,539	Fanatics, Inc., E	8/13/20	1,600,000	1,657,023
129,178	Marqeta, Inc.	8/20/20	1,077,009	1,208,923
	Total Restricted Securities (Value is 0.78% of Net Assets)		\$4,513,685	\$4,702,622

Franklin Small-Mid Cap Growth VIP Fund (continued)

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Small-Mid Cap Growth VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$9,856,102	\$—	\$—	\$9,856,102
Airlines	2,563,550	—	—	2,563,550
Banks	2,850,540	—	—	2,850,540
Biotechnology	23,138,240	—	—	23,138,240
Capital Markets	25,285,877	—	—	25,285,877
Chemicals	2,025,096	—	—	2,025,096
Commercial Services & Supplies	6,365,430	—	—	6,365,430

Franklin Small-Mid Cap Growth VIP Fund (continued)

10. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Small-Mid Cap Growth VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Construction Materials	\$3,691,610	\$—	\$—	\$3,691,610
Containers & Packaging	6,681,006	—	—	6,681,006
Electronic Equipment, Instruments & Components	14,757,538	—	—	14,757,538
Entertainment	19,056,090	—	—	19,056,090
Equity Real Estate Investment Trusts (REITs)	11,508,354	—	—	11,508,354
Food & Staples Retailing	2,421,725	—	—	2,421,725
Food Products	587,500	—	—	587,500
Health Care Equipment & Supplies	39,050,363	—	—	39,050,363
Health Care Providers & Services	13,961,086	—	—	13,961,086
Health Care Technology	13,893,718	—	—	13,893,718
Hotels, Restaurants & Leisure	23,942,035	—	—	23,942,035
Household Durables	5,230,381	—	—	5,230,381
Household Products	5,085,509	—	—	5,085,509
Interactive Media & Services	12,798,668	—	—	12,798,668
Internet & Direct Marketing Retail	7,897,617	—	1,208,923	9,106,540
IT Services	69,003,663	—	—	69,003,663
Life Sciences Tools & Services	19,613,505	—	—	19,613,505
Machinery	13,350,480	—	—	13,350,480
Personal Products	3,058,198	—	—	3,058,198
Pharmaceuticals	11,281,727	—	—	11,281,727
Professional Services	29,826,589	—	—	29,826,589
Road & Rail	9,000,499	—	—	9,000,499
Semiconductors & Semiconductor Equipment	39,516,760	—	—	39,516,760
Software	103,413,432	—	—	103,413,432
Specialty Retail	21,870,586	—	—	21,870,586
Textiles, Apparel & Luxury Goods	6,862,072	—	—	6,862,072
Trading Companies & Distributors	4,502,126	—	—	4,502,126
Preferred Stocks	—	—	3,493,699	3,493,699
Short Term Investments	21,089,595	—	—	21,089,595
Total Investments in Securities	\$605,037,267	\$—	\$4,702,622	\$609,739,889

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

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Franklin Small-Mid Cap Growth VIP Fund (continued)

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Small-Mid Cap Growth VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Small-Mid Cap Growth VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 19, 2021

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

Tax Information (unaudited)

Franklin Small-Mid Cap Growth VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$57,198,026 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 41.38% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Franklin Strategic Income VIP Fund

This annual report for Franklin Strategic Income VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	3.43%
5-Year	4.30%
10-Year	3.74%

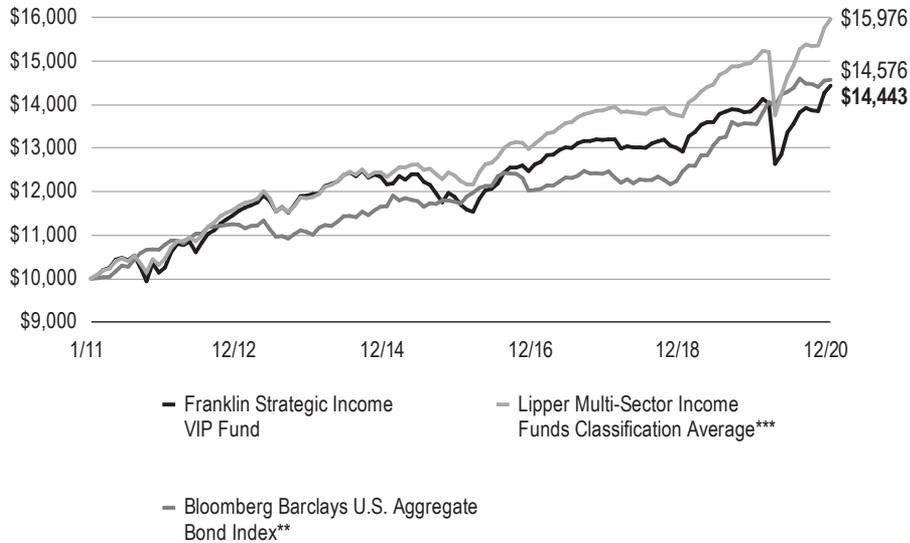
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Bloomberg Barclays U.S. Aggregate Bond Index and the Lipper Multi-Sector Income Funds Classification Average. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

***Source: Lipper, a Thomson Reuters Company. Please see Index Descriptions following the Fund Summaries.

Franklin Strategic Income VIP Fund

Fund Goal and Main Investments

The Fund seeks a high level of current income, with capital appreciation over the long term as a secondary goal. Under normal market conditions, the Fund invests primarily to predominantly in U.S. and foreign debt securities, including those in emerging markets.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. High yields reflect the higher credit risks associated with certain lower rated securities held in the portfolio. Floating rate loans and high yield corporate bonds are rated below investment grade and are subject to greater risk of default, which could result in loss of principal—a risk that may be heightened in a slowing economy. The risks of foreign securities include currency fluctuations and political uncertainty. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Investing in derivative securities and the use of foreign currency techniques involve special risks as such may not achieve the anticipated benefits and/or may result in losses to the Fund. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, posted a +7.51% total return for the period under

review.¹ The Fund's peers, as measured by the Lipper Multi-Sector Income Funds Classification Average, posted a +5.64% return.²

Portfolio Composition

12/31/20

	% of Total Net Assets
Corporate Bonds	49.5%
Foreign Government and Agency Securities	14.1%
Residential Mortgage-Backed Securities	9.2%
Asset-Backed Securities	7.4%
Senior Floating Rate Interests	4.7%
Mortgage-Backed Securities	4.4%
U.S. Government and Agency Securities	2.8%
Management Investment Companies	2.0%
Municipal Bonds	1.9%
Other	1.0%
Short-Term Investments & Other Net Assets	3.0%

Economic and Market Overview

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, advanced during the 12 months ended December 31, 2020. The period was defined by the economic and social disruption that began in the wake of the novel coronavirus (COVID-19) pandemic, which caused significant volatility in U.S. bond markets. In late February, the U.S. bond market began to anticipate the adverse economic impact of business shutdowns and social distancing measures. Higher-quality, longer-term bonds rallied, with the 10-year U.S. Treasury yield (which moves inversely to price) falling in February and March, while riskier, lower-rated corporate bonds declined sharply. U.S. Federal Reserve (Fed) action led to a recovery in the corporate bond market beginning in late March, which accelerated in subsequent months as many businesses reopened. Corporate bonds, particularly high-yield bonds, also benefited from the resolution of the U.S. election and several promising vaccine results late in the reporting period.

The Fed enacted two emergency rate cuts in March 2020, lowering the federal funds target rate to a range of 0.00%–0.25%. In addition, the Fed announced unlimited, open-ended purchasing of government-backed and corporate bonds as necessary to help keep markets functioning.

1. Source: Morningstar.

2. Source: Lipper, a Thomson Reuters Company.

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).

Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded the Fed's 2% target for some time.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted positive total returns during the period. The 10-year U.S. Treasury yield declined significantly during the reporting period, reaching a new record closing low in early August 2020. Bond purchasing by the Fed and robust demand for investments perceived as safe drove the U.S. Treasury market. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted positive total returns for the period amid Fed support, though lower interest rates accelerated prepayments from mortgage refinancing, restricting further gains.

U.S. corporate bond performance varied somewhat based on credit rating, as many investors became concerned about the potential credit downgrades of some companies. Total returns for investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, exceeded total returns for high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Investment Strategy

We allocate our investments among the various types of debt available based on our assessment of changing economic, global market, industry and issuer conditions. We use a top-down analysis of macroeconomic trends, combined with a bottom-up fundamental analysis of market sectors, industries and issuers, seeking to take advantage of varying sector reactions to economic events. For example, we may evaluate business cycles, yield curves, country risk, and the relative interest rates among currencies, and values between and within markets. In selecting debt securities, we generally conduct our own analysis of the security's intrinsic value rather than simply relying on the coupon rate or rating. We may also enter into various transactions involving certain currency-, interest rate- or credit-related derivative instruments.

Manager's Discussion

The Fund allocated assets across the broad fixed income markets seeking the best relative value opportunities for income and capital appreciation. At period end, our largest allocations were in high-yield corporate credit, investment-grade corporate bonds, non-local currency emerging market bonds and non-agency residential mortgage-backed securities (RMBS), with smaller exposures to senior secured

floating-rate loans and agency mortgage-backed securities. We increased allocation to high-yield corporate bonds over the reporting period. Even with nominal yields near historic lows, we believe that high-yield investors are more than compensated for expected default losses. We also see potential for additional spread tightening over the course of the next year and believe, in our view, that the relative yield pickup, along with the lower duration exposure and a potential rise in rates, will make U.S. high-yield an attractive asset class in the continued low global rate environment going forward. After the significant market volatility in March 2020, we had been seeing opportunities in higher-quality sectors and added to investment-grade corporate credit, while we pared exposure to collateralized loan obligations (CLOs) and senior secured floating-rate loans. We remain generally positive on investment-grade corporate bonds, although we believe the opportunity has become less compelling given tighter valuations and continued near-term macro and policy uncertainty, particularly as new COVID-19 cases surge.

We maintain a constructive view on sovereign emerging market securities as technical support for the asset class remains strong, which is likely to offset the negative impact of worsened fundamentals. We believe spread levels should continue to attract inflows in an environment of low-to-negative yields, loose global liquidity and where investors remain structurally underweight emerging markets.

We remained allocated to the RMBS sector, with exposure primarily in the seasoned credit risk transfer securities (CRTs). Allocation to the sector decreased over the period due to paydowns in CRT. We expect continued fundamental strength of the U.S. housing sector, bolstered by favorable supply and demand forces with historically low interest-rates that should remain supportive for the sector.

Our foreign-currency exposure was held through a basket of shorts with major positions in the Canadian and Australian dollar versus a basket of longs with major positions in the Japanese yen, Indonesian rupiah, Uruguayan, Mexican, Colombian and Dominican Republic peso. Over the period, we closed out our long Norwegian krona positions. We moved from a short euro to slight long position, reduced our short Canadian and Australian dollar positions and decreased our long Japanese yen position.

The Fund's investment-grade corporate credit allocation was the most significant contributor to returns. Additionally, allocations to high-yield corporate credit and CLOs also benefited performance. Marketplace loans and non-dollar emerging markets securities boosted performance as well. In contrast, the Fund's allocation to senior secured floating-rate

loans, taxable municipal bonds, Treasury Inflation-Protected Securities and RMBS detracted from performance. Foreign currency exposure negatively contributed to returns. Gains mainly from our long Japanese Yen, Mexican peso and short New Zealand dollar were more than offset by negative returns from long Norwegian krona and short Australian dollar positions.

The Fund utilized derivatives, including credit default swaps, currency forwards and government bond futures, primarily as a tool for efficient portfolio management and to manage overall portfolio risk. These derivative transactions may provide the same, or similar, net long or short exposure to select currencies, interest rates, countries, duration or credit risks compared to holding securities.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,064.75	\$5.45	\$1,019.86	\$5.33	1.05%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 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.

Consolidated Financial Highlights

Franklin Strategic Income VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.93	\$10.65	\$11.15	\$11.01	\$10.55
Income from investment operations ^a :					
Net investment income ^b	0.36	0.45	0.47	0.45	0.48
Net realized and unrealized gains (losses)	0.01	0.43	(0.65)	0.04	0.37
Total from investment operations	0.37	0.88	(0.18)	0.49	0.85
Less distributions from:					
Net investment income and net foreign currency gains	(0.54)	(0.60)	(0.32)	(0.35)	(0.39)
Net asset value, end of year	\$10.76	\$10.93	\$10.65	\$11.15	\$11.01
Total return ^c	3.75%	8.41%	(1.65)%	4.46%	8.25%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.75%	0.71%	0.67%	0.68%	0.67%
Expenses net of waiver and payments by affiliates ^d	0.73%	0.68%	0.63%	0.63%	0.60%
Net investment income	3.46%	4.09%	4.28%	4.00%	4.42%
Supplemental data					
Net assets, end of year (000's)	\$261,409	\$285,437	\$302,610	\$361,465	\$396,170
Portfolio turnover rate	114.19%	114.89% ^e	107.90% ^f	108.73%	128.51%
Portfolio turnover rate excluding mortgage dollar rolls ^g	73.45%	72.45% ^e	40.38% ^f	48.11%	77.93%

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

^bBased on average daily shares outstanding.

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

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

^eExcludes the value of portfolio activity as a result of in-kind transactions. 9

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

^gSee Note 1(h) regarding mortgage dollar rolls.

Franklin Strategic Income VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.55	\$10.28	\$10.76	\$10.64	\$10.21
Income from investment operations ^a :					
Net investment income ^b	0.33	0.40	0.42	0.40	0.43
Net realized and unrealized gains (losses)	— ^c	0.42	(0.61)	0.04	0.36
Total from investment operations	0.33	0.82	(0.19)	0.44	0.79
Less distributions from:					
Net investment income and net foreign currency gains	(0.52)	(0.55)	(0.29)	(0.32)	(0.36)
Net asset value, end of year	\$10.36	\$10.55	\$10.28	\$10.76	\$10.64
Total return ^d	3.43%	8.05%	(1.77)%	4.17%	7.94%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.01%	0.96%	0.92%	0.93%	0.92%
Expenses net of waiver and payments by affiliates ^e	0.99%	0.93%	0.88%	0.88%	0.85%
Net investment income	3.23%	3.84%	4.03%	3.75%	4.17%
Supplemental data					
Net assets, end of year (000's)	\$100,758	\$94,928	\$89,264	\$214,271	\$203,418
Portfolio turnover rate	114.19%	114.89% ^f	107.90% ^g	108.73%	128.51%
Portfolio turnover rate excluding mortgage dollar rolls ^h	73.45%	72.45% ⁱ	40.38% ^g	48.11%	77.93%

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

^bBased on average daily shares outstanding.

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

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

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

^fExcludes the value of portfolio activity as a result of in-kind transactions. 9

^gExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

^hSee Note 1(h) regarding mortgage dollar rolls.

Franklin Strategic Income VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.83	\$10.56	\$11.04	\$10.90	\$10.44
Income from investment operations ^a :					
Net investment income ^b	0.32	0.41	0.43	0.40	0.43
Net realized and unrealized gains (losses)	0.01	0.42	(0.64)	0.04	0.38
Total from investment operations	0.33	0.83	(0.21)	0.44	0.81
Less distributions from:					
Net investment income and net foreign currency gains	(0.50)	(0.56)	(0.27)	(0.30)	(0.35)
Net asset value, end of year	\$10.66	\$10.83	\$10.56	\$11.04	\$10.90
Total return ^c	3.34%	7.93%	(1.88)%	4.08%	7.86%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.10%	1.06%	1.02%	1.03%	1.02%
Expenses net of waiver and payments by affiliates ^d	1.09%	1.03%	0.98%	0.98%	0.95%
Net investment income	3.12%	3.74%	3.93%	3.65%	4.07%
Supplemental data					
Net assets, end of year (000's)	\$51,709	\$54,485	\$60,763	\$74,013	\$80,175
Portfolio turnover rate	114.19%	114.89% ^e	107.90% ^f	108.73%	128.51%
Portfolio turnover rate excluding mortgage dollar rolls ^g	73.45%	72.45% ^e	40.38% ^f	48.11%	77.93%

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

^bBased on average daily shares outstanding.

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

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

^eExcludes the value of portfolio activity as a result of in-kind transactions. 9

^fExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

^gSee Note 1(h) regarding mortgage dollar rolls.

Consolidated Statement of Investments, December 31, 2020

Franklin Strategic Income VIP Fund

	Country	Shares	Value
Common Stocks 0.3%			
Aerospace & Defense 0.0%			
^{a,b,c} Remington Outdoor Co., Inc.	United States	74,576	\$—
Energy Equipment & Services 0.0%[†]			
^b Weatherford International plc.	United States	13,794	82,764
Machinery 0.1%			
^b Birch Permian Holdings, Inc.	United States	4,478	35,824
^b Birch Permian Holdings, Inc.	United States	34,907	274,893
UTEX Industries, Inc.	United States	4,441	166,537
			477,254
Media 0.0%[†]			
^b Clear Channel Outdoor Holdings, Inc.	United States	20,804	34,327
^b HeartMedia, Inc., A.	United States	8,384	108,824
^{a,b} HeartMedia, Inc., B.	United States	142	1,714
			144,865
Multiline Retail 0.0%			
^{a,b,c} K2016470219 South Africa Ltd., A.	South Africa	14,792,309	—
^{a,b,c} K2016470219 South Africa Ltd., B.	South Africa	1,472,041	—
			—
Oil, Gas & Consumable Fuels 0.0%[†]			
Amplify Energy Corp.	United States	431	564
^{a,b} Riviera Resources, Inc.	United States	6,620	1,710
			2,274
Paper & Forest Products 0.1%			
^{a,b,c} Appvion Operations, Inc.	United States	18,684	322,094
Verso Corp., A.	United States	5,620	67,553
			389,647
Road & Rail 0.0%[†]			
^{a,b} Onsite Rental Group Operations Pty. Ltd.	Australia	143,820	3,858
Specialty Retail 0.1%			
^b Party City Holdings, Inc.	United States	24,031	147,789
			1,248,451
Total Common Stocks (Cost \$2,819,680)			
Management Investment Companies 2.0%			
Capital Markets 2.0%			
^d Franklin Floating Rate Income Fund	United States	1,118,951	8,481,652
			8,481,652
Total Management Investment Companies (Cost \$11,072,145)			
Warrants			
Warrants 0.0%[†]			
Machinery 0.0%[†]			
^{a,b} UTEX Industries, Inc., 2/20/49.	United States	135	310
Oil, Gas & Consumable Fuels 0.0%[†]			
^{a,b} Battalion Oil Corp., A, 10/08/22	United States	879	50
^{a,b} Battalion Oil Corp., B, 10/08/22	United States	1,098	33
^{a,b} Battalion Oil Corp., C, 10/08/22	United States	1,412	18
			101

	Country	Warrants	Value
Warrants (continued)			
Paper & Forest Products 0.0%†			
^b Verso Corp., 7/25/23	United States	592	\$503
Total Warrants (Cost \$—)			914
		Principal Amount^f	
Convertible Bonds 0.0%†			
Wireless Telecommunication Services 0.0%†			
^{e,f,g} Digicel Group 0.5 Ltd., Sub. Bond, 144A, PIK, 7%, Perpetual	Bermuda	26,248	6,880
Total Convertible Bonds (Cost \$4,715)			6,880
Corporate Bonds 49.5%			
Aerospace & Defense 0.5%			
^g Bombardier, Inc., Senior Note, 144A, 7.5%, 3/15/25	Canada	800,000	743,000
^g TransDigm, Inc., Senior Secured Note, 144A, 6.25%, 3/15/26	United States	1,400,000	1,492,757
			2,235,757
Air Freight & Logistics 0.5%			
^g DAE Funding LLC, Senior Note, 144A, 5%, 8/01/24	United Arab Emirates	1,294,000	1,328,776
FedEx Corp., Senior Bond, 4.05%, 2/15/48	United States	150,000	181,320
United Parcel Service, Inc., Senior Bond, 5.3%, 4/01/50	United States	300,000	452,891
			1,962,987
Airlines 0.6%			
Delta Air Lines, Inc., Senior Note, 2.9%, 10/28/24	United States	800,000	789,734
^g Delta Air Lines, Inc. / SkyMiles IP Ltd., Senior Secured Note, 144A, 4.5%, 10/20/25	United States	1,100,000	1,176,125
United Airlines Holdings, Inc., Senior Note, 5%, 2/01/24	United States	400,000	397,750
			2,363,609
Auto Components 1.0%			
^g Allison Transmission, Inc., Senior Bond, 144A, 5.875%, 6/01/29	United States	800,000	887,092
Senior Bond, 144A, 3.75%, 1/30/31	United States	500,000	512,500
Dana, Inc., Senior Note, 5.625%, 6/15/28	United States	1,200,000	1,294,038
Goodyear Tire & Rubber Co. (The), Senior Note, 4.875%, 3/15/27	United States	1,300,000	1,331,687
			4,025,317
Banks 3.0%			
^g Akbank T.A.S., Senior Note, 144A, 5.125%, 3/31/25	Turkey	1,200,000	1,218,000
Senior Note, 144A, 6.8%, 2/06/26	Turkey	400,000	424,600
Banco Santander SA, Sub. Note, 2.749%, 12/03/30	Spain	300,000	309,888
Bank of America Corp., Senior Bond, 3.248%, 10/21/27	United States	647,000	724,253
^g BNP Paribas SA, Senior Note, 144A, 2.219% to 6/09/25, FRN thereafter, 6/09/26	France	500,000	523,541
^g China Construction Bank Corp., Sub. Note, Reg S, 4.25% to 2/27/24, FRN thereafter, 2/27/29	China	800,000	862,329
^f Comerica, Inc., Junior Sub. Bond, 5.625% to 10/01/25, FRN thereafter, Perpetual	United States	300,000	333,000
HSBC Holdings plc, Senior Bond, 2.848% to 6/04/30, FRN thereafter, 6/04/31	United Kingdom	800,000	860,459
Senior Bond, 2.357% to 8/18/30, FRN thereafter, 8/18/31	United Kingdom	300,000	310,335

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ^f	Value
Corporate Bonds (continued)			
Banks (continued)			
Industrial & Commercial Bank of China Ltd., Senior Note, 3.538%, 11/08/27	China	900,000	\$992,641
JPMorgan Chase & Co.,			
^f R, Junior Sub. Bond, 6% to 8/01/23, FRN thereafter, Perpetual	United States	213,000	225,861
Senior Bond, 2.522% to 4/22/30, FRN thereafter, 4/22/31	United States	1,000,000	1,075,608
Senior Note, 3.2%, 6/15/26	United States	1,213,000	1,358,771
Sub. Note, 3.375%, 5/01/23	United States	809,000	864,888
Sub. Note, 3.875%, 9/10/24	United States	809,000	906,182
Lloyds Banking Group plc, Senior Note, 3.87% to 7/09/24, FRN thereafter, 7/09/25	United Kingdom	200,000	220,744
SVB Financial Group, Senior Note, 3.125%, 6/05/30	United States	300,000	338,281
Wells Fargo & Co., Senior Note, 2.188% to 4/30/25, FRN thereafter, 4/30/26	United States	700,000	737,636
			12,287,017
Beverages 0.5%			
Anheuser-Busch InBev Worldwide, Inc., Senior Bond, 3.5%, 6/01/30	Belgium	1,700,000	1,970,525
Biotechnology 0.3%			
AbbVie, Inc., Senior Note, 3.2%, 11/21/29	United States	700,000	785,284
Biogen, Inc., Senior Note, 2.25%, 5/01/30	United States	300,000	313,519
			1,098,803
Building Products 0.2%			
⁹ Cornerstone Building Brands, Inc., Senior Note, 144A, 8%, 4/15/26	United States	800,000	843,000
Capital Markets 1.1%			
Goldman Sachs Group, Inc. (The), Senior Note, 3.75%, 2/25/26	United States	600,000	681,882
Morgan Stanley,			
Senior Bond, 3.591% to 7/22/27, FRN thereafter, 7/22/28	United States	809,000	924,087
Senior Note, 3.875%, 1/27/26	United States	1,795,000	2,059,494
⁹ MSCI, Inc., Senior Bond, 144A, 4%, 11/15/29	United States	700,000	746,683
			4,412,146
Chemicals 2.8%			
⁹ Alpek SAB de CV, Senior Note, 144A, 4.25%, 9/18/29	Mexico	800,000	878,220
⁹ Axalta Coating Systems LLC, Senior Note, 144A, 3.375%, 2/15/29	United States	500,000	500,938
⁹ Braskem Netherlands Finance BV, Senior Bond, 144A, 4.5%, 1/31/30	Brazil	1,600,000	1,646,000
⁹ CNAC HK Finbridge Co. Ltd., Senior Note, Reg S, 4.875%, 3/14/25	China	800,000	857,866
⁹ Element Solutions, Inc., Senior Note, 144A, 3.875%, 9/01/28	United States	1,100,000	1,133,688
⁹ Gates Global LLC / Gates Corp., Senior Note, 144A, 6.25%, 1/15/26	United States	1,200,000	1,262,004
HB Fuller Co., Senior Note, 4.25%, 10/15/28	United States	800,000	821,500
⁹ Ingevity Corp., Senior Note, 144A, 3.875%, 11/01/28	United States	400,000	403,750
Methanex Corp., Senior Note, 5.125%, 10/15/27	Canada	500,000	544,065
Olin Corp., Senior Bond, 5.125%, 9/15/27	United States	900,000	942,651
⁹ SABIC Capital II BV, Senior Note, 144A, 4.5%, 10/10/28	Saudi Arabia	600,000	712,374
⁹ Syngenta Finance NV, Senior Note, 144A, 4.892%, 4/24/25	Switzerland	800,000	858,932
⁹ TPC Group, Inc., Senior Secured Note, 144A, 10.5%, 8/01/24	United States	900,000	744,282
Westlake Chemical Corp., Senior Note, 3.375%, 6/15/30	United States	200,000	220,141
⁹ Yara International ASA, Senior Note, 144A, 3.148%, 6/04/30	Brazil	100,000	108,394
			11,634,805

	Country	Principal Amount [†]	Value
Corporate Bonds (continued)			
Commercial Services & Supplies 0.6%			
Prime Security Services Borrower LLC / Prime Finance, Inc., Senior Secured Note, 144A, 3.375%, 8/31/27	United States	1,300,000	\$1,291,875
RELX Capital, Inc., Senior Note, 3%, 5/22/30	United Kingdom	100,000	111,117
Stericycle, Inc., Senior Note, 144A, 3.875%, 1/15/29	United States	1,000,000	1,028,750
			<u>2,431,742</u>
Communications Equipment 0.3%			
CommScope Technologies LLC, Senior Note, 144A, 5%, 3/15/27	United States	1,374,000	1,362,836
Construction & Engineering 0.0%[†]			
Rutas 2 and 7 Finance Ltd., Senior Secured Bond, 144A, Zero Cpn., 9/30/36	United States	200,000	151,000
Construction Materials 0.2%			
Cemex SAB de CV, Senior Secured Bond, 144A, 5.7%, 1/11/25	Mexico	1,013,000	1,036,805
Consumer Finance 0.6%			
FirstCash, Inc., Senior Note, 144A, 4.625%, 9/01/28	United States	1,000,000	1,033,125
OneMain Finance Corp., Senior Note, 6.625%, 1/15/28	United States	1,000,000	1,189,190
Senior Note, 4%, 9/15/30	United States	400,000	415,544
			<u>2,637,859</u>
Containers & Packaging 1.6%			
Ardagh Packaging Finance plc / Ardagh Holdings USA, Inc., Senior Note, 144A, 6%, 2/15/25	United States	248,000	257,238
Senior Note, 144A, 5.25%, 8/15/27	United States	300,000	315,243
Bemis Co., Inc., Senior Note, 2.63%, 6/19/30	United States	200,000	216,737
CCL Industries, Inc., Senior Note, 144A, 3.05%, 6/01/30	Canada	500,000	546,076
Crown Americas LLC / Crown Americas Capital Corp. VI, Senior Note, 4.75%, 2/01/26	United States	1,066,000	1,109,770
Mauser Packaging Solutions Holding Co., Senior Note, 144A, 7.25%, 4/15/25	United States	1,278,000	1,292,377
Owens-Brockway Glass Container, Inc., Senior Note, 144A, 5.875%, 8/15/23	United States	566,000	607,389
Senior Note, 144A, 6.625%, 5/13/27	United States	100,000	108,437
Reynolds Group Issuer, Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Luxembourg SA, Senior Secured Note, 144A, 5.125%, 7/15/23	United States	22,000	22,282
Senior Secured Note, 144A, 4%, 10/15/27	United States	600,000	615,750
Sealed Air Corp., Senior Bond, 144A, 5.5%, 9/15/25	United States	124,000	139,113
Senior Note, 144A, 4.875%, 12/01/22	United States	85,000	89,303
Senior Note, 144A, 5.125%, 12/01/24	United States	809,000	884,338
WRKCo, Inc., Senior Bond, 3%, 6/15/33	United States	400,000	440,071
			<u>6,644,124</u>
Distributors 0.1%			
Resideo Funding, Inc., Senior Note, 144A, 6.125%, 11/01/26	United States	400,000	422,000
Diversified Financial Services 0.4%			
MPH Acquisition Holdings LLC, Senior Note, 144A, 5.75%, 11/01/28	United States	1,500,000	1,468,125

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Diversified Telecommunication Services 1.1%			
⁹ Altice France Holding SA, Senior Note, 144A, 6%, 2/15/28	Luxembourg	900,000	\$913,127
⁹ Altice France SA, Senior Secured Note, 144A, 5.5%, 1/15/28	France	200,000	209,352
AT&T, Inc.,			
Senior Bond, 4.3%, 2/15/30	United States	300,000	358,626
Senior Note, 2.3%, 6/01/27	United States	300,000	320,130
Bell Canada, Inc., Senior Bond, 4.464%, 4/01/48	Canada	150,000	200,629
⁹ CCO Holdings LLC / CCO Holdings Capital Corp.,			
Senior Bond, 144A, 4.5%, 8/15/30	United States	300,000	318,751
Senior Bond, 144A, 4.5%, 5/01/32	United States	1,000,000	1,068,970
Telefonica Emisiones SA,			
Senior Bond, 4.895%, 3/06/48	Spain	150,000	188,743
Senior Note, 4.103%, 3/08/27	Spain	300,000	347,356
TELUS Corp., Senior Bond, 4.6%, 11/16/48	Canada	150,000	197,214
⁹ Virgin Media Secured Finance plc, Senior Secured Bond, 144A, 4.5%, 8/15/30	United Kingdom	600,000	627,600
			4,750,498
Electric Utilities 2.1%			
⁹ CGNPC International Ltd., Senior Note, Reg S, 3.75%, 12/11/27	China	300,000	327,171
Duke Energy Corp., Senior Bond, 2.45%, 6/01/30	United States	400,000	426,258
Exelon Corp., Senior Bond, 4.05%, 4/15/30	United States	1,300,000	1,539,854
Southern Co. (The), Senior Bond, 3.25%, 7/01/26	United States	2,410,000	2,704,816
⁹ State Grid Overseas Investment 2016 Ltd., Senior Note, 144A, 3.5%, 5/04/27	China	1,651,000	1,837,381
⁹ Three Gorges Finance I Cayman Islands Ltd., Senior Note, 144A, 3.15%, 6/02/26	China	1,051,000	1,132,558
⁹ TNB Global Ventures Capital Bhd., Senior Note, Reg S, 3.244%, 10/19/26	Malaysia	400,000	434,083
Virginia Electric and Power Co., Senior Bond, 6.35%, 11/30/37	United States	85,000	128,310
			8,530,431
Electronic Equipment, Instruments & Components 0.5%			
CDW LLC / CDW Finance Corp., Senior Note, 3.25%, 2/15/29	United States	1,000,000	1,020,950
Flex Ltd., Senior Note, 4.875%, 5/12/30	United States	800,000	963,212
FLIR Systems, Inc., Senior Note, 2.5%, 8/01/30	United States	200,000	210,068
			2,194,230
Energy Equipment & Services 0.3%			
Baker Hughes a GE Co. LLC / Baker Hughes Co-Obligor, Inc., Senior Note, 4.486%, 5/01/30	United States	50,000	60,121
⁹ Nabors Industries Ltd., Senior Note, 144A, 7.25%, 1/15/26	United States	800,000	562,436
⁹ Schlumberger Holdings Corp., Senior Note, 144A, 3.9%, 5/17/28	United States	400,000	452,147
⁹ Weatherford International Ltd., Senior Note, 144A, 11%, 12/01/24	United States	417,000	326,302
			1,401,006
Entertainment 0.7%			
⁹ Live Nation Entertainment, Inc., Senior Secured Note, 144A, 3.75%, 1/15/28	United States	200,000	202,580
Netflix, Inc.,			
Senior Bond, 5.875%, 2/15/25	United States	1,000,000	1,152,375
Senior Bond, 4.375%, 11/15/26	United States	300,000	333,187
⁹ WMMG Acquisition Corp., Senior Secured Bond, 144A, 3%, 2/15/31	United States	1,200,000	1,180,164
			2,868,306

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Equity Real Estate Investment Trusts (REITs) 1.5%			
AvalonBay Communities, Inc., Senior Bond, 2.45%, 1/15/31	United States	500,000	\$538,375
⁹ Global Net Lease, Inc. / Global Net Lease Operating Partnership LP, Senior Note, 144A, 3.75%, 12/15/27	United States	400,000	413,159
⁹ MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer, Inc., Senior Note, 144A, 3.875%, 2/15/29	United States	300,000	307,313
MPT Operating Partnership LP / MPT Finance Corp., Senior Bond, 5.25%, 8/01/26	United States	247,000	259,226
Senior Bond, 5%, 10/15/27	United States	889,000	947,252
Senior Bond, 3.5%, 3/15/31	United States	300,000	310,313
⁹ Park Intermediate Holdings LLC / PK Domestic Property LLC / PK Finance Co-Issuer, Senior Secured Note, 144A, 5.875%, 10/01/28	United States	1,000,000	1,066,875
⁹ SBA Communications Corp., Senior Note, 144A, 3.875%, 2/15/27	United States	800,000	841,240
⁹ VICI Properties LP / VICI Note Co., Inc., Senior Note, 144A, 3.75%, 2/15/27	United States	1,400,000	1,433,908
			6,117,661
Food & Staples Retailing 0.3%			
⁹ Cencosud SA, Senior Note, 144A, 4.375%, 7/17/27	Chile	1,000,000	1,123,017
Food Products 1.5%			
B&G Foods, Inc., Senior Note, 5.25%, 9/15/27	United States	1,500,000	1,596,210
Bunge Ltd. Finance Corp., Senior Note, 3.25%, 8/15/26	United States	200,000	222,379
⁹ Chobani LLC / Chobani Finance Corp., Inc., Senior Secured Note, 144A, 4.625%, 11/15/28	United States	1,200,000	1,221,000
⁹ Kraft Heinz Foods Co., Senior Note, 144A, 3.875%, 5/15/27	United States	1,200,000	1,294,109
⁹ MHP Lux SA, Senior Note, 144A, 6.95%, 4/03/26	Ukraine	1,100,000	1,213,355
⁹ Post Holdings, Inc., Senior Bond, 144A, 4.625%, 4/15/30	United States	700,000	737,247
			6,284,300
Gas Utilities 0.1%			
Piedmont Natural Gas Co., Inc., Senior Bond, 3.35%, 6/01/50	United States	300,000	335,237
Health Care Providers & Services 1.1%			
Anthem, Inc., Senior Bond, 3.7%, 9/15/49	United States	150,000	179,406
Centene Corp., Senior Note, 144A, 5.375%, 6/01/26	United States	324,000	342,131
Senior Note, 4.25%, 12/15/27	United States	300,000	318,694
Senior Note, 4.625%, 12/15/29	United States	200,000	222,301
Senior Note, 3.375%, 2/15/30	United States	600,000	632,193
⁹ CHS/Community Health Systems, Inc., Senior Secured Note, 144A, 5.625%, 3/15/27	United States	700,000	753,550
Cigna Corp., Senior Bond, 4.9%, 12/15/48	United States	150,000	206,280
HCA, Inc., Senior Note, 5.375%, 9/01/26	United States	713,000	820,859
⁹ Molina Healthcare, Inc., Senior Note, 144A, 3.875%, 11/15/30	United States	500,000	537,500
Orlando Health Obligated Group, 3.777%, 10/01/28	United States	330,000	374,600
Quest Diagnostics, Inc., Senior Bond, 2.8%, 6/30/31	United States	200,000	219,435
			4,606,949

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Hotels, Restaurants & Leisure 2.3%			
⁹ 1011778 BC ULC / New Red Finance, Inc., Secured Bond, 144A, 4%, 10/15/30	Canada	1,200,000	\$1,218,492
⁹ Caesars Entertainment, Inc., Senior Secured Note, 144A, 6.25%, 7/01/25	United States	400,000	426,502
⁹ Caesars Resort Collection LLC / CRC Finco, Inc., Senior Secured Note, 144A, 5.75%, 7/01/25	United States	1,000,000	1,060,827
⁹ Carnival Corp., Senior Note, 144A, 7.625%, 3/01/26	United States	400,000	436,546
⁹ Golden Nugget, Inc., Senior Note, 144A, 6.75%, 10/15/24	United States	1,132,000	1,125,287
⁹ International Game Technology plc, Senior Secured Note, 144A, 5.25%, 1/15/29	United States	1,300,000	1,402,837
MGM Resorts International, Senior Note, 4.75%, 10/15/28	United States	1,000,000	1,073,745
⁹ NCL Corp. Ltd., Senior Note, 144A, 5.875%, 3/15/26	United States	1,100,000	1,161,188
⁹ Wynn Las Vegas LLC / Wynn Las Vegas Capital Corp., Senior Bond, 144A, 5.5%, 3/01/25	United States	670,000	701,269
Senior Note, 144A, 5.25%, 5/15/27	United States	200,000	206,525
⁹ Wynn Macau Ltd., Senior Note, 144A, 5.625%, 8/26/28	Macau	600,000	629,958
			9,443,176
Household Durables 0.9%			
KB Home, Senior Note, 7%, 12/15/21	United States	570,000	591,019
Mohawk Industries, Inc., Senior Note, 3.625%, 5/15/30	United States	1,300,000	1,455,701
Toll Brothers Finance Corp., Senior Bond, 5.625%, 1/15/24	United States	689,000	763,856
⁹ Williams Scotsman International, Inc., Senior Secured Note, 144A, 4.625%, 8/15/28	United States	1,000,000	1,036,875
			3,847,451
Household Products 0.4%			
⁹ Energizer Holdings, Inc., Senior Note, 144A, 4.375%, 3/31/29	United States	1,300,000	1,348,126
⁹ Kimberly-Clark de Mexico SAB de CV, Senior Bond, 144A, 2.431%, 7/01/31	Mexico	300,000	310,336
⁹ Spectrum Brands, Inc., Senior Bond, 144A, 5.5%, 7/15/30	United States	200,000	215,875
			1,874,337
Independent Power and Renewable Electricity Producers 1.6%			
⁹ Calpine Corp., Senior Bond, 144A, 5%, 2/01/31	United States	600,000	627,900
Senior Note, 144A, 5.125%, 3/15/28	United States	200,000	210,677
Senior Note, 144A, 4.625%, 2/01/29	United States	700,000	720,846
Cleanway Energy Operating LLC, Senior Note, 5.75%, 10/15/25	United States	1,132,000	1,193,552
⁹ Colbun SA, Senior Note, 144A, 3.95%, 10/11/27	Chile	800,000	901,408
Senior Note, 144A, 3.15%, 3/06/30	Chile	300,000	324,000
⁹ InterGen NV, Senior Secured Bond, 144A, 7%, 6/30/23	Netherlands	1,100,000	1,071,125
⁹ Talen Energy Supply LLC, Senior Secured Note, 144A, 7.25%, 5/15/27	United States	1,300,000	1,386,697
			6,436,205
Insurance 0.5%			
⁹ Alliant Holdings Intermediate LLC / Alliant Holdings Co-Issuer, Senior Note, 144A, 6.75%, 10/15/27	United States	200,000	214,338
Arch Capital Group Ltd., Senior Bond, 3.635%, 6/30/50	United States	1,000,000	1,166,014
⁹ Five Corners Funding Trust II, Senior Note, 144A, 2.85%, 5/15/30	United States	500,000	553,255
			1,933,607

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Interactive Media & Services 0.5%			
⁹ Tencent Holdings Ltd., Senior Note, 144A, 2.39%, 6/03/30	China	2,100,000	\$2,155,545
Internet & Direct Marketing Retail 0.3%			
JD.com, Inc., Senior Note, 3.375%, 1/14/30	China	1,200,000	1,305,807
IT Services 1.0%			
⁹ Cablevision Lightpath LLC, Senior Secured Note, 144A, 3.875%, 9/15/27	United States	900,000	906,750
Fiserv, Inc., Senior Bond, 2.65%, 6/01/30	United States	600,000	649,594
⁹ Gartner, Inc., Senior Note, 144A, 4.5%, 7/01/28	United States	700,000	739,375
⁹ Presidio Holdings, Inc., Senior Secured Note, 144A, 4.875%, 2/01/27	United States	1,200,000	1,275,000
⁹ Tempo Acquisition LLC / Tempo Acquisition Finance Corp., Senior Note, 144A, 6.75%, 6/01/25	United States	600,000	620,880
			4,191,599
Machinery 1.1%			
⁹ ATS Automation Tooling Systems, Inc., Senior Note, 144A, 4.125%, 12/15/28	Canada	1,400,000	1,428,000
CNH Industrial NV, Senior Note, 3.85%, 11/15/27	United Kingdom	566,000	638,337
⁹ Navistar International Corp., Senior Note, 144A, 6.625%, 11/01/25	United States	900,000	944,010
⁹ Vertical US Newco, Inc., Senior Secured Note, 144A, 5.25%, 7/15/27	Germany	1,100,000	1,168,063
Westinghouse Air Brake Technologies Corp., Senior Note, 3.2%, 6/15/25	United States	200,000	215,950
			4,394,360
Marine 0.3%			
⁹ ICTSI Treasury BV, Senior Note, Reg S, 4.625%, 1/16/23	Philippines	1,200,000	1,267,218
Media 2.9%			
⁹ Altice Financing SA, Senior Secured Bond, 144A, 7.5%, 5/15/26 . .	Luxembourg	600,000	633,930
Charter Communications Operating LLC / Charter Communications Operating Capital, Senior Secured Bond, 2.8%, 4/01/31	United States	1,800,000	1,903,958
⁹ Clear Channel International BV, Senior Secured Note, 144A, 6.625%, 8/01/25	United States	300,000	317,625
Clear Channel Worldwide Holdings, Inc., Senior Note, 9.25%, 2/15/24	United States	856,000	868,930
⁹ Senior Secured Note, 144A, 5.125%, 8/15/27	United States	300,000	303,375
⁹ CSC Holdings LLC, Senior Note, 144A, 5.5%, 5/15/26	United States	1,378,000	1,434,843
⁹ Diamond Sports Group LLC / Diamond Sports Finance Co., Senior Note, 144A, 6.625%, 8/15/27	United States	300,000	181,875
Senior Secured Note, 144A, 5.375%, 8/15/26	United States	400,000	325,750
DISH DBS Corp., Senior Note, 6.75%, 6/01/21	United States	5,000	5,106
Senior Note, 5.875%, 11/15/24	United States	570,000	598,500
Senior Note, 7.375%, 7/01/28	United States	500,000	533,125
Fox Corp., Senior Note, 3.5%, 4/08/30	United States	400,000	454,836
⁹ Gray Television, Inc., Senior Note, 144A, 4.75%, 10/15/30	United States	1,000,000	1,016,875
⁹ Nexstar Broadcasting, Inc., Senior Note, 144A, 4.75%, 11/01/28 . .	United States	800,000	838,500
⁹ Sinclair Television Group, Inc., Senior Bond, 144A, 5.5%, 3/01/30	United States	300,000	313,257
Senior Secured Note, 144A, 4.125%, 12/01/30	United States	800,000	820,804
⁹ Univision Communications, Inc., Senior Secured Note, 144A, 5.125%, 2/15/25	United States	1,321,000	1,333,384
			11,884,673

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Metals & Mining 0.7%			
⁹ CSN Inova Ventures, Senior Note, 144A, 6.75%, 1/28/28	Brazil	800,000	\$867,200
⁹ FMG Resources August 2006 Pty. Ltd., Senior Note, 144A, 5.125%, 3/15/23	Australia	324,000	343,035
Senior Note, 144A, 5.125%, 5/15/24	Australia	647,000	703,208
⁹ Novelis Corp., Senior Bond, 144A, 5.875%, 9/30/26	United States	1,059,000	1,107,979
			3,021,422
Multiline Retail 0.1%			
Dollar Tree, Inc., Senior Bond, 4.2%, 5/15/28	United States	300,000	357,126
^{a,e,g} K2016470219 South Africa Ltd., Senior Secured Note, 144A, PIK, 3%, 12/31/22	South Africa	976,441	—
^{a,e,g} K2016470260 South Africa Ltd., Senior Secured Note, 144A, PIK, 25%, 12/31/22	South Africa	396,604	1,738
			358,864
Multi-Utilities 0.4%			
Dominion Energy, Inc., C, Senior Note, 3.375%, 4/01/30	United States	1,300,000	1,481,794
Oil, Gas & Consumable Fuels 5.2%			
⁹ Aker BP ASA, Senior Bond, 144A, 4%, 1/15/31	Norway	400,000	433,946
Senior Note, 144A, 4.75%, 6/15/24	Norway	600,000	620,877
⁹ Antero Resources Corp., Senior Note, 144A, 8.375%, 7/15/26	United States	200,000	204,638
Apache Corp., Senior Note, 4.625%, 11/15/25	United States	600,000	630,750
Senior Note, 4.875%, 11/15/27	United States	500,000	530,750
Canadian Natural Resources Ltd., Senior Bond, 2.95%, 7/15/30	Canada	450,000	481,874
Cenovus Energy, Inc., Senior Note, 5.375%, 7/15/25	Canada	1,100,000	1,240,922
Cheniere Energy Partners LP, Senior Secured Note, 5.25%, 10/01/25	United States	970,000	996,433
Comstock Resources, Inc., Senior Note, 9.75%, 8/15/26	United States	600,000	644,250
⁹ Continental Resources, Inc., Senior Bond, 144A, 5.75%, 1/15/31	United States	600,000	667,113
⁹ CVR Energy, Inc., Senior Note, 144A, 5.25%, 2/15/25	United States	500,000	483,438
⁹ Endeavor Energy Resources LP / EER Finance, Inc., Senior Bond, 144A, 5.75%, 1/30/28	United States	600,000	648,120
Energy Transfer Operating LP, Senior Note, 4.05%, 3/15/25	United States	200,000	219,479
EnLink Midstream LLC, Senior Bond, 5.375%, 6/01/29	United States	1,100,000	1,071,812
⁹ Senior Note, 144A, 5.625%, 1/15/28	United States	100,000	102,399
^{e,g} EnQuest plc, Senior Note, 144A, Reg S, PIK, 7%, 10/15/23	United Kingdom	878,999	571,379
Enterprise Products Operating LLC, Senior Bond, 4.8%, 2/01/49	United States	150,000	189,649
EOG Resources, Inc., Senior Note, 4.375%, 4/15/30	United States	100,000	121,660
EQT Corp., Senior Note, 5%, 1/15/29	United States	900,000	951,138
⁹ Martin Midstream Partners LP / Martin Midstream Finance Corp., Secured Note, 144A, 10%, 2/29/24	United States	307,101	314,011
Secured Note, 144A, 11.5%, 2/28/25	United States	1,394,630	1,349,304
MPLX LP, Senior Note, 2.65%, 8/15/30	United States	1,500,000	1,573,760
Occidental Petroleum Corp., Senior Bond, 6.125%, 1/01/31	United States	600,000	643,620
Senior Bond, 6.45%, 9/15/36	United States	500,000	524,250
Senior Note, 8.875%, 7/15/30	United States	700,000	822,938

	Country	Principal Amount ^a	Value
Corporate Bonds (continued)			
Oil, Gas & Consumable Fuels (continued)			
⁹ Rattler Midstream LP, Senior Note, 144A, 5.625%, 7/15/25	United States	1,400,000	\$1,481,375
⁹ Sabine Pass Liquefaction LLC, Senior Secured Note, 144A, 4.5%, 5/15/30	United States	1,600,000	1,897,626
⁹ Seven Generations Energy Ltd., Senior Note, 144A, 5.375%, 9/30/25 Sunoco LP / Sunoco Finance Corp., Senior Note, 6%, 4/15/27	Canada United States	200,000 500,000	204,123 532,135
⁹ Senior Note, 144A, 4.5%, 5/15/29	United States	1,200,000	1,250,250
			21,404,019
Paper & Forest Products 0.1%			
Suzano Austria GmbH, Senior Bond, 3.75%, 1/15/31	Brazil	400,000	424,900
Pharmaceuticals 1.1%			
⁹ Bausch Health Americas, Inc., Senior Note, 144A, 8.5%, 1/31/27 . .	United States	809,000	900,890
⁹ Bausch Health Cos., Inc., Senior Bond, 144A, 6.125%, 4/15/25	United States	243,000	250,693
Senior Bond, 144A, 5.25%, 2/15/31	United States	300,000	313,979
Senior Note, 144A, 5%, 2/15/29	United States	200,000	206,015
⁹ Bayer US Finance II LLC, Senior Bond, 144A, 4.375%, 12/15/28 . .	Germany	889,000	1,045,889
⁹ Endo Dac / Endo Finance LLC / Endo Finco, Inc., Secured Note, 144A, 9.5%, 7/31/27	United States	652,000	729,018
Senior Note, 144A, 6%, 6/30/28	United States	659,000	560,809
⁹ Par Pharmaceutical, Inc., Senior Secured Note, 144A, 7.5%, 4/01/27	United States	184,000	199,881
⁹ Royalty Pharma plc, Senior Bond, 144A, 3.3%, 9/02/40	United States	500,000	526,501
			4,733,675
Real Estate Management & Development 0.7%			
⁹ China Overseas Finance Cayman VI Ltd., Senior Note, Reg S, 5.95%, 5/08/24	China	700,000	795,102
⁹ Five Point Operating Co. LP / Five Point Capital Corp., Senior Note, 144A, 7.875%, 11/15/25	United States	800,000	848,340
⁹ Howard Hughes Corp. (The), Senior Note, 144A, 5.375%, 8/01/28 .	United States	1,000,000	1,077,375
			2,720,817
Road & Rail 0.8%			
Burlington Northern Santa Fe LLC, Senior Bond, 4.15%, 4/01/45 . .	United States	400,000	523,317
CSX Corp., Senior Bond, 4.1%, 3/15/44	United States	150,000	187,698
⁹ Kazakhstan Temir Zholy Finance BV, Senior Bond, 144A, 6.95%, 7/10/42	Kazakhstan	1,500,000	2,219,940
^a Onsite Rental Group Operations Pty. Ltd., PIK, 6.1%, 10/26/23 . . .	Australia	262,519	238,337
			3,169,292
Semiconductors & Semiconductor Equipment 0.3%			
Maxim Integrated Products, Inc., Senior Note, 3.375%, 3/15/23 . . .	United States	100,000	105,329
⁹ ON Semiconductor Corp., Senior Note, 144A, 3.875%, 9/01/28 . . .	United States	1,300,000	1,343,875
			1,449,204
Software 0.3%			
Anagram, Inc., 10%, 8/15/26	United States	127,650	127,012
⁹ Blackboard, Inc., Secured Note, 144A, 10.375%, 11/15/24	United States	200,000	210,625
⁹ NortonLifeLock, Inc., Senior Note, 144A, 5%, 4/15/25	United States	978,000	1,000,005
			1,337,642

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Corporate Bonds (continued)			
Specialty Retail 0.4%			
AutoNation, Inc., Senior Bond, 4.75%, 6/01/30	United States	200,000	\$240,820
L Brands, Inc.,			
Senior Bond, 5.25%, 2/01/28	United States	500,000	522,187
⁹ Senior Note, 144A, 6.625%, 10/01/30	United States	200,000	222,875
⁹ Lithia Motors, Inc., Senior Bond, 144A, 4.375%, 1/15/31	United States	500,000	537,188
Party City Holdings, Inc., 5.318%, 7/15/25	United States	236,150	213,716
			1,736,786
Textiles, Apparel & Luxury Goods 0.4%			
⁹ Hanesbrands, Inc., Senior Bond, 144A, 4.875%, 5/15/26	United States	1,382,000	1,502,925
Thriffs & Mortgage Finance 1.1%			
MGIC Investment Corp., Senior Note, 5.25%, 8/15/28	United States	800,000	857,500
⁹ PennyMac Financial Services, Inc., Senior Note, 144A, 5.375%, 10/15/25	United States	1,200,000	1,270,500
⁹ Quicken Loans LLC / Quicken Loans Co-Issuer, Inc., Senior Bond, 144A, 3.875%, 3/01/31	United States	500,000	520,000
Senior Note, 144A, 3.625%, 3/01/29	United States	800,000	817,500
⁹ United Shore Financial Services LLC, Senior Note, 144A, 5.5%, 11/15/25	United States	1,100,000	1,161,875
			4,627,375
Tobacco 0.4%			
Altria Group, Inc., Senior Note, 3.4%, 5/06/30	United States	1,200,000	1,347,815
BAT Capital Corp., Senior Bond, 4.54%, 8/15/47	United Kingdom	50,000	55,525
Reynolds American, Inc., Senior Note, 4.45%, 6/12/25	United Kingdom	200,000	227,845
			1,631,185
Trading Companies & Distributors 1.1%			
⁹ Beacon Roofing Supply, Inc., Senior Note, 144A, 4.875%, 11/01/25	United States	1,094,000	1,121,968
⁹ H&E Equipment Services, Inc., Senior Note, 144A, 3.875%, 12/15/28	United States	1,200,000	1,210,536
⁹ Herc Holdings, Inc., Senior Note, 144A, 5.5%, 7/15/27	United States	1,000,000	1,061,875
⁹ WESCO Distribution, Inc.,			
Senior Note, 144A, 7.125%, 6/15/25	United States	700,000	770,808
Senior Note, 144A, 7.25%, 6/15/28	United States	500,000	569,348
			4,734,535
Wireless Telecommunication Services 1.1%			
⁹ Digicel Group 0.5 Ltd., Senior Note, 144A, PIK, 8%, 4/01/25	Bermuda	158,906	80,177
Hughes Satellite Systems Corp., Senior Note, 6.625%, 8/01/26	United States	800,000	908,024
Sprint Communications, Inc., Senior Note, 6%, 11/15/22	United States	405,000	438,919
Sprint Corp., Senior Note, 7.875%, 9/15/23	United States	405,000	469,415
T-Mobile USA, Inc.,			
Senior Note, 6%, 4/15/24	United States	200,000	202,702
⁹ Senior Secured Bond, 144A, 3.3%, 2/15/51	United States	500,000	515,352
⁹ Senior Secured Note, 144A, 3.875%, 4/15/30	United States	1,300,000	1,507,038
⁹ Vmed O2 UK Financing I plc, Senior Secured Bond, 144A, 4.25%, 1/31/31	United Kingdom	300,000	307,242
			4,428,869
Total Corporate Bonds (Cost \$197,522,500)			204,697,374

	Country	Principal Amount ^f	Value
^hSenior Floating Rate Interests 4.7%			
ⁱAerospace & Defense 0.1%			
^e Alloy FinCo Ltd., Facility Term Loan, B, 10.082%, PIK, (1-month USD LIBOR + 0.5%; 3-month USD LIBOR + 0.5%), 3/06/25	United Kingdom	240,376	\$98,214
^j Dynasty Acquisition Co., Inc., 2020 Term Loan, B1, 3.754%, (3-month USD LIBOR + 3.5%), 4/06/26	United States	189,622	181,195
B2, 3.754%, (3-month USD LIBOR + 3.5%), 4/06/26	United States	101,947	97,416
			376,825
Airlines 0.0%[†]			
^l Delta Air Lines, Inc. / SkyMiles IP Ltd., Initial Term Loan, 4.75%, (6-month USD LIBOR + 3.75%), 10/20/27	United States	71,737	74,562
ⁱAuto Components 0.3%			
Adient US LLC, Initial Term Loan, 4.414%, (1-month USD LIBOR + 4.25%; 3-month USD LIBOR + 4.25%), 5/06/24	United States	1,152,450	1,154,127
Highline Aftermarket Acquisition LLC, First Lien, Term Loan, 5.25%, (3-month USD LIBOR + 4.5%), 11/09/27	United States	27,689	27,965
TRICO Group LLC, First Lien, Term Loan, B3, 8.5%, (3-month USD LIBOR + 7.5%), 2/02/24	United States	129,604	129,483
			1,311,575
Automobiles 0.3%			
^l Thor Industries, Inc., Initial USD Term Loan, 3.938%, (1-month USD LIBOR + 3.75%), 2/01/26	United States	1,225,864	1,226,820
Capital Markets 0.3%			
^l Russell Investments US Institutional Holdco, Inc., 2025 Term Loan, 4%, (3-month USD LIBOR + 3%), 5/30/25	United States	1,036,127	1,034,940
ⁱCommercial Services & Supplies 0.1%			
^l CCI Buyer, Inc., Term Loan, TBD, 12/10/27	United States	14,357	14,369
Prime Security Services Borrower LLC, First Lien, 2019 Refinancing Term Loan, B1, 4.25%, (1-month USD LIBOR + 3.25%; 3-month USD LIBOR + 3.25%), 9/23/26	United States	111,692	112,547
Staples, Inc., 2019 Refinancing New Term Loan, B1, 5.214%, (3-month USD LIBOR + 5%), 4/16/26	United States	140,000	135,990
			262,906
Containers & Packaging 0.1%			
^l BWay Holding Co., Initial Term Loan, 3.48%, (3-month USD LIBOR + 3.25%), 4/03/24	United States	288,122	279,118
ⁱDiversified Financial Services 0.1%			
First Eagle Holdings, Inc., 2020 Refinancing Term Loan, 2.754%, (3-month USD LIBOR + 2.5%), 2/01/27	United States	109,447	108,558
Jefferies Finance LLC, 2020 Term Loan, 4.5%, (1-month USD LIBOR + 3.75%), 9/30/27	United States	39,973	40,024
Verscend Holding Corp., Term Loan, B, 4.647%, (1-month USD LIBOR + 4.5%), 8/27/25	United States	119,694	119,873
			268,455
Diversified Telecommunication Services 0.2%			
Global Tel Link, First Lien, Term Loan, 4.397%, (1-month USD LIBOR + 4.25%), 11/29/25	United States	392,982	365,648
Zayo Group Holdings, Inc., Initial Dollar Term Loan, 3.147%, (1-month USD LIBOR + 3%), 3/09/27	United States	303,628	302,462
			668,110

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
^hSenior Floating Rate Interests (continued)			
ⁱElectric Utilities 0.1%			
Astoria Energy LLC, Advance (2020) Term Loan, B, 4.5%, (6-month USD LIBOR + 3.5%), 12/10/27	United States	11,306	\$11,257
EFS Cogen Holdings I LLC, Term Loan, 4.5%, (3-month USD LIBOR + 3.5%), 10/01/27	United States	217,315	216,697
			<u>227,954</u>
Entertainment 0.2%			
Banijay Entertainment SAS, Facility USD Term Loan, B, 3.903%, (1-month USD LIBOR + 3.75%), 3/01/25	France	249,375	246,778
^l Diamond Sports Group LLC, Term Loan, 3.4%, (1-month USD LIBOR + 3.25%), 8/24/26	United States	449,425	399,988
^l William Morris Endeavor Entertainment LLC (IMG Worldwide Holdings LLC), First Lien, Term Loan, B-1, 2.9%, (1-month USD LIBOR + 2.75%), 5/18/25	United States	299,200	277,382
			<u>924,148</u>
Food & Staples Retailing 0.0%[†]			
^l GNC Holdings, Inc., Second Lien, Term Loan, 6.234%, (3-month USD LIBOR), 10/30/26	United States	215,167	157,072
ⁱFood Products 0.1%			
B&G Foods, Inc., Term Loan, B4, 2.647%, (1-month USD LIBOR + 2.5%), 10/10/26	United States	58,841	58,893
^e CSM Bakery Solutions Ltd., Second Lien, Term Loan, 8.75%, PIK, (3-month USD LIBOR + 7.75%), 7/05/21	United States	234,460	226,253
JBS USA Lux SA, New Term Loan, 2.147%, (1-month USD LIBOR + 2%), 5/01/26	Luxembourg	206,930	205,654
			<u>490,800</u>
Health Care Providers & Services 0.1%			
^{j,k} ADMI Corp., Amendment No. 3 Incremental Term Loan, TBD, 12/23/27	United States	36,863	36,964
CNT Holdings I Corp., First Lien, Term Loan Facility, 4.5%, (3-month USD LIBOR + 3.75%), 11/08/27	United States	14,379	14,416
^{j,k} National Mentor Holdings, Inc., Incremental Term Loan, B, TBD, 3/09/26	United States	41,675	41,693
C, TBD, 3/09/26	United States	1,609	1,609
Navicure, Inc., First Lien, Initial Term Loan, 4.147%, (1-month USD LIBOR + 4%), 10/22/26	United States	69,824	69,825
^l Pathway Vet Alliance LLC, First Lien, Initial Delayed Draw Term Loan, 4.146%, (1-month USD LIBOR + 4%), 3/31/27	United States	15,030	15,047
^l Pathway Vet Alliance LLC, First Lien, Initial Term Loan, 4.147%, (1-month USD LIBOR + 4%), 3/31/27	United States	184,005	184,212
^{j,k} Pluto Acquisition I, Inc., Incremental Term Loan, TBD, 6/22/26	United States	25,556	25,652
			<u>389,418</u>
Hotels, Restaurants & Leisure 0.1%			
Caesars Resort Collection LLC, Term Loan, B, 2.897%, (1-month USD LIBOR + 2.75%), 12/23/24	United States	316,582	311,360
B1, 4.647%, (1-month USD LIBOR + 4.5%), 7/21/25	United States	23,440	23,517
^l RB Holding Corp., Fourth Amendment Incremental Term Loan, 4.25%, (3-month USD LIBOR + 3.25%), 12/15/27	United States	26,488	26,566
			<u>361,443</u>

	Country	Principal Amount ^a	Value
^bSenior Floating Rate Interests (continued)			
Household Durables 0.0%[†]			
ⁱ Playtika Holding Corp., Term Loan, B, 7%, (3-month USD LIBOR + 6%), 12/10/24	United States	76,000	\$76,609
Household Products 0.1%			
^{a,i} FGI Operating Co. LLC, Term Loan, 12%, (3-month USD LIBOR + 11%), 5/16/22	United States	856,240	451,602
Insurance 0.1%			
Alliant Holdings Intermediate LLC, 2018 Initial Term Loan, 3.397%, (1-month USD LIBOR + 3.25%), 5/09/25	United States	272,732	268,868
Alliant Holdings Intermediate LLC, Term Loan, B3, 4.25%, (1-month USD LIBOR + 3.75%), 11/05/27	United States	11,183	11,210
AssuredPartners, Inc., 2020 February Refinancing Term Loan, 3.647%, (1-month USD LIBOR + 3.5%), 2/12/27	United States	99,497	98,199
ⁱ Asurion LLC, New Term Loan, B-8, 3.397%, (1-month USD LIBOR + 3.25%), 12/23/26	United States	13,244	13,128
			<u>391,405</u>
Internet & Direct Marketing Retail 0.0%[†]			
ⁱ MH Sub I LLC (Micro Holding Corp.), First Lien, 2020 June New Term Loan, 4.75%, (1-month USD LIBOR + 3.75%), 9/13/24	United States	22,018	22,018
IT Services 0.5%			
Arches Buyer, Inc., Initial Term Loan, 4.5%, (1-month USD LIBOR + 4%), 12/06/27	United States	45,406	45,553
Aventiv Technologies LLC, First Lien, Initial Term Loan, 5.5%, (3-month USD LIBOR + 4.5%), 11/01/24	United States	245,570	231,144
Aventiv Technologies LLC, Second Lien, Initial Term Loan, 9.25%, (6-month USD LIBOR + 8.25%), 11/01/25	United States	597,127	464,266
Barracuda Networks, Inc., First Lien, 2020 Term Loan, 4.5%, (3-month USD LIBOR + 3.75%), 2/12/25	United States	45,489	45,478
Milano Acquisition Corp., Term Loan, B, 4.75%, (3-month USD LIBOR + 4%), 10/01/27	United States	161,895	162,266
Pitney Bowes, Inc., Incremental Term Loan, B, 5.65%, (1-month USD LIBOR + 5.5%), 1/07/25	United States	314,945	313,370
TIBCO Software, Inc., Term Loan, B3, 3.9%, (1-month USD LIBOR + 3.75%), 6/30/26	United States	99,500	97,914
WEX, Inc., Term Loan, B3, 2.397%, (1-month USD LIBOR + 2.25%), 5/15/26	United States	633,678	630,953
			<u>1,990,944</u>
Leisure Products 0.1%			
ⁱ Hercules Achievement, Inc. (Varsity Brands Holding Co., Inc.), First Lien, Initial Term Loan, 4.5%, (1-month USD LIBOR + 3.5%), 12/16/24	United States	149,615	144,432
NASCAR Holdings LLC, Initial Term Loan, 2.897%, (1-month USD LIBOR + 2.75%), 10/19/26	United States	359,832	358,904
			<u>503,336</u>
Machinery 0.1%			
ⁱ Altra Industrial Motion Corp., Term Loan, 2.147%, (1-month USD LIBOR + 2%), 10/01/25	United States	242,201	242,504
Media 0.5%			
ⁱ Cengage Learning, Inc., 2016 Refinancing Term Loan, Cengage Learning Holdco Inc Note, 5.25%, (3-month USD LIBOR + 4.25%), 6/07/23	United States	69,817	67,159

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount [†]	Value
^hSenior Floating Rate Interests (continued)			
ⁱMedia (continued)			
Clear Channel Outdoor Holdings, Inc., Term Loan, B, 3.714%, (3-month USD LIBOR + 3.5%), 8/21/26	United States	49,874	\$48,142
CSC Holdings LLC, March 2017 Refinancing Term Loan, 2.409%, (1-month USD LIBOR + 2.25%), 7/17/25	United States	442,941	437,404
Gray Television, Inc., Term Loan, B2, 2.405%, (1-month USD LIBOR + 2.25%), 2/07/24	United States	843,033	837,840
C, 2.655%, (1-month USD LIBOR + 2.5%), 1/02/26	United States	336,353	334,671
Radiate HoldCo LLC, Term Loan, B, 4.25%, (1-month USD LIBOR + 3.5%), 9/25/26	United States	70,930	71,140
Univision Communications, Inc., First Lien, 2020 Replacement Term Loan, 4.75%, (1-month USD LIBOR + 3.75%), 3/15/26	United States	98,886	99,291
^{jk} Virgin Media Bristol LLC, Term Loan, Q, TBD, 1/31/29	United States	223,464	223,772
			2,119,419
Multiline Retail 0.1%			
^l Harbor Freight Tools USA, Inc., Initial Term Loan (2020), 4%, (1-month USD LIBOR + 3.25%), 10/19/27	United States	275,272	275,773
ⁱOil, Gas & Consumable Fuels 0.2%			
^{jm} Fieldwood Energy LLC, Debtor-in-possession Facility Term Loan, 9.75%, (1-month USD LIBOR + 8.75%), 8/04/21	United States	29,900	29,826
^l Fieldwood Energy LLC, First Lien, Closing Date Term Loan, (3-month USD LIBOR + 4.25%), 4/11/22	United States	2,507,941	587,799
UTEX Industries, Inc., First Out Term Loan, 8.5%, (1-month USD LIBOR), 12/03/24	United States	58,816	59,478
UTEX Industries, Inc., Second Out Term Loan, 10.5%, (1-month USD LIBOR), 12/03/25	United States	27,761	27,483
			704,586
Paper & Forest Products 0.1%			
ⁱ Appvion Operations, Inc., Term Loan, 7%, (3-month USD LIBOR + 6%), 6/12/26	United States	259,513	258,215
Pharmaceuticals 0.0%[†]			
ⁱ Catalent Pharma Solutions, Inc., Dollar Term Loan, B2, 3.25%, (1-month USD LIBOR + 2.25%), 5/18/26	United States	195,980	196,470
Professional Services 0.0%[†]			
ⁱ Dun & Bradstreet Corp. (The), Initial Term Loan Borrowing, B, 3.898%, (1-month USD LIBOR + 3.75%), 2/06/26	United States	4,827	4,838
Real Estate Management & Development 0.0%[†]			
ⁱ Cushman & Wakefield U.S. Borrower LLC, Replacement Term Loan, 2.897%, (1-month USD LIBOR + 2.75%), 8/21/25	United States	99,250	97,749
ⁱRoad & Rail 0.2%			
Avis Budget Car Rental LLC, New Term Loan, B, 2.4%, (1-month USD LIBOR + 2.25%), 8/06/27	United States	716,540	693,926
^o Onsite Rental Group Operations Pty. Ltd., Term Loan, B, 5.5%, (1-month USD LIBOR + 4.5%), 10/26/22	Australia	192,010	178,343
Ventia Midco Pty. Ltd., 2017 Refinancing USD Term Loan, B, 5%, (3-month USD LIBOR + 4%), 5/21/26	Australia	155,774	155,384
			1,027,653
Software 0.5%			
Aristocrat Leisure Ltd., Term Loan, B3, 1.959%, (3-month USD LIBOR + 1.75%), 10/19/24	Australia	425,372	422,250
athenahealth, Inc., First Lien, Term Loan, B, 4.648%, (1-month USD LIBOR + 4.5%), 2/11/26	United States	209,467	209,729

	Country	Principal Amount [†]	Value
^hSenior Floating Rate Interests (continued)			
ⁱSoftware (continued)			
Blackboard, Inc., First Lien, Term Loan, B5, 7%, (3-month USD LIBOR + 6%), 6/30/24	United States	318,664	\$317,788
Ceridian HCM Holding, Inc., Initial Term Loan, 2.601%, (1-week USD LIBOR + 2.5%), 4/30/25	United States	179,033	177,094
DCert Buyer, Inc., First Lien, Initial Term Loan, 4.147%, (1-month USD LIBOR + 4%), 10/16/26	United States	109,724	109,792
Epicor Software Corp., Term Loan, B, 5.25%, (1-month USD LIBOR + 4.25%), 7/30/27	United States	35,772	36,050
^j Greeneden U.S. Holdings I LLC, Term Loan, B, 4.75%, (1-month USD LIBOR + 4%), 12/01/27	United States	48,391	48,565
Ivanti Software, Inc., First Lien, Initial Term Loan, 5.75%, (1-month USD LIBOR), 12/01/27	United States	70,000	69,956
LogMeIn, Inc., First Lien, Initial Term Loan, 4.903%, (1-month USD LIBOR + 4.75%), 8/31/27	United States	102,166	102,038
Mitchell International, Inc., First Lien, Amendment No. 2 New Term Loan Facility, 4.75%, (1-month USD LIBOR + 4.25%), 11/29/24	United States	49,875	50,012
Perforce Software, Inc., First Lien, New Term Loan, 3.897%, (1-month USD LIBOR + 3.75%), 7/01/26	United States	92,898	91,330
Quest Software US Holdings, Inc., First Lien, Initial Term Loan, 4.464%, (3-month USD LIBOR + 4.25%), 5/16/25	United States	259,338	255,708
Surf Holdings SARL, First Lien, Dollar Term Loan, 3.726%, (3-month USD LIBOR + 3.5%), 3/05/27	Luxembourg	149,250	148,168
Veritas US, Inc., Term Loan, B, 6.5%, (3-month USD LIBOR + 5.5%), 9/01/25	United States	209,475	209,187
			2,247,667
Specialty Retail 0.1%			
^k Petco Animal Supplies, Inc., Term Loan, 4.25%, (3-month USD LIBOR + 3.25%), 1/26/23	United States	390,000	374,509
^l Woof Holdings, Inc., First Lien, Initial Term Loan, 4.5%, (1-year USD LIBOR), 12/21/27	United States	23,675	23,685
			398,194
Technology Hardware, Storage & Peripherals 0.0%[†]			
Amentum Government Services Holdings LLC, Incremental Term Loan, 5.5%, (3-month USD LIBOR + 4.75%), 1/29/27	United States	40,000	40,400
Cardtronics USA, Inc., Initial Term Loan, 5%, (1-month USD LIBOR + 4%), 6/29/27	United States	120,319	120,670
			161,070
Wireless Telecommunication Services 0.0%[†]			
^m Altice France SA, USD Incremental Term Loan, B-13, 4.237%, (3-month USD LIBOR + 4%), 8/14/26	France	39,575	39,505
			19,263,703
ⁿMarketplace Loans 0.3%			
Diversified Financial Services 0.3%			
^o Lending Club - LCX PM, 8.46% - 18.24%, 10/08/23 - 12/24/25	United States	154,160	146,510
^o Lending Club - LCX, 6.46% - 25.65%, 8/22/22 - 2/28/25	United States	1,014,431	911,812
			1,058,322
			1,058,322

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
°Loan Participations and Assignments 0.4%			
⁹ Russian Railways Via RZD Capital plc, Senior Note, Reg S, 5.7%, 4/05/22	Russia	1,500,000	\$1,588,495
Total Loan Participations and Assignments (Cost \$1,540,890)			1,588,495
Foreign Government and Agency Securities 14.1%			
⁹ African Export-Import Bank (The), Senior Note, 144A, 3.994%, 9/21/29	Supranational ^P	2,000,000	2,149,200
⁹ Angola Government Bond, Senior Note, 144A, 8.25%, 5/09/28	Angola	2,900,000	2,789,580
⁹ Banque Centrale de Tunisie, Senior Note, Reg S, 5.625%, 2/17/24	Tunisia	2,300,000 EUR	2,607,818
⁹ Banque Ouest Africaine de Developpement, Senior Note, 144A, 5%, 7/27/27	Supranational ^P	1,200,000	1,346,232
⁹ Belarus Government Bond, Senior Note, 144A, 7.625%, 6/29/27	Belarus	1,200,000	1,326,120
Senior Bond, 144A, 6.2%, 2/28/30	Belarus	1,200,000	1,218,984
Colombia Government Bond, Senior Bond, 3.875%, 4/25/27	Colombia	1,400,000	1,563,184
Senior Bond, 9.85%, 6/28/27	Colombia	5,315,000,000 COP	2,027,512
Senior Bond, 4.5%, 3/15/29	Colombia	500,000	579,905
Senior Bond, 5%, 6/15/45	Colombia	1,900,000	2,325,125
⁹ Dominican Republic Government Bond, Senior Note, 144A, 8.9%, 2/15/23	Dominican Republic	81,500,000 DOP	1,446,712
Ecopetrol SA, Senior Bond, 4.125%, 1/16/25	Colombia	800,000	871,008
⁶ Electricite de France SA, Junior Sub. Bond, 144A, 5.25% to 1/29/23, FRN thereafter, Perpetual	France	2,425,000	2,575,398
Equinor ASA, Senior Note, 2.375%, 5/22/30	Norway	700,000	749,760
⁹ Export-Import Bank of India, Senior Note, 144A, 3.875%, 2/01/28	India	1,655,000	1,827,880
⁹ Gabon Government Bond, 144A, 6.375%, 12/12/24	Gabon	837,538	874,180
Senior Bond, 144A, 6.625%, 2/06/31	Gabon	1,600,000	1,656,092
⁹ Indonesia Asahan Aluminium Persero PT, Senior Note, 144A, 5.45%, 5/15/30	Indonesia	1,000,000	1,204,398
Indonesia Government Bond, FR70, 8.375%, 3/15/24	Indonesia	19,648,000,000 IDR	1,540,668
⁹ Senior Bond, 144A, 4.35%, 1/08/27	Indonesia	900,000	1,049,314
⁹ Senior Note, 144A, 3.85%, 7/18/27	Indonesia	2,200,000	2,517,809
FR64, 6.125%, 5/15/28	Indonesia	26,500,000,000 IDR	1,915,922
⁹ Iraq Government Bond, Senior Bond, 144A, 5.8%, 1/15/28	Iraq	2,531,250	2,380,780
⁹ Israel Electric Corp. Ltd., Senior Secured Bond, 144A, Reg S, 4.25%, 8/14/28	Israel	1,000,000	1,157,500
⁹ Kazakhstan Government Bond, Senior Bond, 144A, 4.875%, 10/14/44	Kazakhstan	1,800,000	2,446,146
Mexican Bonos Desarr Fixed Rate, M, 6.5%, 6/10/21	Mexico	29,300,000 MXN	1,486,084
Mexico Government Bond, Senior Note, 4.15%, 3/28/27	Mexico	3,200,000	3,698,000
Senior Note, 3.75%, 1/11/28	Mexico	500,000	562,873
Panama Notas del Tesoro, Senior Note, 3.75%, 4/17/26	Panama	600,000	657,819
Peru Government Bond, Senior Bond, 6.55%, 3/14/37	Peru	800,000	1,217,436
⁹ Russia Government Bond, Senior Note, 144A, 4.875%, 9/16/23	Russia	800,000	880,417
Senior Note, Reg S, 4.75%, 5/27/26	Russia	1,200,000	1,388,273
Turkey Government Bond, Senior Bond, 4.875%, 10/09/26	Turkey	800,000	810,905
⁹ Turkiye Vakiflar Bankasi TAO, Covered Note, Reg S, 2.375%, 5/04/21	Turkey	500,000 EUR	610,826
⁹ Ukraine Government Bond, Senior Note, 144A, 7.75%, 9/01/22	Ukraine	200,000	214,355

	Country	Principal Amount [†]	Value
Foreign Government and Agency Securities (continued)			
⁹ Ukraine Government Bond, (continued)			
Senior Note, 144A, 7.75%, 9/01/23	Ukraine	369,000	\$406,500
Senior Note, 144A, 7.75%, 9/01/24	Ukraine	369,000	411,141
Senior Bond, 144A, 7.375%, 9/25/32	Ukraine	500,000	550,938
^q VRI, GDP Linked Security, Senior Bond, 144A, Reg S, 5/31/40	Ukraine	978,000	1,011,149
^r Uruguay Government Bond,			
Index Linked, Senior Bond, 4.375%, 12/15/28	Uruguay	5,175,408 UYU	140,886
Index Linked, Senior Bond, 3.7%, 6/26/37	Uruguay	86,381,752 UYU	2,306,641
Total Foreign Government and Agency Securities (Cost \$55,820,228)			58,501,470
U.S. Government and Agency Securities 2.8%			
U.S. Treasury Bonds, 7.875%, 2/15/21	United States	728,000	734,422
U.S. Treasury Notes,			
1.5%, 11/30/21	United States	3,000,000	3,037,774
0.25%, 6/30/25	United States	4,100,000	4,089,109
^r 0.375%, 7/15/25	United States	3,200,000	3,860,115
Total U.S. Government and Agency Securities (Cost \$11,326,478)			11,721,420
Asset-Backed Securities 7.4%			
Capital Markets 0.1%			
^{9s} Mountain View CLO XIV Ltd., 2019-1A, C, 144A, FRN, 3.137%, (3-month USD LIBOR + 2.9%), 4/15/29	United States	500,000	501,254
Consumer Finance 0.4%			
^s Citibank Credit Card Issuance Trust, 2017-A7, A7, FRN, 0.522%, (1-month USD LIBOR + 0.37%), 8/08/24	United States	1,494,000	1,502,418
Diversified Financial Services 6.9%			
^{9s} AMMC CLO XI Ltd., 2012-11A, BR2, 144A, FRN, 1.814%, (3-month USD LIBOR + 1.6%), 4/30/31	United States	350,000	344,496
^{9s} Antares CLO Ltd., 2018-1A, B, 144A, FRN, 1.868%, (3-month USD LIBOR + 1.65%), 4/20/31	United States	1,455,000	1,397,324
^{9s} Ares L CLO Ltd., 2018-50A, B, 144A, FRN, 1.937%, (3-month USD LIBOR + 1.7%), 1/15/32	United States	500,000	500,127
^{9s} BCC Middle Market CLO LLC, 2018-1A, A2, 144A, FRN, 2.368%, (3-month USD LIBOR + 2.15%), 10/20/30	United States	700,000	683,735
^{9s} BlueMountain CLO Ltd., 2012-2A, BR2, 144A, FRN, 1.674%, (3-month USD LIBOR + 1.45%), 11/20/28	United States	510,000	504,939
2012-2A, CR2, 144A, FRN, 2.224%, (3-month USD LIBOR + 2%), 11/20/28	United States	270,000	265,332
2018-1A, D, 144A, FRN, 3.264%, (3-month USD LIBOR + 3.05%), 7/30/30	United States	1,000,000	970,105

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Asset-Backed Securities (continued)			
Diversified Financial Services (continued)			
^{9S} BlueMountain Fuji EUR CLO V DAC, 5A, B, 144A, FRN, 1.55%, (3-month EURIBOR + 1.55%), 1/15/33	Ireland	600,000 EUR	\$735,141
^{9S} Burnham Park CLO Ltd., 2016-1A, BR, 144A, FRN, 1.718%, (3-month USD LIBOR + 1.5%), 10/20/29	United States	460,000	457,804
^{9S} Buttermilk Park CLO Ltd., 2018-1A, C, 144A, FRN, 2.337%, (3-month USD LIBOR + 2.1%), 10/15/31	United States	1,408,860	1,406,889
^{9S} Carlyle Global Market Strategies CLO Ltd., 2014-4RA, C, 144A, FRN, 3.137%, (3-month USD LIBOR + 2.9%), 7/15/30	United States	300,000	274,620
^{9S} Carlyle GMS Finance MM CLO LLC, 2015-1A, A2R, 144A, FRN, 2.437%, (3-month USD LIBOR + 2.2%), 10/15/31	United States	1,213,000	1,190,157
⁹ CF Hippolyta LLC, 2020-1, A1, 144A, 1.69%, 7/15/60	United States	400,839	409,396
^{9S} Cole Park CLO Ltd., 2015-1A, BR, 144A, FRN, 1.818%, (3-month USD LIBOR + 1.6%), 10/20/28	United States	270,000	269,625
⁹¹ Consumer Loan Underlying Bond Certificate Issuer Trust I, 2019-51, PT, 144A, FRN, 16.982%, 1/15/45	United States	708,828	648,805
2019-52, PT, 144A, FRN, 16.935%, 1/15/45	United States	763,700	700,499
2019-S8, PT, 144A, FRN, 10.802%, 1/15/45	United States	521,690	464,500
2020-2, PT, 144A, FRN, 17.002%, 3/15/45	United States	719,410	653,540
2020-7, PT, 144A, FRN, 16.864%, 4/17/45	United States	437,411	396,887
¹ CWABS Asset-Backed Certificates Trust, 2005-11, AF4, FRN, 5.21%, 3/25/34	United States	173,415	174,012
^{9S} Dryden 38 Senior Loan Fund, 2015-38A, CR, 144A, FRN, 2.237%, (3-month USD LIBOR + 2%), 7/15/30	United States	863,000	855,927
^{9S} Dryden 55 CLO Ltd., 2018-55A, D, 144A, FRN, 3.087%, (3-month USD LIBOR + 2.85%), 4/15/31	United States	300,000	289,420
^{9S} Eaton Vance CLO Ltd., 2014-1RA, C, 144A, FRN, 2.337%, (3-month USD LIBOR + 2.1%), 7/15/30	United States	315,610	311,691
^{9S} Galaxy XVIII CLO Ltd., 2018-28A, C, 144A, FRN, 2.187%, (3-month USD LIBOR + 1.95%), 7/15/31	United States	250,000	246,117
^{9S} Galaxy XXVII CLO Ltd., 2018-27A, C, 144A, FRN, 2.021%, (3-month USD LIBOR + 1.8%), 5/16/31	United States	400,000	393,561
^{9S} LCM 26 Ltd., 26A, B, 144A, FRN, 1.618%, (3-month USD LIBOR + 1.4%), 1/20/31	United States	250,000	245,072
^{9S} LCM XVI LP, 16A, BR2, 144A, FRN, 1.987%, (3-month USD LIBOR + 1.75%), 10/15/31	United States	351,320	350,138
^{9S} LCM XVII LP, 17A, BRR, 144A, FRN, 1.837%, (3-month USD LIBOR + 1.6%), 10/15/31	United States	350,000	345,715
17A, CRR, 144A, FRN, 2.337%, (3-month USD LIBOR + 2.1%), 10/15/31	United States	320,000	313,869

	Country	Principal Amount [†]	Value
Asset-Backed Securities (continued)			
Diversified Financial Services (continued)			
^{9s} LCM XVIII LP, 18A, DR, 144A, FRN, 3.018%, (3-month USD LIBOR + 2.8%), 4/20/31	United States	770,000	\$720,136
^{9s} Madison Park Euro Funding VIII DAC, 8A, BRN, 144A, FRN, 1.7%, (3-month EURIBOR + 1.7%), 4/15/32	Ireland	400,000 EUR	487,070
^{9t} Mill City Mortgage Loan Trust, 2018-4, A1B, 144A, FRN, 3.5%, 4/25/66	United States	1,295,400	1,380,073
^{9s} NZCG Funding Ltd., 2015-1A, A2R, 144A, FRN, 1.783%, (3-month USD LIBOR + 1.55%), 2/26/31	United States	2,182,000	2,157,945
^{9s} Octagon Investment Partners 28 Ltd., 2016-1A, BR, 144A, FRN, 2.015%, (3-month USD LIBOR + 1.8%), 10/24/30	United States	250,000	250,450
^{9s} Octagon Investment Partners 36 Ltd., 2018-1A, A1, 144A, FRN, 1.207%, (3-month USD LIBOR + 0.97%), 4/15/31	United States	500,000	496,500
^{9s} Octagon Investment Partners 37 Ltd., 2018-2A, C, 144A, FRN, 3.065%, (3-month USD LIBOR + 2.85%), 7/25/30	United States	400,000	385,314
^{9s} Octagon Investment Partners 38 Ltd., 2018-1A, C, 144A, FRN, 3.168%, (3-month USD LIBOR + 2.95%), 7/20/30	United States	1,000,000	970,204
^{9s} Octagon Investment Partners XVI Ltd., 2013-1A, DR, 144A, FRN, 3.218%, (3-month USD LIBOR + 3%), 7/17/30	United States	400,000	389,323
^{9s} Octagon Investment Partners XXIII Ltd., 2015-1A, BR, 144A, FRN, 1.437%, (3-month USD LIBOR + 1.2%), 7/15/27	United States	400,000	395,986
^{9t} Prosper Pass-Thru Trust III, 2020-PT1, A, 144A, FRN, 8.796%, 3/15/26	United States	466,317	459,362
2020-PT2, A, 144A, FRN, 9.444%, 4/15/26	United States	505,280	496,413
2020-PT3, A, 144A, FRN, 7.183%, 5/15/26	United States	137,464	138,797
^{9s} Strata CLO I Ltd., 2018-1A, B, 144A, FRN, 2.437%, (3-month USD LIBOR + 2.2%), 1/15/31	United States	1,300,000	1,261,259
⁹ Upgrade Master Pass-Thru Trust, 2019-PT2, A, 144A, 7.727%, 2/15/26	United States	400,840	395,389
^{9s} Voya CLO Ltd., 2013-2A, BR, 144A, FRN, 2.065%, (3-month USD LIBOR + 1.85%), 4/25/31	United States	780,000	763,576
2014-1A, CR2, 144A, FRN, 3.018%, (3-month USD LIBOR + 2.8%), 4/18/31	United States	1,000,000	961,898
2015-2A, BR, 144A, FRN, 1.709%, (3-month USD LIBOR + 1.5%), 7/23/27	United States	820,000	819,081
			28,728,219
Total Asset-Backed Securities (Cost \$31,155,171)			30,731,891
Commercial Mortgage-Backed Securities 0.0%			
Diversified Financial Services 0.0%[†]			
^t Commercial Mortgage Trust, 2006-GG7, AJ, FRN, 6.012%, 7/10/38	United States	187,688	168,966
Total Commercial Mortgage-Backed Securities (Cost \$181,026)			168,966
Mortgage-Backed Securities 4.4%			
^uFederal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.0%[†]			
FHLMC, 3.848%, (1-year CMT T-Note +/- MBS Margin), 1/01/33	United States	5,225	5,215
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 0.1%			
FHLMC Gold Pools, 20 Year, 7%, 9/01/21	United States	789	799
FHLMC Gold Pools, 30 Year, 5%, 4/01/34 - 8/01/35	United States	156,020	180,992
FHLMC Gold Pools, 30 Year, 5.5%, 3/01/33 - 1/01/35	United States	94,440	108,044
FHLMC Gold Pools, 30 Year, 6%, 4/01/33 - 2/01/36	United States	75,245	87,536
FHLMC Gold Pools, 30 Year, 6.5%, 11/01/27 - 7/01/32	United States	12,952	14,529
FHLMC Gold Pools, 30 Year, 7%, 4/01/30	United States	1,509	1,712

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount [†]	Value
Mortgage-Backed Securities (continued)			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate (continued)			
FHLMC Gold Pools, 30 Year, 7.5%, 8/01/30	United States	151	\$181
			393,793
^u Federal National Mortgage Association (FNMA) Adjustable Rate 0.0%[†]			
FNMA, 2.329%, (1-year CMT T-Note +/- MBS Margin), 12/01/34	United States	52,104	53,256
Federal National Mortgage Association (FNMA) Fixed Rate 3.8%			
FNMA, 10 Year, 2.5%, 7/01/22	United States	2,959	3,083
FNMA, 20 Year, 5%, 4/01/30	United States	30,810	34,968
FNMA, 30 Year, 3%, 9/01/48 - 9/01/50	United States	3,302,928	3,484,965
FNMA, 30 Year, 4.5%, 5/01/48	United States	3,137,703	3,472,138
FNMA, 30 Year, 6.5%, 6/01/28 - 10/01/37	United States	90,432	105,082
^v FNMA, Single-family, 15 Year, 1.5%, 1/25/36	United States	608,000	625,532
^v FNMA, Single-family, 15 Year, 2%, 1/25/36	United States	1,791,000	1,872,307
^v FNMA, Single-family, 30 Year, 2%, 1/25/51	United States	2,016,000	2,094,039
^v FNMA, Single-family, 30 Year, 2.5%, 1/25/51	United States	3,948,000	4,161,433
			15,853,547
Government National Mortgage Association (GNMA) Fixed Rate 0.5%			
GNMA I, Single-family, 30 Year, 5%, 11/15/33 - 7/15/34	United States	130,258	149,004
GNMA I, Single-family, 30 Year, 7%, 10/15/28 - 6/15/32	United States	12,077	12,179
GNMA I, Single-family, 30 Year, 7.5%, 9/15/30	United States	1,046	1,233
GNMA II, 30 Year, 6.5%, 2/20/34	United States	3,167	3,390
^v GNMA II, Single-family, 30 Year, 2%, 1/15/51	United States	797,000	833,393
^v GNMA II, Single-family, 30 Year, 2.5%, 1/15/51	United States	789,000	835,138
GNMA II, Single-family, 30 Year, 5%, 9/20/33 - 11/20/33	United States	35,633	40,628
GNMA II, Single-family, 30 Year, 6%, 11/20/34	United States	52,258	61,262
GNMA II, Single-family, 30 Year, 6.5%, 4/20/31 - 1/20/33	United States	21,619	25,518
GNMA II, Single-family, 30 Year, 7.5%, 1/20/28 - 4/20/32	United States	7,444	8,627
			1,970,372
Total Mortgage-Backed Securities (Cost \$17,822,728)			18,276,183
Municipal Bonds 1.9%			
California 0.3%			
City of San Francisco, Public Utilities Commission Water, Revenue, 2019 A, Refunding, 3.473%, 11/01/43	United States	230,000	245,969
San Bernardino Community College District, GO, 2019 A-1, 3.271%, 8/01/39	United States	210,000	225,128
San Diego County Regional Transportation Commission, Revenue, 2019 A, Refunding, 3.248%, 4/01/48	United States	230,000	241,880
San Jose Redevelopment Agency Successor Agency, Tax Allocation, Senior Lien, 2017A-T, Refunding, 3.25%, 8/01/29	United States	440,000	484,981
			1,197,958
Colorado 0.1%			
Metro Wastewater Reclamation District, Revenue, 2019 B, Refunding, 3.158%, 4/01/41	United States	475,000	507,405
Hawaii 0.0%[†]			
City & County Honolulu, Wastewater System, Revenue, 2019 B, Refunding, 2.585%, 7/01/28	United States	115,000	125,289
Illinois 0.2%			
State of Illinois, GO, 2003, 5.1%, 6/01/33	United States	695,000	748,494

	Country	Principal Amount [†]	Value
Municipal Bonds (continued)			
Massachusetts 0.1%			
Massachusetts School Building Authority, Revenue, 2019 B, Refunding, 3.395%, 10/15/40	United States	285,000	\$306,820
New Jersey 0.3%			
New Jersey Transportation Trust Fund Authority, Revenue, 2019 B, Refunding, 4.131%, 6/15/42	United States	345,000	358,848
State of New Jersey, GO, 2020 A, 3%, 6/01/32	United States	670,000	758,876
			<u>1,117,724</u>
New York 0.2%			
Metropolitan Transportation Authority, Revenue, 2020 E, Refunding, 4%, 11/15/45	United States	535,000	594,358
New York State Dormitory Authority, State University of New York, Revenue, 2019B, Refunding, 3.142%, 7/01/43	United States	305,000	321,690
			<u>916,048</u>
Ohio 0.0%[†]			
State of Ohio, Cleveland Clinic Health System Obligated Group, Revenue, 2019G, Refunding, 3.276%, 1/01/42	United States	190,000	217,673
Oregon 0.1%			
State of Oregon, Department of Transportation, Revenue, Senior Lien, 2019 B, Refunding, 3.168%, 11/15/38	United States	380,000	415,188
Pennsylvania 0.1%			
University of Pittsburgh-of the Commonwealth System of Higher Education, Revenue, 2017 C, Refunding, 3.005%, 9/15/41	United States	535,000	577,484
Texas 0.3%			
State of Texas, GO, 2019, Refunding, 3.211%, 4/01/44	United States	575,000	628,688
Texas State University System, Revenue, 2019 B, Refunding, 2.938%, 3/15/33	United States	225,000	241,420
Revenue, 2019 B, Refunding, 3.289%, 3/15/40	United States	190,000	202,622
			<u>1,072,730</u>
Utah 0.2%			
Salt Lake City Corp., Revenue, 2019B, Refunding, 3.102%, 4/01/38	United States	270,000	288,700
Utah Transit Authority, Revenue, Senior Lien, 2019 B, Refunding, 3.443%, 12/15/42	United States	380,000	404,936
			<u>693,636</u>
Total Municipal Bonds (Cost \$7,317,208)			7,896,449
Residential Mortgage-Backed Securities 9.2%			
Capital Markets 0.0%[†]			
^s Merrill Lynch Mortgage Investors Trust, 2005-A6, 2A3, FRN, 0.908%, (1-month USD LIBOR + 0.76%), 8/25/35	United States	21,117	21,198
Diversified Financial Services 1.0%			
^g BRAVO Residential Funding Trust, 2019-1, A1C, 144A, 3.5%, 3/25/58	United States	613,889	634,560
^t 2019-2, A3, 144A, FRN, 3.5%, 10/25/44	United States	768,053	805,331
^{g,t} CIM Trust, 2019-INV1, A1, 144A, FRN, 4%, 2/25/49	United States	600,708	619,320
2019-INV2, A3, 144A, FRN, 4%, 5/25/49	United States	907,672	936,065

Franklin Strategic Income VIP Fund (continued)

	Country	Principal Amount ¹	Value
Residential Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
^s Opteum Mortgage Acceptance Corp., 2005-4, 1APT, FRN, 0.768%, (1-month USD LIBOR + 0.62%), 11/25/35	United States	67,520	\$67,920
^{g,1} Provident Funding Mortgage Trust, 2019-1, A2, 144A, FRN, 3%, 12/25/49	United States	465,351	474,318
2020-1, A3, 144A, FRN, 3%, 2/25/50	United States	375,964	380,316
			3,917,830
Thriffs & Mortgage Finance 8.2%			
^s FHLMC Structured Agency Credit Risk Debt Notes,			
2013-DN2, M2, FRN, 4.398%, (1-month USD LIBOR + 4.25%), 11/25/23	United States	1,345,934	1,343,078
2014-DN1, M2, FRN, 2.348%, (1-month USD LIBOR + 2.2%), 2/25/24	United States	22,416	22,422
2014-DN2, M3, FRN, 3.748%, (1-month USD LIBOR + 3.6%), 4/25/24	United States	1,892,663	1,886,781
2014-DN3, M3, FRN, 4.148%, (1-month USD LIBOR + 4%), 8/25/24	United States	102,845	105,317
2014-DN4, M3, FRN, 4.698%, (1-month USD LIBOR + 4.55%), 10/25/24	United States	689,967	710,297
2014-HQ1, M3, FRN, 4.248%, (1-month USD LIBOR + 4.1%), 8/25/24	United States	136,762	138,585
2014-HQ3, M3, FRN, 4.898%, (1-month USD LIBOR + 4.75%), 10/25/24	United States	254,633	257,957
2015-DNA1, M3, FRN, 3.448%, (1-month USD LIBOR + 3.3%), 10/25/27	United States	223,860	230,332
2015-DNA3, M3, FRN, 4.848%, (1-month USD LIBOR + 4.7%), 4/25/28	United States	1,696,952	1,773,752
2015-HQ1, M3, FRN, 3.948%, (1-month USD LIBOR + 3.8%), 3/25/25	United States	45,611	45,687
2015-HQA1, M3, FRN, 4.848%, (1-month USD LIBOR + 4.7%), 3/25/28	United States	1,342,225	1,398,629
2016-DNA2, M3, FRN, 4.798%, (1-month USD LIBOR + 4.65%), 10/25/28	United States	1,166,344	1,218,721
2017-DNA1, M2, FRN, 3.398%, (1-month USD LIBOR + 3.25%), 7/25/29	United States	951,707	978,330
2017-DNA2, M2, FRN, 3.598%, (1-month USD LIBOR + 3.45%), 10/25/29	United States	1,340,000	1,390,235
2017-DNA3, M2, FRN, 2.648%, (1-month USD LIBOR + 2.5%), 3/25/30	United States	2,920,000	2,973,134
2017-HQA1, M2, FRN, 3.698%, (1-month USD LIBOR + 3.55%), 8/25/29	United States	1,005,103	1,036,194
2017-HQA2, M2, FRN, 2.798%, (1-month USD LIBOR + 2.65%), 12/25/29	United States	241,238	244,015
^s FNMA Connecticut Avenue Securities,			
2013-C01, M2, FRN, 5.398%, (1-month USD LIBOR + 5.25%), 10/25/23	United States	214,448	220,182
2014-C01, M2, FRN, 4.548%, (1-month USD LIBOR + 4.4%), 1/25/24	United States	347,157	351,179
2014-C02, 1M2, FRN, 2.748%, (1-month USD LIBOR + 2.6%), 5/25/24	United States	978,969	957,220
2014-C02, 2M2, FRN, 2.748%, (1-month USD LIBOR + 2.6%), 5/25/24	United States	444,575	442,325
2014-C03, 1M2, FRN, 3.148%, (1-month USD LIBOR + 3%), 7/25/24	United States	1,931,764	1,882,261
2014-C03, 2M2, FRN, 3.048%, (1-month USD LIBOR + 2.9%), 7/25/24	United States	81,831	82,299

	Country	Principal Amount [†]	Value
Residential Mortgage-Backed Securities (continued)			
Thriffs & Mortgage Finance (continued)			
^S FNMA Connecticut Avenue Securities, (continued)			
2015-C01, 1M2, FRN, 4.448%, (1-month USD LIBOR + 4.3%), 2/25/25	United States	531,192	\$543,650
2015-C01, 2M2, FRN, 4.698%, (1-month USD LIBOR + 4.55%), 2/25/25	United States	234,859	239,036
2015-C02, 1M2, FRN, 4.148%, (1-month USD LIBOR + 4%), 5/25/25	United States	1,203,085	1,229,346
2015-C02, 2M2, FRN, 4.148%, (1-month USD LIBOR + 4%), 5/25/25	United States	366,794	373,938
2015-C03, 1M2, FRN, 5.148%, (1-month USD LIBOR + 5%), 7/25/25	United States	1,739,745	1,795,648
2015-C03, 2M2, FRN, 5.148%, (1-month USD LIBOR + 5%), 7/25/25	United States	542,653	552,706
2016-C02, 1M2, FRN, 6.148%, (1-month USD LIBOR + 6%), 9/25/28	United States	429,054	456,534
2016-C04, 1M2, FRN, 4.398%, (1-month USD LIBOR + 4.25%), 1/25/29	United States	1,044,857	1,091,766
2016-C05, 2M2, FRN, 4.598%, (1-month USD LIBOR + 4.45%), 1/25/29	United States	883,907	923,805
2016-C06, 1M2, FRN, 4.398%, (1-month USD LIBOR + 4.25%), 4/25/29	United States	327,468	344,228
2016-C07, 2M2, FRN, 4.498%, (1-month USD LIBOR + 4.35%), 5/25/29	United States	651,875	681,900
2017-C01, 1M2, FRN, 3.698%, (1-month USD LIBOR + 3.55%), 7/25/29	United States	1,300,637	1,343,672
2017-C03, 1M2, FRN, 3.148%, (1-month USD LIBOR + 3%), 10/25/29	United States	2,474,115	2,512,265
2017-C04, 2M2, FRN, 2.998%, (1-month USD LIBOR + 2.85%), 11/25/29	United States	543,795	549,738
2017-C05, 1M2, FRN, 2.348%, (1-month USD LIBOR + 2.2%), 1/25/30	United States	1,582,605	1,587,189
			33,914,353
Total Residential Mortgage-Backed Securities (Cost \$39,920,163)			37,853,381
		Shares/Units	
Escrows and Litigation Trusts 0.0%[†]			
^{a,b} Millennium Corporate Claim Trust, Escrow Account	United States	950,432	—
^{a,b} Millennium Lender Claim Trust, Escrow Account	United States	950,432	—
^{a,b} Remington Outdoor Co., Inc., Litigation Units	United States	7,021	—
^b Sanchez Energy Corp., Escrow Account	United States	243,000	2,430
^{a,b} Vistra Energy Corp., Escrow Account	United States	3,000,000	4,500
Total Escrows and Litigation Trusts (Cost \$325,648)			6,930
Total Long Term Investments (Cost \$400,257,843)			401,502,481

Franklin Strategic Income VIP Fund (continued)

Short Term Investments 3.1%

	Country	Shares	Value
Money Market Funds 3.1%			
^{d,w} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	12,853,316	\$12,853,316
Total Money Market Funds (Cost \$12,853,316)			12,853,316
Total Short Term Investments (Cost \$12,853,316)			12,853,316
Total Investments (Cost \$413,111,159) 100.1%			\$414,355,797
Other Assets, less Liabilities (0.1)%			(479,329)
Net Assets 100.0%			\$413,876,468

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

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

[‡] Fair valued using significant unobservable inputs. See Note 13 regarding fair value measurements.

[§] Non-income producing.

^{||} See Note 9 regarding restricted securities.

[¶] See Note 3(e) regarding investments in affiliated management investment companies.

[‡] Income may be received in additional securities and/or cash.

[†] Perpetual security with no stated maturity date.

[§] Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$197,936,278, representing 47.8% of net assets.

^{||} See Note 1(i) regarding senior floating rate interests.

[†] The coupon rate shown represents the rate at period end.

[‡] A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

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

^{||} See Note 7 regarding credit risk and defaulted securities.

[¶] See Note 10 regarding unfunded loan commitments.

^{||} See Note 1(j) regarding Marketplace Lending.

^{||} See Note 1(e) regarding loan participations and assignments.

[¶] A supranational organization is an entity formed by two or more central governments through international treaties.

^{||} The principal represents the notional amount. See Note 1(d) regarding value recovery instruments.

[†] Principal amount of security is adjusted for inflation. See Note 1(l).

^{||} The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

[†] Adjustable rate security with an interest rate that is not based on a published reference index and spread. The rate is based on the structure of the agreement and current market conditions. The coupon rate shown represents the rate at period end.

^{||} Adjustable Rate Mortgage-Backed Security (ARM); the rate shown is the effective rate at period end. ARM rates are not based on a published reference rate and spread, but instead pass-through weighted average interest income inclusive of any caps or floors, if applicable, from the underlying mortgage loans in which the majority of mortgages pay interest based on the index shown at their designated reset dates plus a spread, less the applicable servicing and guaranty fee (MBS margin).

[¶] Security purchased on a to-be-announced (TBA) basis. See Note 1(c).

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

Franklin Strategic Income VIP Fund (continued)

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(d).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Interest rate contracts					
Australia 3 Year Bonds	Long	114	\$10,321,435	3/15/21	\$8,233
U.S. Treasury 10 Year Notes	Long	15	2,071,172	3/22/21	1,620
U.S. Treasury 10 Year Ultra Notes	Short	4	625,438	3/22/21	1,593
U.S. Treasury 5 Year Notes	Long	128	16,149,000	3/31/21	27,524
U.S. Treasury Ultra Bonds	Long	4	854,250	3/22/21	(4,006)
Total Futures Contracts					<u>\$34,964</u>

*As of period end.

At December 31, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Canadian Dollar	JPHQ	Buy	1,400,000	1,099,480	1/11/21	\$2,315	\$(1,173)
Canadian Dollar	JPHQ	Sell	3,300,000	2,486,250	1/11/21	—	(108,073)
Turkish Lira	JPHQ	Buy	5,800,000	726,817	1/11/21	51,590	—
Japanese Yen	CITI	Buy	558,485,200	5,289,045	1/12/21	120,229	—
Japanese Yen	CITI	Sell	446,300,000	4,304,923	1/12/21	—	(17,768)
Japanese Yen	JPHQ	Buy	13,000,000	123,599	1/12/21	2,314	—
Singapore Dollar	JPHQ	Sell	1,400,000	1,039,771	1/12/21	—	(20,240)
Mexican Peso	JPHQ	Buy	18,000,000	837,449	1/19/21	66,275	—
Australian Dollar	JPHQ	Buy	3,740,000	2,752,652	1/25/21	131,735	—
Australian Dollar	JPHQ	Sell	7,250,000	5,126,240	1/25/21	—	(465,154)
South African Rand	JPHQ	Buy	6,200,000	391,983	2/16/21	27,564	—
South African Rand	JPHQ	Sell	6,200,000	396,546	2/16/21	—	(23,000)
Canadian Dollar	JPHQ	Sell	2,000,000	1,526,013	2/25/21	—	(46,811)
Indonesian Rupiah	JPHQ	Sell	7,200,000,000	506,686	3/01/21	—	(8,712)
Euro	JPHQ	Buy	570,000	698,906	3/15/21	—	(1,442)
Euro	JPHQ	Sell	3,250,000	3,952,991	3/15/21	—	(23,777)
Japanese Yen	JPHQ	Buy	366,000,000	3,525,448	3/15/21	21,974	—
Total Forward Exchange Contracts						<u>\$423,996</u>	<u>\$(716,150)</u>
Net unrealized appreciation (depreciation)							<u>\$(292,154)</u>

¹In U.S. dollars unless otherwise indicated.

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

At December 31, 2020, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Franklin Strategic Income VIP Fund (continued)

Credit Default Swap Contracts

Description	Periodic Payment Rate Received (Paid)	Payment Frequency	Counter- party	Maturity Date	Notional Amount ^(a)	Value	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation (Depreciation)	Rating ^(b)
Centrally Cleared Swap Contracts									
Contracts to Sell Protection^{(c)(d)}									
Traded Index									
CDX.NA.EM.33	1.00%	Quarterly		6/20/25	\$2,150,000	\$(1,980)	\$(74,019)	\$72,039	Investment Grade Non- Investment Grade
CDX.NA.HY.35	5.00%	Quarterly		12/20/25	6,500,000	616,115	385,807	230,308	Investment Grade
Total Centrally Cleared Swap Contracts						\$614,135	\$311,788	\$302,347	
OTC Swap Contracts									
Contracts to Buy Protection^(c)									
Single Name									
Ally Financial, Inc.	(5.00)%	Quarterly	JPHQ	12/20/24	1,810,000	(307,511)	(268,424)	(39,087)	
Contracts to Sell Protection^{(c)(d)}									
Single Name									
Air France-KLM	5.00%	Quarterly	MSCO	12/20/25	660,000	(12,517)	782	(13,299)	NR
American Airlines Group, Inc.	5.00%	Quarterly	CITI	12/20/21	800,000	(51,644)	(51,885)	241	CCC
Carnival Corp.	1.00%	Quarterly	CITI	12/20/25	800,000	(132,993)	(124,287)	(8,706)	B
Macy's, Inc.	1.00%	Quarterly	JPHQ	12/20/25	800,000	(151,097)	(148,042)	(3,055)	B
Royal Caribbean Cruises Ltd.	5.00%	Quarterly	BZWS	12/20/25	800,000	(54,781)	(23,674)	(31,107)	B+
United Airlines Holdings, Inc.	5.00%	Quarterly	FBCO	12/20/25	584,000	(18,145)	(2,786)	(15,359)	B
Traded Index									
^(e) Citibank Bespoke Palma Index, Mezzanine Tranche 5-7%	2.30%	Quarterly	CITI	6/20/21	620,000	3,402	—	3,402	Non- Investment Grade
MCDX.NA.MAIN.31	1.00%	Quarterly	CITI	12/20/23	2,270,000	2,301	13,636	(11,335)	Investment Grade
^(e) Morgan Stanley Bespoke Pecan Index, Mezzanine Tranche 5-10%	3.98%	Quarterly	MSCO	12/20/21	850,000	(73,154)	—	(73,154)	Non- Investment Grade
^(e) Morgan Stanley Bespoke Pecan Index, Mezzanine Tranche 5-10%	4.10%	Quarterly	MSCO	12/20/21	850,000	(72,174)	—	(72,174)	Non- Investment Grade
Total OTC Swap Contracts						\$(868,313)	\$(604,680)	\$(263,633)	
Total Credit Default Swap Contracts						\$(254,178)	\$(292,892)	\$38,714	

^(a)In U.S. dollars unless otherwise indicated. For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse provisions have been entered into in association with the contracts.

^(b)Based on Standard and Poor's (S&P) Rating for single name swaps and internal ratings for index swaps. Internal ratings based on mapping into equivalent ratings from external vendors.

^(c)Performance triggers for settlement of contract include default, bankruptcy or restructuring for single name swaps, and failure to pay or bankruptcy of the underlying securities for traded index swaps.

^(d)The fund enters contracts to sell protection to create a long credit position.

^(e)Represents a custom index comprised of a basket of underlying instruments.

At December 31, 2020, the Fund had the following cross-currency swap contracts outstanding. See Note 1(a).

Cross-Currency Swap Contracts

Description	Payment Frequency	Counter-party	Maturity Date	Notional Amount	Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts					
Receive Floating 3-month USD LIBOR + 2.87%	Quarterly			464,800 USD	
Pay Fixed 2.5%	Annual	CITI	5/04/21	400,000 EUR	\$(30,316)
Total Cross Currency Swap Contracts					\$(30,316)

At December 31, 2020, the Fund had the following inflation index swap contracts outstanding. See Note 1(d).

Inflation Index Swap Contracts

Description	Payment Frequency	Counter-party	Maturity Date	Notional Amount	Value	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts							
Receive variable change in USA CPI-U	At Maturity						
Pay Fixed 1.943%	At Maturity		1/15/29	\$6,100,000	\$65,742	\$—	\$65,742
Total Inflation Index Swap Contracts					\$65,742	\$—	\$65,742

At December 31, 2020, the Fund had the following total return swap contracts outstanding. See Note 1(d).

Total Return Swap Contracts

Underlying Instruments	Financing Rate	Payment Frequency	Counter-party	Maturity Date	Notional Value*	Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts						
Long^(a)						
Markit iBoxx USD Liquid Leveraged Loans Total Return Index	3-month USD LIBOR	Quarterly	MSCO	6/20/21	325,000	\$2,065
Markit iBoxx USD Liquid Leveraged Loans Total Return Index	3-month USD LIBOR	Quarterly	MSCO	6/20/21	325,000	1,611
Markit iBoxx USD Liquid Leveraged Loans Total Return Index	3-month USD LIBOR	Quarterly	MSCO	6/20/21	240,000	989
Markit iBoxx USD Liquid Leveraged Loans Total Return Index	3-month USD LIBOR	Quarterly	MSCO	9/20/21	410,000	2,777
Total Return Swap Contracts						\$7,442

*In U.S. dollars unless otherwise indicated.

^(a)The Fund receives the total return on the underlying instrument and pays a variable financing rate.

See Note 11 regarding other derivative information.

See Abbreviations on page FSI-61.

Consolidated Statement of Assets and Liabilities

December 31, 2020

	Franklin Strategic Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$389,185,698
Cost - Non-controlled affiliates (Note 3e)	23,925,461
	<hr/>
Value - Unaffiliated issuers	\$393,020,829
Value - Non-controlled affiliates (Note 3e)	21,334,968
Cash	6,629,818
Receivables:	
Capital shares sold	268,490
Dividends and interest	3,810,835
Deposits with brokers for:	
OTC derivative contracts	1,909,876
Futures contracts	193,518
Centrally cleared swap contracts	1,152,977
Variation margin on futures contracts	10,949
OTC swap contracts (upfront payments \$23,539)	14,418
Unrealized appreciation on OTC forward exchange contracts	423,996
Unrealized appreciation on OTC swap contracts	11,085
Unrealized appreciation on unfunded loan commitments (Note 10)	7,400
FT Subsidiary deferred tax benefit (Note 1g)	137,222
Other assets	80
Total assets	<hr/> 428,926,461
Liabilities:	
Payables:	
Investment securities purchased	12,298,976
Capital shares redeemed	62,132
Management fees	213,179
Distribution fees	36,379
Variation margin on centrally cleared swap contracts	538,561
OTC swap contracts (upfront receipts \$714,124)	619,098
Unrealized depreciation on OTC swap contracts	297,592
Unrealized depreciation on OTC forward exchange contracts	716,150
Deferred tax	54,261
Accrued expenses and other liabilities	213,665
Total liabilities	<hr/> 15,049,993
Net assets, at value	<hr/> \$413,876,468
Net assets consist of:	
Paid-in capital	\$450,218,963
Total distributable earnings (losses)	(36,342,495)
Net assets, at value	<hr/> \$413,876,468

Consolidated Statement of Assets and Liabilities (continued)

December 31, 2020

**Franklin
Strategic
Income VIP
Fund**

Class 1:	
Net assets, at value	\$261,409,346
Shares outstanding	24,302,005
Net asset value and maximum offering price per share	<u>\$10.76</u>
Class 2:	
Net assets, at value	\$100,757,697
Shares outstanding	9,721,802
Net asset value and maximum offering price per share	<u>\$10.36</u>
Class 4:	
Net assets, at value	\$51,709,425
Shares outstanding	4,848,769
Net asset value and maximum offering price per share	<u>\$10.66</u>

Consolidated Statement of Operations

for the year ended December 31, 2020

	Franklin Strategic Income VIP Fund
Investment income:	
Dividends:	
Non-controlled affiliates (Note 3e)	\$483,339
Interest: (net of foreign taxes of \$25,586)	
Unaffiliated issuers	16,703,285
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	336
Total investment income	<u>17,186,960</u>
Expenses:	
Management fees (Note 3a)	2,556,654
Distribution fees: (Note 3c)	
Class 2	235,921
Class 4	179,018
Custodian fees (Note 4)	9,943
Reports to shareholders	142,435
Professional fees	104,525
Trustees' fees and expenses	2,416
Marketplace lending fees (Note 1j)	120,881
Other	147,228
Total expenses	<u>3,499,021</u>
Expense reductions (Note 4)	(11,119)
Expenses waived/paid by affiliates (Note 3e)	(71,858)
Net expenses	<u>3,416,044</u>
Net investment income	<u>13,770,916</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$898)	
Unaffiliated issuers	(4,616,127)
Written options	(523,154)
Foreign currency transactions	(171,172)
Forward exchange contracts	(2,799,147)
Futures contracts	(744,280)
TBA sale commitments	5,817
Swap contracts	(2,569,623)
Net realized gain (loss)	<u>(11,417,686)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	10,510,494
Non-controlled affiliates (Note 3e)	(783,266)
Translation of other assets and liabilities denominated in foreign currencies	(86,172)
Forward exchange contracts	488,142
Futures contracts	198,223
Swap contracts	(5,714)
Change in deferred taxes on unrealized appreciation	(28,061)
Net change in unrealized appreciation (depreciation)	<u>10,293,646</u>
Net realized and unrealized gain (loss)	<u>(1,124,040)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$12,646,876</u>

Consolidated Statements of Changes in Net Assets

	Franklin Strategic Income VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$13,770,916	\$17,904,759
Net realized gain (loss)	(11,417,686)	(907,193)
Net change in unrealized appreciation (depreciation)	10,293,646	18,715,962
Net increase (decrease) in net assets resulting from operations	12,646,876	35,713,528
Distributions to shareholders:		
Class 1	(13,266,507)	(16,055,733)
Class 2	(4,661,916)	(4,608,498)
Class 4	(2,304,505)	(2,951,572)
Total distributions to shareholders	(20,232,928)	(23,615,803)
Capital share transactions: (Note 2)		
Class 1	(18,953,107)	(25,284,669)
Class 2	7,309,317	3,227,556
Class 4	(1,743,816)	(7,826,645)
Total capital share transactions	(13,387,606)	(29,883,758)
Net increase (decrease) in net assets	(20,973,658)	(17,786,033)
Net assets:		
Beginning of year	434,850,126	452,636,159
End of year	\$413,876,468	\$434,850,126

Notes to Consolidated Financial Statements

Franklin Strategic Income VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Strategic Income VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2020, 76.3% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

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

Investments in open-end mutual funds are valued at the closing NAV.

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate

Franklin Strategic Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**a. Financial Instrument Valuation** (continued)

fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Consolidated 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. Securities Purchased on a Delayed Delivery and TBA Basis

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

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

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Derivative Financial Instruments (continued)

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 Consolidated Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Consolidated Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated 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 terms are contract specific for OTC derivatives. 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, 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 exchange traded futures contracts primarily to manage and/or gain exposure to interest rate risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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.

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 credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other

Franklin Strategic Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Derivative Financial Instruments** (continued)

agreed upon amount. For centrally cleared credit default 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 Consolidated Statement of Assets and Liabilities. Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts are reflected in the Consolidated Statement of Assets and Liabilities and represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Consolidated Statement of Operations.

The Fund entered into OTC cross currency swap contracts primarily to manage and/or gain exposure to certain foreign currencies. A cross currency swap is an agreement between the Fund and a counterparty to exchange cash flows (determined using either a fixed or floating rate) based on the notional amounts of two different currencies. The notional amounts are typically determined based on the spot exchange rates at the opening of the contract. Cross currency swaps may require the exchange of notional amounts at the opening and/or closing of the contract. 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. Upfront payments and receipts are reflected in the Consolidated Statement of Assets and Liabilities and represent compensating factors between stated terms of the cross currency swap contract and prevailing market conditions (interest rate spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Consolidated Statement of Operations.

The Fund entered into inflation index swap contracts primarily to manage and/or gain exposure to inflation risk. An inflation index swap is an agreement between the Fund and a counterparty to exchange cash flows whereby one

party makes payments based on the percentage change in an index that serves as a measure of inflation and the other party makes a regular payment based on a compounded fixed rate, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC inflation index swap) or may be executed on a registered exchange (centrally cleared inflation index swap). For centrally cleared inflation index 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. 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. Typically, an inflation index swap has payment obligations netted and exchanged upon maturity.

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 Consolidated 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 did not hold any interest rate swap contracts at period end.

The Fund entered into OTC total return swap contracts primarily to manage and/or gain exposure to credit and other market risks of an underlying instrument such as a stock, bond, index or basket of securities or indices. A total return swap is an agreement between the Fund and a counterparty to exchange a return linked to an underlying instrument for a floating or fixed rate payment, both based upon a notional amount. Over the term of the contract, contractually required payments to be paid or received are accrued daily and recorded as unrealized appreciation or depreciation until the payments are made, at which time they are recognized as realized gain or loss.

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

d. Derivative Financial Instruments (continued)

The Fund purchased or wrote OTC option contracts primarily to manage and/or gain exposure to interest rate and credit risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss. The Fund did not hold any option contracts at period end.

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 Consolidated Statement of Operations. The risks of investing in VRI include growth risk, liquidity, and the potential loss of investment.

See Note 10 regarding other derivative information.

e. Loan Participation Notes

The Fund invests in loan participation notes (Participations). Participations are loans originally issued to a borrower by one or more financial institutions (the Lender) and subsequently sold to other investors, such as the Fund. Participations typically result in the Fund having a contractual relationship only with the Lender and not with the borrower. The Fund has the right to receive from the Lender any payments of principal, interest and fees which the Lender received from the borrower. The Fund generally has no rights to either enforce compliance by the borrower with the terms of the loan agreement or to any collateral relating to the original loan. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the

Participation. The Participations may also involve interest rate risk and liquidity risk, including the potential default or insolvency of the borrower and/or the Lender.

f. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, in the Statement of Assets and Liabilities. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. At December 31, 2020, the Fund had no securities on loan.

g. Investments in FT Holdings Corporation III (FT Subsidiary)

The Fund invested in a certain financial instrument through its investment in FT Subsidiary. FT Subsidiary is a Delaware Corporation, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments consistent with the investment objective of the Fund. Prior to December 31, 2020, FT Subsidiary's investment, Turtle Bay Resort, liquidated and paid a final distribution. At December 31, 2020, other assets and liabilities of FT Subsidiary are reflected in the Fund's Consolidated Statement of Assets and Liabilities.

Prior to December 31, 2020, FT Subsidiary, which is a tax paying entity, recognized a realized loss on its Turtle Bay investment. An estimated deferred tax asset based on

Franklin Strategic Income VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**g. Investments in FT Holdings Corporation III (FT Subsidiary)** (continued)

such realized loss is reflected as FT Subsidiary deferred tax benefit in the Consolidated Statement of Assets and Liabilities. The estimated benefit was calculated using a federal rate of 21%. The capital loss will be carried-back to offset prior year capital gains, resulting in a tax refund which will relieve the estimated deferred tax asset currently reflected in the Consolidated Statement of Assets and Liabilities once the final tax return is completed.

All intercompany transactions and balances have been eliminated. At December 31, 2020, the net assets of the FT Subsidiary were \$6,319,678, representing 1.5% of the Fund's consolidated net assets.

h. Mortgage Dollar Rolls

The Fund enters into mortgage dollar rolls, typically on a TBA basis. Mortgage dollar rolls are agreements between the Fund and a financial institution where the Fund sells (or buys) mortgage-backed securities for delivery on a specified date and simultaneously contracts to repurchase (or sell) substantially similar (same type, coupon, and maturity) securities at a future date and at a predetermined price. Gains or losses are realized on the initial sale, and the difference between the repurchase price and the sale price is recorded as an unrealized gain or loss to the Fund upon entering into the mortgage dollar roll. In addition, the Fund may invest the cash proceeds that are received from the initial sale. During the period between the sale and repurchase, the Fund is not entitled to principal and interest paid on the mortgage backed securities. Transactions in mortgage dollar rolls are accounted for as purchases and sales and may result in an increase to the Fund's portfolio turnover rate. The risks of mortgage dollar roll transactions include the potential inability of the counterparty to fulfill its obligations.

i. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of

principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

j. Marketplace Lending

The Fund invests in loans obtained through marketplace lending. Marketplace lending, sometimes referred to as peer-to-peer lending, is a method of financing in which a platform facilitates the borrowing and lending of money. It is considered an alternative to more traditional forms of debt financing. Prospective borrowers are required to provide certain financial information to the platform, including, but not limited to, the intended purpose of the loan, income, employment information, credit score, debt-to-income ratio, credit history (including defaults and delinquencies) and home ownership status. Based on this and other information, the platform assigns its own credit rating to the borrower and sets the interest rate for the requested loan. The platform then posts the borrowing requests online, giving investors the opportunity to purchase the loans based on factors such as the interest rates and expected yields of the loans, the borrower background data, and the credit rating assigned by the platform.

When the Fund invests in these loans, it usually purchases all rights, title and interest in the loans pursuant to a loan purchase agreement directly from the platform. The platform or a third-party servicer typically continues to service the loans, collecting payments and distributing them to the Fund, less any servicing fees assessed. The servicer is typically responsible for taking actions against a borrower in the event of a default on the loan. Servicing fees, along with other administration fees, are included in marketplace lending fees in the Consolidated Statement of Operations. The Fund, as an investor in a loan, would be entitled to receive payment only from the borrower and would not be able to recover any deficiency from the platform, except under very narrow circumstances. The loans in which the Fund may invest are unsecured.

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

k. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its consolidated 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.

l. 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 estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Paydown gains and losses are recorded as an adjustment to interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received

by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

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 Consolidated Statement of Operations.

m. Accounting Estimates

The preparation of consolidated 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 consolidated financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

n. 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

Franklin Strategic Income VIP Fund (continued)

1. Organization and Significant Accounting Policies
(continued)

n. Guarantees and Indemnifications (continued)

providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	1,267,496	\$13,449,214	671,682	\$7,349,679
Shares issued in reinvestment of distributions	1,318,738	13,266,507	1,499,135	16,055,733
Shares redeemed	(4,401,405)	(45,668,828)	(4,454,817)	(48,690,081)
Net increase (decrease)	(1,815,171)	\$(18,953,107)	(2,284,000)	\$(25,284,669)
Class 2 Shares:				
Shares sold	2,449,602	\$24,706,622	1,948,126	\$20,598,257
Shares issued in reinvestment of distributions	480,115	4,661,916	445,266	4,608,498
Shares redeemed	(2,205,780)	(22,059,221)	(2,080,736)	(21,979,199)
Net increase (decrease)	723,937	\$7,309,317	312,656	\$3,227,556
Class 4 Shares:				
Shares sold	667,460	\$6,966,802	332,522	\$3,653,954
Shares issued in reinvestment of distributions	230,681	2,304,505	277,403	2,951,572
Shares redeemed	(1,079,161)	(11,015,123)	(1,334,939)	(14,432,171)
Net increase (decrease)	(181,020)	\$(1,743,816)	(725,014)	\$(7,826,645)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Franklin Strategic Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

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 \$500 million
0.525%	Over \$500 million, up to and including \$1 billion
0.480%	Over \$1 billion, up to and including \$1.5 billion
0.435%	Over \$1.5 billion, up to and including \$6.5 billion
0.415%	Over \$6.5 billion, up to and including \$11.5 billion
0.400%	Over \$11.5 billion, up to and including \$16.5 billion
0.390%	Over \$16.5 billion, up to and including \$19 billion
0.380%	Over \$19 billion, up to and including \$21.5 billion
0.370%	In excess of \$21.5 billion

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 Consolidated Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income	Dividends
Franklin Strategic Income VIP Fund									
Non-Controlled Affiliates									
Franklin Floating Rate Income Fund	\$9,264,918	\$—	\$—	\$—	\$(783,266)	\$8,481,652	1,118,951	\$453,950	

Franklin Strategic Income VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Strategic Income VIP Fund (continued)								
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$11,463,714	\$186,235,625	\$(184,846,023)	\$—	\$—	\$12,853,316	12,853,316	\$29,389
Total Non-Controlled Affiliates	\$20,728,632	\$186,235,625	\$(184,846,023)	\$—	\$(783,266)	\$21,334,968		\$483,339
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$8,000	\$(8,000)	\$—	\$—	\$— ^a	—	\$—
Total Affiliated Securities	\$20,728,632	\$186,243,625	\$(184,854,023)	\$—	\$(783,266)	\$21,334,968		\$483,339

^aAs of December 31, 2020, no longer held by the fund.

f. Interfund Transactions

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2020, these purchase and sale transactions aggregated \$0 and \$4,384,452, respectively.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Consolidated Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$2,303,755
Long term	49,881,582
Total capital loss carryforwards	\$52,185,337

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$20,232,928	\$23,615,803

Franklin Strategic Income VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$414,559,515
Unrealized appreciation	\$18,888,934
Unrealized depreciation	(19,561,152)
Net unrealized appreciation (depreciation)	\$(672,218)
Distributable earnings:	
Undistributed ordinary income	\$12,469,053

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, bond discounts and premiums, swaps and investments in FT Subsidiary.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$468,263,225 and \$494,986,718 respectively.

7. Credit Risk and Defaulted Securities

At December 31, 2020, the Fund had 50.2% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

The Fund held defaulted securities and/or other securities for which the income has been deemed uncollectible. At December 31, 2020, the aggregate value of these securities was \$1,039,401, representing 0.3% of the Fund's net assets. The Fund discontinues accruing income on securities for which income has been deemed uncollectible and provides an estimate for losses on interest receivable. The securities have been identified in the accompanying Consolidated Statement of Investments.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

Franklin Strategic Income VIP Fund (continued)

9. Restricted Securities (continued)

At December 31, 2020, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
Franklin Strategic Income VIP Fund				
18,684	^a Appvion Operations, Inc.	4/12/19	\$252,712	\$322,094
14,792,309	K2016470219 South Africa Ltd., A	2/01/17	114,768	—
1,472,041	K2016470219 South Africa Ltd., B	2/01/17	1,093	—
74,576	Remington Outdoor Co., Inc.	4/12/19	95,085	—
	Total Restricted Securities (Value is 0.08% of Net Assets).		<u>\$463,658</u>	<u>\$322,094</u>

^aThe Fund also invests in unrestricted securities of the issuer, valued at \$258,215 as of December 31, 2020.

10. Unfunded Loan Commitments

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Consolidated Statement of Assets and Liabilities and the Consolidated Statement of Operations. Funded portions of credit agreements are presented in the Consolidated Statement of Investments.

At December 31, 2020, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Franklin Strategic Income VIP Fund	
Fieldwood Energy LLC	\$268,429

Franklin Strategic Income VIP Fund (continued)

11. Other Derivative Information

At December 31, 2020, investments in derivative contracts are reflected in the Consolidated Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Fair Value	Consolidated Statement of Assets and Liabilities Location	Fair Value
Franklin Strategic Income VIP Fund				
Interest rate contracts				
	Variation margin on futures contracts	\$38,970 ^a	Variation margin on futures contracts	\$4,006 ^a
	Variation margin on centrally cleared swap contracts	65,742 ^a	Variation margin on centrally cleared swap contracts	—
Foreign exchange contracts				
	Unrealized appreciation on OTC forward exchange contracts	423,996	Unrealized depreciation on OTC forward exchange contracts	716,150
	Unrealized appreciation on OTC swap contracts	—	Unrealized depreciation on OTC swap contracts	30,316
Credit contracts				
	Variation margin on centrally cleared swap contracts	302,347 ^a	Variation margin on centrally cleared swap contracts	—
	OTC swap contracts (upfront payments)	14,418	OTC swap contracts (upfront receipts)	619,098
	Unrealized appreciation on OTC swap contracts	11,085	Unrealized depreciation on OTC swap contracts	267,276
Value recovery instruments				
	Investments in securities, at value	1,011,149 ^b	Options written, at value	—
Total		\$1,867,707		\$1,636,846

^aThis amount reflects the cumulative appreciation (depreciation) of futures contracts and centrally cleared swap contracts as reported in the Consolidated Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Consolidated 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 Consolidated Statement of Assets and Liabilities.

Franklin Strategic Income VIP Fund (continued)

11. Other Derivative Information (continued)

For the year ended December 31, 2020, the effect of derivative contracts in the Consolidated Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Operations Location	Net Realized Gain (Loss) for the Year	Consolidated Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin Strategic Income VIP Fund				
Interest rate contracts				
	Investments	\$(474,306) ^a	Investments	\$—
	Written options	190,296	Written options	—
	Futures contracts	(744,280)	Futures contracts	198,223
	Swap contracts	(391,429)	Swap contracts	120,225
Foreign exchange contracts				
	Investments	86,372 ^a	Investments	—
	Swaps contracts	(54,285)	Swap contracts	(47,038)
	Forward exchange contracts	(2,799,147)	Forward exchange contracts	488,142
Credit contracts				
	Written options	(713,450)	Written options	—
	Swaps contracts	(2,123,909)	Swap contracts	(78,901)
Value recovery instruments	Investments	—	Investments	\$73,492 ^a
Total		<u>\$(7,024,138)</u>		<u>\$754,143</u>

^aPurchased option contracts and VRI are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Consolidated Statement of Operations.

For the year ended December 31, 2020, the average month end notional amount of futures contracts, swap contracts and options, and the average month end contract value for forward exchange contracts, and average month end fair value of VRI, were as follows:

	Franklin Strategic Income VIP Fund
Futures contracts	\$77,554,046
Swap contracts	43,911,612
Forward exchange contracts	71,979,363
VRI	893,200
Options	3,884,615

Franklin Strategic Income VIP Fund (continued)

11. Other Derivative Information (continued)

At December 31, 2020, the Fund's OTC derivative assets and liabilities are as follows:

	Gross Amounts of Assets and Liabilities Presented in the Consolidated Statement of Assets and Liabilities	
	Assets^a	Liabilities^a
Franklin Strategic Income VIP Fund		
Derivatives		
Forward exchange contracts	\$423,996	\$716,150
Swap contracts	25,503	916,690
Total	<u>\$449,499</u>	<u>\$1,632,840</u>

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

At December 31, 2020, OTC derivative assets, which may be offset against OTC derivative liabilities and collateral received from the counterparty, are as follows:

	Amounts Not Offset in the Consolidated Statement of Assets and Liabilities				
	Gross Amounts of Assets Presented in the Consolidated Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received	Net Amount (Not less than zero)
Franklin Strategic Income VIP Fund					
Counterparty					
BZWS	\$—	\$—	\$—	\$—	\$—
CITI	137,508	(137,508)	—	—	—
FBCO	—	—	—	—	—
JPHQ	303,767	(303,767)	—	—	—
MSCO	8,224	(8,224)	—	—	—
Total	<u>\$449,499</u>	<u>\$(449,499)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>

Franklin Strategic Income VIP Fund (continued)

11. Other Derivative Information (continued)

At December 31, 2020, OTC derivative liabilities, which may be offset against OTC derivative assets and collateral pledged to the counterparty, are as follows:

	Gross Amounts of Liabilities Presented in the Consolidated Statement of Assets and Liabilities	Amounts Not Offset in the Consolidated Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged ^a	
Franklin Strategic Income VIP Fund					
Counterparty					
BZWS	\$54,781	\$—	\$—	\$(30,000)	\$24,781
CITI	244,296	(137,508)	—	—	106,788
FBCO	18,146	—	—	—	18,146
JPHQ	1,156,990	(303,767)	—	(853,223)	—
MSCO	158,627	(8,224)	—	(150,403)	—
Total	\$1,632,840	\$(449,499)	\$—	\$(1,033,626)	\$149,715

^aIn 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 over collateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

See Note 1(c) regarding derivative financial instruments.

See Abbreviations on page FSI-61.

12. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Consolidated Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

13. 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:

Franklin Strategic Income VIP Fund (continued)

13. Fair Value Measurements (continued)

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments).

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Strategic Income VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$—	\$— ^a	\$—
Energy Equipment & Services	82,764	—	—	82,764
Machinery	—	477,254	—	477,254
Media	143,151	—	1,714	144,865
Multiline Retail	—	—	— ^a	—
Oil, Gas & Consumable Fuels	564	—	1,710	2,274
Paper & Forest Products	67,553	—	322,094	389,647
Road & Rail	—	—	3,858	3,858
Specialty Retail	147,789	—	—	147,789
Management Investment Companies	8,481,652	—	—	8,481,652
Warrants:				
Machinery	—	—	310	310
Oil, Gas & Consumable Fuels	—	—	101	101
Paper & Forest Products	—	503	—	503
Convertible Bonds	—	6,880	—	6,880
Corporate Bonds:				
Aerospace & Defense	—	2,235,757	—	2,235,757
Air Freight & Logistics	—	1,962,987	—	1,962,987
Airlines	—	2,363,609	—	2,363,609
Auto Components	—	4,025,317	—	4,025,317
Banks	—	12,287,017	—	12,287,017
Beverages	—	1,970,525	—	1,970,525
Biotechnology	—	1,098,803	—	1,098,803
Building Products	—	843,000	—	843,000
Capital Markets	—	4,412,146	—	4,412,146
Chemicals	—	11,634,805	—	11,634,805
Commercial Services & Supplies	—	2,431,742	—	2,431,742
Communications Equipment	—	1,362,836	—	1,362,836
Construction & Engineering	—	151,000	—	151,000
Construction Materials	—	1,036,805	—	1,036,805
Consumer Finance	—	2,637,859	—	2,637,859
Containers & Packaging	—	6,644,124	—	6,644,124
Distributors	—	422,000	—	422,000
Diversified Financial Services	—	1,468,125	—	1,468,125
Diversified Telecommunication Services	—	4,750,498	—	4,750,498
Electric Utilities	—	8,530,431	—	8,530,431
Electronic Equipment, Instruments & Components	—	2,194,230	—	2,194,230
Energy Equipment & Services	—	1,401,006	—	1,401,006

Franklin Strategic Income VIP Fund (continued)

13. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Strategic Income VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Corporate Bonds:				
Entertainment	\$—	\$2,868,306	\$—	\$2,868,306
Equity Real Estate Investment Trusts (REITs)	—	6,117,661	—	6,117,661
Food & Staples Retailing	—	1,123,017	—	1,123,017
Food Products	—	6,284,300	—	6,284,300
Gas Utilities	—	335,237	—	335,237
Health Care Providers & Services	—	4,606,949	—	4,606,949
Hotels, Restaurants & Leisure	—	9,443,176	—	9,443,176
Household Durables	—	3,847,451	—	3,847,451
Household Products	—	1,874,337	—	1,874,337
Independent Power and Renewable Electricity Producers	—	6,436,205	—	6,436,205
Insurance	—	1,933,607	—	1,933,607
Interactive Media & Services	—	2,155,545	—	2,155,545
Internet & Direct Marketing Retail	—	1,305,807	—	1,305,807
IT Services	—	4,191,599	—	4,191,599
Machinery	—	4,394,360	—	4,394,360
Marine	—	1,267,218	—	1,267,218
Media	—	11,884,673	—	11,884,673
Metals & Mining	—	3,021,422	—	3,021,422
Multiline Retail	—	357,126	1,738 ^a	358,864
Multi-Utilities	—	1,481,794	—	1,481,794
Oil, Gas & Consumable Fuels	—	21,404,019	—	21,404,019
Paper & Forest Products	—	424,900	—	424,900
Pharmaceuticals	—	4,733,675	—	4,733,675
Real Estate Management & Development	—	2,720,817	—	2,720,817
Road & Rail	—	2,930,955	238,337	3,169,292
Semiconductors & Semiconductor Equipment	—	1,449,204	—	1,449,204
Software	—	1,337,642	—	1,337,642
Specialty Retail	—	1,736,786	—	1,736,786
Textiles, Apparel & Luxury Goods	—	1,502,925	—	1,502,925
Thrifts & Mortgage Finance	—	4,627,375	—	4,627,375
Tobacco	—	1,631,185	—	1,631,185
Trading Companies & Distributors	—	4,734,535	—	4,734,535
Wireless Telecommunication Services	—	4,428,869	—	4,428,869
Senior Floating Rate Interests	—	18,633,758	629,945	19,263,703
Marketplace Loans	—	—	1,058,322	1,058,322
Loan Participations and Assignments	—	1,588,495	—	1,588,495
Foreign Government and Agency Securities	—	58,501,470	—	58,501,470
U.S. Government and Agency Securities	—	11,721,420	—	11,721,420
Asset-Backed Securities	—	30,731,891	—	30,731,891
Commercial Mortgage-Backed Securities	—	168,966	—	168,966
Mortgage-Backed Securities	—	18,276,183	—	18,276,183
Municipal Bonds	—	7,896,449	—	7,896,449
Residential Mortgage-Backed Securities	—	37,853,381	—	37,853,381
Escrows and Litigation Trusts	—	2,430	4,500 ^a	6,930
Short Term Investments	12,853,316	—	—	12,853,316
Total Investments in Securities	\$21,776,789	\$390,316,379	\$2,262,629	\$414,355,797
Other Financial Instruments:				
Forward exchange contracts	\$—	\$423,996	\$—	\$423,996
Futures contracts	38,970	—	—	38,970
Swap contracts	—	379,174	—	379,174
Unfunded Loan Commitments	—	7,400	—	7,400
Total Other Financial Instruments	\$38,970	\$810,570	\$—	\$849,540

Franklin Strategic Income VIP Fund (continued)

13. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Strategic Income VIP Fund (continued)				
Liabilities:				
Other Financial Instruments:				
Forward exchange contracts	\$—	\$716,150	\$—	\$716,150
Futures contracts	4,006	—	—	4,006
Swap contracts	—	297,592	—	297,592
Total Other Financial Instruments	<u>\$4,006</u>	<u>\$1,013,742</u>	<u>\$—</u>	<u>\$1,017,748</u>

^aIncludes securities determined to have no value at December 31, 2020.

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

14. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the consolidated financial statements.

15. Subsequent Events

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

Franklin Strategic Income VIP Fund (continued)

Abbreviations

Currency

COP	Colombian Peso
DOP	Dominican Peso
EUR	Euro
IDR	Indonesian Rupiah
MXN	Mexican Peso
USD	United States Dollar
UYU	Uruguayan Peso

Counterparty

BZWS	Barclays Bank PLC
CITI	Citibank NA
FBCO	Credit Suisse Group AG
JPHQ	JPMorgan Chase Bank NA
MSCO	Morgan Stanley

Selected Portfolio

CLO	Collateralized Loan Obligation
	Constant Monthly U.S. Treasury Securities Yield Curve Rate Index
CMT	
EURIBOR	Euro Inter-Bank Offer Rate
FHLMC	Federal Home Loan Mortgage Corp.
FNMA	Federal National Mortgage Association
FRN	Floating Rate Note
GDP	Gross Domestic Product
GNMA	Government National Mortgage Association
GO	General Obligation
LIBOR	London Inter-Bank Offered Rate
MBS	Mortgage-Backed Security
PIK	Payment-In-Kind
TBD	To Be Determined
T-Note	Treasury Note
VRI	Value Recovery Instrument

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin Strategic Income VIP Fund

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated statement of investments, of Franklin Strategic Income VIP Fund and its subsidiary (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related consolidated statements of operations for the year ended December 31, 2020, the consolidated statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the consolidated financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 19, 2021

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

Franklin U.S. Government Securities VIP Fund

This annual report for Franklin U.S. Government Securities VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

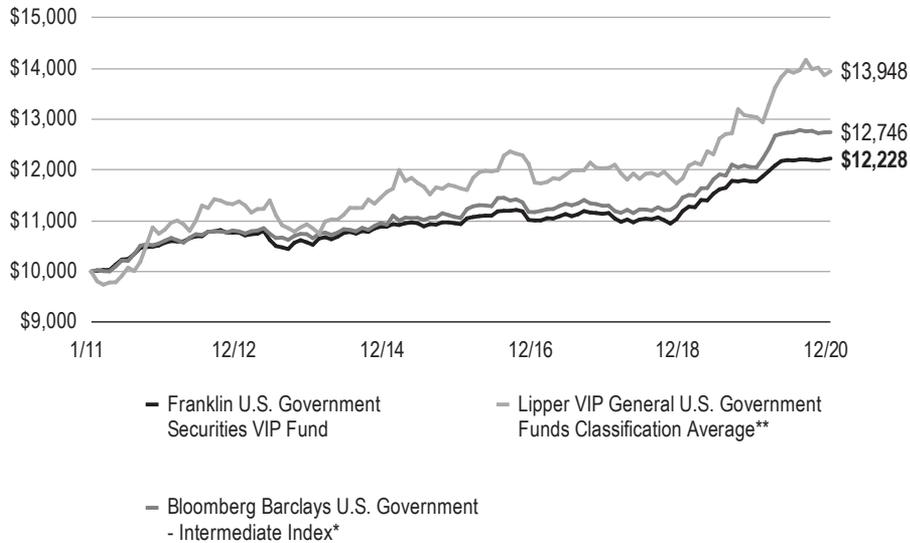
Share Class	Average Annual Total Return
2	
1-Year	+3.83%
5-Year	+2.26%
10-Year	+2.03%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the Bloomberg Barclays U.S. Government - Intermediate Index and the Lipper VIP General U.S. Government Funds Classification Average. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

**Source: Lipper, a Thomson Reuters Company. Please see Index Descriptions following the Fund Summaries.

Franklin U.S. Government Securities VIP Fund

Fund Goal and Main Investments

The Fund seeks income. Under normal market conditions, the Fund invests at least 80% of its net assets in U.S. government securities.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's share price and yield will be affected by interest rate movements and mortgage prepayments. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's primary benchmark, the Bloomberg Barclays U.S. Government - Intermediate Index, posted a +5.73% total return.¹ The Fund's secondary benchmark, the Lipper VIP General U.S. Government Funds Classification Average, posted a +6.76% total return.² Funds in the Lipper average may allocate as much as 35% of their investments in asset types other than U.S. government and agency mortgage-backed securities.

Economic and Market Overview

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, advanced during the 12 months ended December 31, 2020. The period was defined by the economic and social disruption that began in

Portfolio Composition

12/31/20

	% of Total Net Assets
Mortgage-Backed Securities	77.3%
U.S. Government and Agency Securities	14.1%
Corporate Bonds	2.5%
Foreign Government and Agency Securities	1.7%
Short-Term Investments & Other Net Assets	4.4%

the wake of the novel coronavirus (COVID-19) pandemic, which caused significant volatility in U.S. bond markets. In late February, the U.S. bond market began to anticipate the adverse economic impact of business shutdowns and social distancing measures. Higher-quality, longer-term bonds rallied, with the 10-year U.S. Treasury yield (which moves inversely to price) falling in February and March, while riskier, lower-rated corporate bonds declined sharply. U.S. Federal Reserve (Fed) action led to a recovery in the corporate bond market beginning in late March, which accelerated in subsequent months as many businesses reopened. Corporate bonds, particularly high-yield bonds, also benefited from the resolution of the U.S. election and several promising vaccine results late in the reporting period.

The Fed enacted two emergency rate cuts in March 2020, lowering the federal funds target rate to a range of 0.00%–0.25%. In addition, the Fed announced unlimited, open-ended purchasing of government-backed and corporate bonds as necessary to help keep markets functioning. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded the Fed's 2% target for some time.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted positive total returns during the period. The 10-year U.S. Treasury yield declined significantly during the reporting period, reaching a new record closing low in early August 2020. Bond purchasing by the Fed and robust demand for investments perceived as safe drove the U.S. Treasury market. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted positive total returns for the period amid Fed support, though lower interest rates accelerated prepayments from mortgage refinancing, restricting further gains.

1. Source: Morningstar.

2. Source: Lipper, a Thomson Reuters Company.

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).

U.S. corporate bond performance varied somewhat based on credit rating, as many investors became concerned about the potential credit downgrades of some companies. Total returns for investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, exceeded total returns for high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Investment Strategy

Using our straightforward investment approach, we seek to produce current income with a high degree of credit safety from a conservatively managed portfolio of U.S. government securities. Analyzing securities using proprietary and nonproprietary research, we seek to identify attractive investment opportunities.

Manager's Discussion

For the fixed income sectors in which the Fund invests, Treasury Inflation-Protected Securities (TIPS) was the best performing sector on an excess returns basis, as measured by Bloomberg Barclays indexes. The other major fixed income sectors in which the Fund allocates posted negative excess returns and underperformed similar duration U.S. Treasuries during the period. Within agency MBS, all sectors had positive total returns but underperformed similar duration U.S. Treasuries. On an excess return basis, Ginnie Mae (GNMA) was the best performing agency MBS, followed by Fannie Mae (FNMA) and Freddie Mac (FHLMC) MBS. For the GNMA coupon stack GNMA II 2.5% and 4.0% were the best performers, while GNMA I 3.0% and 5.0% coupons lagged.

The Fund maintains a consistent and disciplined approach to our investment strategy. The Fund's investment process and strategy have not changed, and the team continues to look for strong cash flow fundamentals and valuations seeking to uncover opportunities across the agency mortgage and agency debenture universe. The Fund emphasizes agency pass-throughs and invests in other agency securities for diversification purposes.

The portfolio's largest allocation remains in fixed-rate MBS, primarily in 30-year GNMA II securities. We added to the sector over the period, while decreasing allocation to agency debentures and adjustable-rate mortgage securities (ARMS). The Fund's largest MBS allocation remained in 3.5% and 3.0% coupons. Over the period, we reduced our exposure to 3.0% to 4.0% coupons, while adding to 2.5% securities.

The Fund's U.S. yield curve positioning detracted from performance, as did the Fund's exposure to fixed-rate agency mortgage-backed securities. The Fund's allocation to TIPS was a positive contributor relative to the benchmark. Adjustable-rate mortgage securities and U.S. Agency also contributed during the period.

Thank you for your participation in Franklin U.S. Government Securities VIP Fund. We look forward to serving your future investment needs.

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,003.32	\$3.95	\$1,021.20	\$3.98	0.78%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Financial Highlights

Franklin U.S. Government Securities VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.34	\$12.07	\$12.36	\$12.51	\$12.74
Income from investment operations ^a :					
Net investment income ^b	0.22	0.27	0.29	0.25	0.22
Net realized and unrealized gains (losses)	0.28	0.38	(0.22)	(0.04)	(0.10)
Total from investment operations	0.50	0.65	0.07	0.21	0.12
Less distributions from:					
Net investment income	(0.47)	(0.38)	(0.36)	(0.36)	(0.35)
Net asset value, end of year	\$12.37	\$12.34	\$12.07	\$12.36	\$12.51
Total return ^c	4.08%	5.47%	0.60%	1.66%	0.90%
Ratios to average net assets					
Expenses ^d	0.53%	0.51%	0.50%	0.50%	0.50%
Net investment income	1.81%	2.23%	2.38%	2.00%	1.75%
Supplemental data					
Net assets, end of year (000's)	\$52,307	\$54,104	\$59,213	\$66,404	\$73,695
Portfolio turnover rate	56.32%	24.16%	22.25%	80.49%	86.28%

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

^bBased on average daily shares outstanding.

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

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

Franklin U.S. Government Securities VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.05	\$11.79	\$12.09	\$12.24	\$12.47
Income from investment operations ^a :					
Net investment income ^b	0.19	0.24	0.25	0.21	0.19
Net realized and unrealized gains (losses)	0.27	0.37	(0.22)	(0.04)	(0.10)
Total from investment operations	0.46	0.61	0.03	0.17	0.09
Less distributions from:					
Net investment income	(0.43)	(0.35)	(0.33)	(0.32)	(0.32)
Net asset value, end of year	\$12.08	\$12.05	\$11.79	\$12.09	\$12.24
Total return ^c	3.83%	5.23%	0.34%	1.34%	0.66%
Ratios to average net assets					
Expenses ^d	0.78%	0.76%	0.75%	0.75%	0.75%
Net investment income	1.56%	1.98%	2.13%	1.75%	1.50%
Supplemental data					
Net assets, end of year (000's)	\$771,332	\$771,866	\$1,105,627	\$1,223,491	\$1,268,963
Portfolio turnover rate	56.32%	24.16%	22.25%	80.49%	86.28%

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

^bBased on average daily shares outstanding.

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

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

Statement of Investments, December 31, 2020

Franklin U.S. Government Securities VIP Fund

	Country	Principal Amount ^a	Value
Corporate Bonds 2.5%			
Diversified Financial Services 0.5%			
DY9 Leasing LLC, Secured Bond, 2.372%, 3/19/27	United States	1,970,833	\$2,084,427
Private Export Funding Corp., BB, Senior Bond, 4.3%, 12/15/21	United States	1,865,000	1,937,788
			4,022,215
Oil, Gas & Consumable Fuels 2.0%			
Petroleos Mexicanos, Senior Bond, 2.378%, 4/15/25	Mexico	1,480,500	1,543,581
Reliance Industries Ltd.,			
Senior Bond, 2.512%, 1/15/26	India	7,218,750	7,566,224
Senior Note, 1.87%, 1/15/26	India	4,052,632	4,181,540
Senior Note, 2.06%, 1/15/26	India	3,437,500	3,561,600
			16,852,945
Total Corporate Bonds (Cost \$19,982,475)			20,875,160
Foreign Government and Agency Securities 1.7%			
Israel Government Bond, Senior Bond, 5.5%, 9/18/23	Israel	12,000,000	13,668,404
Total Foreign Government and Agency Securities (Cost \$12,938,938)			13,668,404
U.S. Government and Agency Securities 14.1%			
FHLB, 2.625%, 9/12/25	United States	10,000,000	11,042,640
New Valley Generation IV, 4.687%, 1/15/22	United States	619,287	625,043
Tennessee Valley Authority, 1.875%, 8/15/22	United States	6,000,000	6,166,738
U.S. Treasury Bonds,			
^a 2%, 1/15/26	United States	1,500,000	2,340,429
^a 1.75%, 1/15/28	United States	8,000,000	12,200,832
2.5%, 2/15/46	United States	6,000,000	7,156,172
U.S. Treasury Notes,			
^a 0.125%, 7/15/24	United States	15,500,000	18,203,200
2.375%, 8/15/24	United States	22,000,000	23,715,313
2.25%, 8/15/27	United States	16,000,000	17,738,125
^a 0.25%, 7/15/29	United States	8,000,000	9,222,971
United States International Development Finance Corp.,			
2.12%, 3/20/24	United States	5,500,000	5,681,284
4.01%, 5/15/30	United States	1,575,000	1,828,694
Total U.S. Government and Agency Securities (Cost \$106,934,434)			115,921,441
Mortgage-Backed Securities 77.3%			
^b Federal Home Loan Mortgage Corp. (FHLMC) Adjustable Rate 0.9%			
FHLMC, 2.66% - 3.741%, (12-month USD LIBOR +/- MBS Margin),			
3/01/36 - 4/01/40	United States	7,374,676	7,722,881
			7,722,881
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 12.2%			
FHLMC Gold Pools, 15 Year, 4.5%, 3/01/25 - 4/01/25	United States	483,061	508,685
FHLMC Gold Pools, 20 Year, 3.5%, 3/01/32	United States	2,007,085	2,155,800
FHLMC Gold Pools, 30 Year, 3%, 5/01/43	United States	290,832	310,002
FHLMC Gold Pools, 30 Year, 3.5%, 5/01/43	United States	48,258	52,317
FHLMC Gold Pools, 30 Year, 4%, 9/01/40 - 12/01/41	United States	4,501,918	4,962,004
FHLMC Gold Pools, 30 Year, 4.5%, 5/01/40 - 7/01/41	United States	1,358,435	1,523,478
FHLMC Gold Pools, 30 Year, 5%, 9/01/33 - 4/01/40	United States	3,638,685	4,226,981
FHLMC Gold Pools, 30 Year, 5.5%, 7/01/33 - 5/01/38	United States	727,817	853,666
FHLMC Gold Pools, 30 Year, 6%, 1/01/24 - 8/01/35	United States	543,506	627,086
FHLMC Gold Pools, 30 Year, 6.5%, 12/01/23 - 5/01/35	United States	205,179	231,567
FHLMC Gold Pools, 30 Year, 7%, 4/01/24 - 9/01/31	United States	75,222	83,255
FHLMC Gold Pools, 30 Year, 7.5%, 12/01/22	United States	149	150

Franklin U.S. Government Securities VIP Fund (continued)

	Country	Principal Amount ^a	Value
Mortgage-Backed Securities (continued)			
Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate (continued)			
FHLMC Gold Pools, 30 Year, 8%, 9/01/21 - 5/01/22	United States	584	\$603
FHLMC Gold Pools, 30 Year, 8.5%, 7/01/31	United States	143,862	167,395
FHLMC Pool, 15 Year, 1.5%, 1/01/36	United States	6,000,000	6,176,845
FHLMC Pool, 15 Year, 2%, 10/01/35	United States	9,743,028	10,233,899
FHLMC Pool, 30 Year, 2%, 1/01/51	United States	6,000,000	6,253,002
FHLMC Pool, 30 Year, 2%, 11/01/50	United States	2,493,739	2,608,739
FHLMC Pool, 30 Year, 2.5%, 11/01/50	United States	14,254,536	15,041,694
FHLMC Pool, 30 Year, 2.5%, 12/01/50	United States	6,000,000	6,377,900
FHLMC Pool, 30 Year, 3%, 8/01/50	United States	5,859,000	6,325,490
FHLMC Pool, 30 Year, 3%, 9/01/50	United States	24,146,197	25,377,965
FHLMC Pool, 30 Year, 4.5%, 1/01/49	United States	5,369,882	5,951,522
			100,050,045
^bFederal National Mortgage Association (FNMA) Adjustable Rate 2.9%			
FNMA, 2.91%, (12-month USD LIBOR +/- MBS Margin), 9/01/37	United States	7,898,900	8,323,819
FNMA, 1.415% - 5.219%, (6-month USD LIBOR +/- MBS Margin), 6/01/21 - 10/01/44	United States	16,102,608	16,723,462
			25,047,281
Federal National Mortgage Association (FNMA) Fixed Rate 11.8%			
FNMA, 2.64%, 7/01/25	United States	2,393,937	2,583,256
FNMA, 2.77%, 4/01/25	United States	3,500,000	3,794,805
FNMA, 3.14%, 10/01/25	United States	3,928,134	4,105,719
FNMA, 3.28%, 7/01/27	United States	4,000,000	4,533,690
FNMA, 3.51%, 8/01/23	United States	3,000,000	3,213,948
FNMA, 5.5%, 4/01/34	United States	580,526	617,294
FNMA, 15 Year, 2%, 9/01/35	United States	7,072,685	7,444,380
FNMA, 15 Year, 5.5%, 1/01/25	United States	288,751	302,153
FNMA, 30 Year, 2.5%, 11/01/50	United States	17,833,070	18,817,841
FNMA, 30 Year, 3%, 7/01/50	United States	13,064,839	13,939,975
FNMA, 30 Year, 3%, 12/01/42	United States	113,020	119,426
FNMA, 30 Year, 3.5%, 7/01/45	United States	19,138,418	20,638,295
FNMA, 30 Year, 4%, 1/01/41 - 8/01/41	United States	4,429,593	4,858,016
FNMA, 30 Year, 4.5%, 8/01/40 - 6/01/41	United States	4,295,667	4,838,895
FNMA, 30 Year, 5%, 3/01/34 - 7/01/41	United States	2,769,769	3,202,016
FNMA, 30 Year, 5.5%, 12/01/32 - 8/01/35	United States	1,312,169	1,522,031
FNMA, 30 Year, 6%, 1/01/24 - 8/01/38	United States	1,429,396	1,662,055
FNMA, 30 Year, 6.5%, 1/01/24 - 9/01/36	United States	187,992	216,848
FNMA, 30 Year, 7.5%, 4/01/23 - 8/01/25	United States	6,495	6,704
FNMA, 30 Year, 8%, 3/01/23 - 12/01/24	United States	22,403	22,818
FNMA, 30 Year, 8.5%, 6/01/21	United States	9	9
FNMA, 30 Year, 9%, 10/01/26	United States	38,559	39,197
			96,479,371
Government National Mortgage Association (GNMA) Fixed Rate 49.5%			
GNMA I, 30 Year, 5%, 9/15/40	United States	13,254,671	15,148,337
GNMA I, 30 Year, 5.5%, 3/15/32 - 2/15/38	United States	400,579	469,711
GNMA I, 30 Year, 6%, 7/15/29 - 11/15/38	United States	323,232	387,448
GNMA I, 30 Year, 6.5%, 12/15/28 - 1/15/33	United States	159,092	187,261
GNMA I, 30 Year, 7%, 12/15/28	United States	9,150	10,579
GNMA I, 30 Year, 7.5%, 12/15/31 - 8/15/33	United States	175,159	206,271
GNMA I, 30 Year, 10%, 8/15/21	United States	47	47
GNMA I, Single-family, 30 Year, 3%, 7/15/42	United States	299,896	323,891
GNMA I, Single-family, 30 Year, 4%, 10/15/40 - 8/15/46	United States	5,956,547	6,537,530
GNMA I, Single-family, 30 Year, 4.5%, 1/15/39 - 6/15/41	United States	8,639,222	9,784,189
GNMA I, Single-family, 30 Year, 5.5%, 12/15/28 - 10/15/39	United States	2,930,838	3,350,232
GNMA I, Single-family, 30 Year, 6%, 11/15/23 - 9/15/38	United States	1,327,531	1,541,612

Franklin U.S. Government Securities VIP Fund (continued)

	Country	Principal Amount ¹	Value
Mortgage-Backed Securities (continued)			
Government National Mortgage Association (GNMA) Fixed Rate (continued)			
GNMA I, Single-family, 30 Year, 6.5%, 7/15/23 - 5/15/37	United States	691,485	\$778,443
GNMA I, Single-family, 30 Year, 7%, 10/15/22 - 1/15/32	United States	146,020	151,255
GNMA I, Single-family, 30 Year, 7.5%, 2/15/22 - 11/15/27	United States	45,311	46,128
GNMA I, Single-family, 30 Year, 8%, 12/15/21 - 7/15/23	United States	29,092	29,686
GNMA I, Single-family, 30 Year, 8.5%, 5/15/23 - 12/15/24	United States	18,501	18,778
GNMA II, 30 Year, 6.5%, 4/20/34	United States	31,327	31,623
GNMA II, Single-family, 30 Year, 2%, 11/20/50	United States	6,173,583	6,461,441
GNMA II, Single-family, 30 Year, 2.5%, 6/20/50	United States	38,882,013	41,184,012
GNMA II, Single-family, 30 Year, 2.5%, 7/20/50	United States	13,710,378	14,523,839
GNMA II, Single-family, 30 Year, 2.5%, 10/20/50	United States	14,914,472	15,803,496
GNMA II, Single-family, 30 Year, 2.5%, 11/20/50	United States	6,121,240	6,486,346
GNMA II, Single-family, 30 Year, 3%, 9/20/45	United States	5,341,916	5,690,335
GNMA II, Single-family, 30 Year, 3%, 4/20/46	United States	14,372,080	15,305,579
GNMA II, Single-family, 30 Year, 3%, 5/20/50	United States	10,522,164	11,011,675
GNMA II, Single-family, 30 Year, 3%, 6/20/50	United States	21,175,160	22,166,339
GNMA II, Single-family, 30 Year, 3%, 7/20/50	United States	38,122,483	40,012,803
GNMA II, Single-family, 30 Year, 3%, 12/20/50	United States	11,060,986	11,764,321
GNMA II, Single-family, 30 Year, 3%, 12/20/42 - 2/20/45	United States	1,255,750	1,340,187
GNMA II, Single-family, 30 Year, 3.5%, 8/20/42	United States	3,980,883	4,337,028
GNMA II, Single-family, 30 Year, 3.5%, 9/20/42	United States	11,866,316	12,924,430
GNMA II, Single-family, 30 Year, 3.5%, 11/20/42	United States	7,166,821	7,804,613
GNMA II, Single-family, 30 Year, 3.5%, 12/20/42	United States	5,529,989	6,022,377
GNMA II, Single-family, 30 Year, 3.5%, 1/20/43	United States	9,319,318	10,148,083
GNMA II, Single-family, 30 Year, 3.5%, 4/20/43	United States	4,124,826	4,492,363
GNMA II, Single-family, 30 Year, 3.5%, 5/20/43	United States	7,627,566	8,333,630
GNMA II, Single-family, 30 Year, 3.5%, 9/20/47	United States	43,650,356	47,126,217
GNMA II, Single-family, 30 Year, 3.5%, 11/20/47	United States	11,611,118	12,438,904
GNMA II, Single-family, 30 Year, 3.5%, 12/20/40 - 10/20/47	United States	15,526,018	16,857,062
GNMA II, Single-family, 30 Year, 4%, 11/20/41	United States	3,907,138	4,318,697
GNMA II, Single-family, 30 Year, 4%, 11/20/39 - 2/20/44	United States	8,890,241	9,859,042
GNMA II, Single-family, 30 Year, 4.5%, 10/20/39 - 10/20/44	United States	16,754,490	18,681,900
GNMA II, Single-family, 30 Year, 5%, 9/20/33 - 6/20/44	United States	6,839,129	7,823,173
GNMA II, Single-family, 30 Year, 5.5%, 5/20/34 - 6/20/38	United States	2,817,799	3,287,996
GNMA II, Single-family, 30 Year, 6%, 11/20/23 - 7/20/39	United States	1,825,317	2,130,861
GNMA II, Single-family, 30 Year, 6.5%, 12/20/27 - 4/20/32	United States	254,655	300,136
GNMA II, Single-family, 30 Year, 7%, 5/20/32	United States	5,330	6,333
GNMA II, Single-family, 30 Year, 7.5%, 9/20/22 - 11/20/26	United States	34,905	38,194
GNMA II, Single-family, 30 Year, 8%, 8/20/26	United States	2,749	3,145
			407,687,578
Total Mortgage-Backed Securities (Cost \$623,642,015)			636,987,156
Total Long Term Investments (Cost \$763,497,862)			787,452,161

Franklin U.S. Government Securities VIP Fund (continued)

Short Term Investments 5.0%

	Principal Amount [*]	Value
Repurchase Agreements 5.0%		
^c Joint Repurchase Agreement, 0.054%, 1/04/21 (Maturity Value \$40,985,420)		
BNP Paribas Securities Corp. (Maturity Value \$26,183,126)		
Deutsche Bank Securities, Inc. (Maturity Value \$7,820,018)		
HSBC Securities (USA), Inc. (Maturity Value \$6,982,276)		
Collateralized by U.S. Government Agency Securities, 4.00% - 5.00%, 2/20/49 - 5/20/49; and U.S. Treasury Notes, 0.13% - 2.63%, 1/31/21 - 12/31/25 (valued at \$41,809,834)		
	40,985,176	\$40,985,176
Total Repurchase Agreements (Cost \$40,985,176)		40,985,176
Total Short Term Investments (Cost \$40,985,176)		40,985,176
Total Investments (Cost \$804,483,038) 100.6%		\$828,437,337
Other Assets, less Liabilities (0.6)%		(4,798,102)
Net Assets 100.0%		\$823,639,235

See Abbreviations on page FUS-21.

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

^aPrincipal amount of security is adjusted for inflation. See Note 1(d).

^bAdjustable Rate Mortgage-Backed Security (ARM); the rate shown is the effective rate at period end. ARM rates are not based on a published reference rate and spread, but instead pass-through weighted average interest income inclusive of any caps or floors, if applicable, from the underlying mortgage loans in which the majority of mortgages pay interest based on the index shown at their designated reset dates plus a spread, less the applicable servicing and guaranty fee (MBS margin).

^cSee Note 1(b) regarding joint repurchase agreement.

Statement of Assets and Liabilities

December 31, 2020

	Franklin U.S. Government Securities VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$763,497,862
Cost - Unaffiliated repurchase agreements	40,985,176
	<hr/>
Value - Unaffiliated issuers	\$787,452,161
Value - Unaffiliated repurchase agreements	40,985,176
Receivables:	
Investment securities sold	28,202,065
Capital shares sold	94,282
Interest	2,631,064
Other assets	98
Total assets	<hr/> 859,364,846
Liabilities:	
Payables:	
Investment securities purchased	34,367,087
Capital shares redeemed	603,299
Management fees	335,982
Distribution fees	163,446
Accrued expenses and other liabilities	255,797
Total liabilities	<hr/> 35,725,611
Net assets, at value	<hr/> \$823,639,235
Net assets consist of:	
Paid-in capital	\$885,090,636
Total distributable earnings (losses)	(61,451,401)
Net assets, at value	<hr/> \$823,639,235
	<hr/>
	Franklin U.S. Government Securities VIP Fund
Class 1:	
Net assets, at value	\$52,307,075
Shares outstanding	4,227,773
Net asset value and maximum offering price per share	<hr/> \$12.37
Class 2:	
Net assets, at value	\$771,332,160
Shares outstanding	63,835,614
Net asset value and maximum offering price per share	<hr/> \$12.08

Statement of Operations

for the year ended December 31, 2020

**Franklin U.S.
Government
Securities VIP
Fund**

Investment income:	
Interest:	
Unaffiliated issuers:	
Paydown gain (loss)	\$(4,331,818)
Paid in cash ^a	23,671,255
Total investment income	19,339,437
Expenses:	
Management fees (Note 3a)	3,964,103
Distribution fees: (Note 3c)	
Class 2	1,922,842
Custodian fees (Note 4)	5,006
Reports to shareholders	131,539
Professional fees	82,576
Trustees' fees and expenses	4,820
Other	221,743
Total expenses	6,332,629
Expense reductions (Note 4)	(9,143)
Net expenses	6,323,486
Net investment income	13,015,951
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	1,813,789
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	16,480,201
Net realized and unrealized gain (loss)	18,293,990
Net increase (decrease) in net assets resulting from operations	\$31,309,941

^aIncludes amortization of premium and accretion of discount.

Statements of Changes in Net Assets

	Franklin U.S. Government Securities VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$13,015,951	\$21,483,343
Net realized gain (loss)	1,813,789	3,865,232
Net change in unrealized appreciation (depreciation)	16,480,201	32,420,343
Net increase (decrease) in net assets resulting from operations	31,309,941	57,768,918
Distributions to shareholders:		
Class 1	(2,038,214)	(1,737,360)
Class 2	(26,480,204)	(31,230,563)
Total distributions to shareholders	(28,518,418)	(32,967,923)
Capital share transactions: (Note 2)		
Class 1	(1,952,576)	(6,397,324)
Class 2	(3,169,153)	(357,273,982)
Total capital share transactions	(5,121,729)	(363,671,306)
Net increase (decrease) in net assets	(2,330,206)	(338,870,311)
Net assets:		
Beginning of year	825,969,441	1,164,839,752
End of year	\$823,639,235	\$825,969,441

Notes to Financial Statements

Franklin U.S. Government Securities VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin U.S. Government Securities 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. At December 31, 2020, 52.5% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 1 and Class 2. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

Investments in repurchase agreements are valued at cost, which approximates fair value.

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

b. 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

Franklin U.S. Government Securities VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

b. Joint Repurchase Agreement (continued)

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 year end, as indicated in the Statement of Investments, had been entered into on December 31, 2020.

c. Income 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 recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Paydown gains and losses are recorded separately in the Statement of Operations. 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.

e. 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.

f. 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

Franklin U.S. Government Securities VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

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.

f. Guarantees and Indemnifications (continued)

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	332,787	\$4,150,714	263,170	\$3,219,496
Shares issued in reinvestment of distributions	165,439	2,038,214	143,584	1,737,360
Shares redeemed	(653,755)	(8,141,504)	(929,495)	(11,354,180)
Net increase (decrease)	(155,529)	\$(1,952,576)	(522,741)	\$(6,397,324)
Class 2 Shares:				
Shares sold	13,078,267	\$159,400,701	4,193,524	\$50,317,492
Shares issued in reinvestment of distributions	2,197,527	26,480,204	2,639,946	31,230,563
Shares redeemed	(15,470,648)	(189,050,058)	(36,549,546)	(438,822,037)
Net increase (decrease)	(194,854)	\$(3,169,153)	(29,716,076)	\$(357,273,982)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Institutional, LLC (FT Institutional)	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

Franklin U.S. Government Securities VIP Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees (continued)

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.480% of the Fund's average daily net assets.

Under a subadvisory agreement, FT Institutional, an affiliate of Advisers, provides subadvisory services to the Fund. The subadvisory fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund. Effective January 31, 2020, the subadvisory agreement was terminated.

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

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$37,516,554
Long term	63,317,605
Total capital loss carryforwards	<u>\$100,834,159</u>

The tax character of distributions paid during the years ended December 31, 2020 and December 31, 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	<u>\$28,518,418</u>	<u>\$32,967,923</u>

Franklin U.S. Government Securities VIP Fund (continued)**5. Income Taxes** (continued)

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$807,327,199
Unrealized appreciation	\$25,280,001
Unrealized depreciation	(4,169,863)
Net unrealized appreciation (depreciation)	\$21,110,138
Distributable earnings:	
Undistributed ordinary income	\$18,272,642

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$441,523,177 and \$451,485,873, respectively.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

9. 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:

Franklin U.S. Government Securities VIP Fund (continued)

9. Fair Value Measurements (continued)

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments).

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

At December 31, 2020, all of the Fund's Investments in financial instruments carried at fair value were valued using Level 2 inputs.

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

11. Subsequent Events

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

Franklin U.S. Government Securities VIP Fund (continued)

Abbreviations

Currency

USD United States Dollar

Selected Portfolio

FHLB Federal Home Loan Banks
FHLMC Federal Home Loan Mortgage Corp.
FNMA Federal National Mortgage Association
GNMA Government National Mortgage Association
LIBOR London Inter-Bank Offered Rate
MBS Mortgage-Backed Security

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin U.S. Government Securities VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin U.S. Government Securities VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 19, 2021

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

Franklin VolSmart Allocation VIP Fund

This annual report for Franklin VolSmart Allocation VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+16.85%
5-Year	+9.10%
Since Inception (4/1/13)	+6.17%

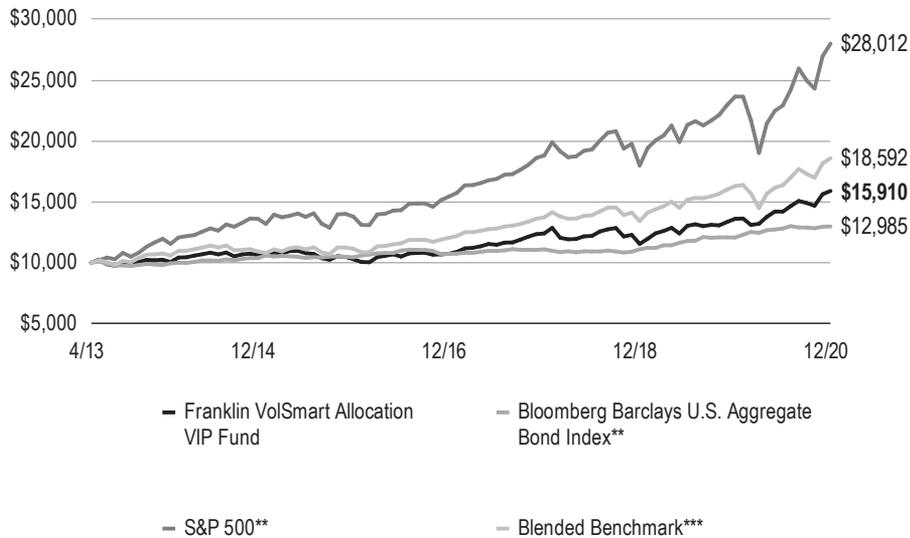
*Prior to 5/1/15, the Fund followed different investment strategies, had different subadvisory arrangements, allocated its core portfolio differently, had a different current target volatility goal and made different use of derivative instruments. As a result, the Fund generally held different investments and had a different investment profile. The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (4/1/13–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the Standard & Poor's® 500 Index (S&P 500®), the Bloomberg Barclays U.S. Aggregate Bond Index and the Fund's Blended Benchmark, a combination of leading stock and bond indexes that better reflects the asset allocation of the Fund's portfolio. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

***Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 60% S&P 500, 30% Bloomberg Barclays U.S. Aggregate Bond Index and 10% Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index. Please see Index Descriptions following the Fund Summaries.

Franklin VolSmart Allocation VIP Fund

Fund Goal and Main Investments

The Fund seeks total return (including income and capital gains) while seeking to manage volatility. The Fund is structured as a limited fund-of-funds that seeks to achieve its investment goal by investing its assets partially in other mutual funds, which include other Franklin Templeton mutual funds as well as Franklin Templeton and third-party exchange-traded funds (ETFs) (underlying funds). Each underlying fund is allocated to the equity, fixed income, multi-class or cash asset class based on its predominant asset class and strategies. These underlying funds, in turn, invest in a variety of U.S. and foreign equity, fixed-income and money market securities. The Fund also obtains exposure to certain strategies and investments in its core portfolio by directly investing in the securities and instruments in that strategy.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. There can be no guarantee that the Fund will stay within its Target Volatility. Also, the managed volatility strategy could negatively impact the Fund's return and expose the Fund to additional costs. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. Derivatives involve costs and can create economic leverage in the portfolio, which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform. Because the Fund allocates assets to a variety of investment strategies, ETFs and other

mutual funds, which involve certain risks, it may be subject to those same risks. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's equity benchmark, the Standard & Poor's 500 Index (S&P 500), posted a +18.40% total return, while the Fund's fixed income benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index, posted a +7.51% total return for the period under review.¹ The Fund's Blended Benchmark, a combination of leading stock and bond indexes that better reflects the asset allocation of the Fund's portfolio, posted a +14.01% total return for the same period.²

Portfolio Composition*

12/31/20

	% of Total Net Assets
Common Stocks	69.1%
Domestic Fixed Income	20.3%
Domestic Hybrid	8.0%
Short-Term Investments & Other Net Assets	2.6%

*The portfolio composition is based on the Statement of Investments (SOI), which classifies each underlying fund into a broad asset class.

Economic and Market Overview

U.S. equities, as measured by the S&P 500, advanced strongly during the 12 months ended December 31, 2020. Although equities began the year with gains, a sharp selloff began in late February 2020 amid investor fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash equivalents and other investments perceived as safe. Nevertheless, equities began to advance in late March, as monetary and fiscal stimulus drove stocks sharply higher. Following declines in September and October, equities, as measured by the S&P 500, advanced to all-time price highs in December.

1. Source: Morningstar.

2. Source: FactSet. The Fund's Blended Benchmark was calculated internally and was composed of 60% S&P 500, 30% Bloomberg Barclays U.S. Aggregate Bond Index and 10% Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index.

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

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

Pandemic-related restrictions severely curtailed economic activity, resulting in mass layoffs that drove the unemployment rate to 14.8% in April 2020.³ The longest U.S. economic expansion in history ended in February, according to the National Bureau of Economic Research, and the country slipped into a deep recession with second-quarter 2020 gross domestic product (GDP) posting a record annualized decline.

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

Equities began to rebound in late March 2020, benefiting from fiscal and monetary stimulus, a gradual lifting of restrictions and development of COVID-19 vaccines and treatments. Rising retail sales and rebounding economic activity led third-quarter GDP to expand at a record annualized pace, although growth slowed in the fourth quarter. Concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election drove stocks lower in September and October. Despite signs that the economic recovery was stalling, as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new stimulus bill.³

The U.S. bond market, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, advanced during the 12 months ended December 31, 2020. The period was defined by the economic and social disruption that began in the wake of the COVID-19 pandemic, which caused significant volatility in U.S. bond markets. In late February, the U.S. bond market began to anticipate the adverse economic impact of business shutdowns and social distancing measures. Higher-quality, longer-term bonds rallied, with the 10-year U.S. Treasury yield (which moves inversely to price) falling in February and March, while riskier, lower-rated corporate bonds declined sharply. Fed action led to a recovery in the corporate bond market beginning in late March, which accelerated in subsequent months as many businesses reopened. Corporate bonds,

particularly high-yield bonds, also benefited from the resolution of the U.S. election and several promising vaccine results late in the reporting period.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, posted positive total returns during the period. The 10-year U.S. Treasury yield declined significantly during the reporting period, reaching a new record closing low in early August 2020. Bond purchasing by the Fed and robust demand for investments perceived as safe drove the U.S. Treasury market. Mortgage-backed securities (MBS), as measured by the Bloomberg Barclays MBS Index, posted positive total returns for the period amid Fed support, though lower interest rates accelerated prepayments from mortgage refinancing, restricting further gains.

U.S. corporate bond performance varied somewhat based on credit rating, as many investors became concerned about the potential credit downgrades of some companies. Total returns for investment-grade corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate Bond Index, exceeded total returns for high-yield corporate bonds, as represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Investment Strategy

Under normal market conditions, the Fund seeks to achieve its investment goal by allocating its assets across certain asset classes, sectors and strategies in an attempt to produce a diversified portfolio that will generate returns, while minimizing the expected volatility of the Fund's returns so that volatility does not exceed a target of 10% per year. (Volatility within the 10% target is referred to as "Target Volatility.") The Fund's assets are primarily invested in its "core portfolio," which is principally composed of various U.S. equity and fixed income investments and strategies, including other mutual funds and ETFs that provide exposure to such investments and strategies.

In addition, the Fund employs a volatility management strategy, which is designed to manage the expected volatility of the Fund's returns so that volatility remains within the Fund's Target Volatility. Thus, the Fund may utilize certain derivative instruments (primarily futures contracts on indexes) in an effort to adjust the Fund's expected volatility to within the Target Volatility. There is no guarantee that the Fund will stay within its Target Volatility.

3. Source: Bureau of Labor Statistics.

Manager's Discussion

As of the end of the reporting period, at the asset allocation level, the Fund held roughly 69.1% in equities, 20.3% in fixed income, 8.0% in multi-asset class consisting of equities and fixed income, and 2.6% in cash.

Equities

The Fund's underlying equity allocation benefited from a slight overweight to the asset class as global equity markets posted strong gains for the period.

The Franklin Rising Dividends Strategy, the largest underlying strategy in the Fund, posted a positive return but slightly detracted from relative performance. The strategy's underweight to the information technology (IT) sector pressured returns as the sector outperformed the broader market and the S&P 500 reached an all-time price high at period-end. A focus on dividend-paying equities further dampened returns. The U.S. Smart Beta Strategy also lagged the broader market as its focus on quality and value factors were out of favor relative to growth factors for the majority of the reporting period.

Franklin DynaTech Fund (not held at period-end) strengthened relative performance as its overweight to IT and bias toward U.S. large-cap growth equities supported relative results. This position outperformed and benefited from the strength in IT and consumer discretionary holdings.

Fixed Income

The Fund's small underweight to fixed income contributed to relative returns while collective underlying fixed income fund holdings lagged the Bloomberg Barclays U.S. Aggregate Bond Index. Franklin Strategic Income Fund and Franklin Low Duration Total Return Fund both underperformed their respective benchmark indexes for calendar-year 2020 as positioning in high-yield corporate bonds and select securitized debt securities detracted during the March 2020 drawdown.

Multi-Asset

Franklin Income Fund, which blends equity and fixed income holdings, generated strong current income but underperformed major U.S. equity indexes. Select high-yield bond issuers weighed on performance as did the strategy's meaningful exposure to dividend-paying companies within the energy and financials sectors.

Hedging

Equity market volatility hit record levels and remained elevated for much of the period as global COVID-19 infection rates, the pace of economic growth and the U.S. presidential election impacted investor sentiment. In this environment, an

Top 10 Holdings

12/31/20

	% of Total Net Assets
Franklin Liberty U.S. Core Bond ETF	13.8%
Franklin Income Fund	8.0%
Microsoft Corp.	3.4%
Franklin Low Duration Total Return Fund	3.4%
Franklin Strategic Income Fund	3.3%
Accenture PLC	1.8%
Roper Technologies Inc.	1.8%
Texas Instruments Inc.	1.6%
Stryker Corp.	1.4%
Air Products and Chemicals Inc.	1.4%

independent volatility management strategy was activated and positively impacted relative results for the review period. In addition, the volatility index-linked hedge provided tail-risk protection during the March 2020 drawdown, adding significant upside value to the overall portfolio.

Positioning

In the first six months of the period, the Fund repositioned some of the underlying equity fund holdings. This repositioning involved exiting Franklin DynaTech Fund and initiating a new position in the U.S. Large Cap Smart Beta Strategy. The combination of these two U.S. core strategies provides active equity selection within the U.S. large-cap core space and to a lesser extent the mid-cap space. In fixed income, we initiated a new position in Franklin Liberty U.S. Core Bond ETF during the period's first half and subsequently added to it, thereby increasing portfolio average credit quality, as the strategy focuses on investment-grade credit, agency mortgages and U.S. Treasuries. We believe this strategy complements the yield spread exposures held in Franklin Low Duration Total Return Fund and Franklin Strategic Income Fund. Overall, the repositioning of the underlying fund holdings is designed to provide core exposure to a blend of the S&P 500 and Bloomberg Barclays U.S. Aggregate Bond Index.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,120.10	\$3.48	\$1,021.86	\$3.32	0.65%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

Financial Highlights

Franklin VolSmart Allocation VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.60	\$10.82	\$11.67	\$10.10	\$9.68
Income from investment operations ^a :					
Net investment income ^{b,c}	0.24	0.22	0.21	0.16	0.16
Net realized and unrealized gains (losses)	1.86	1.70	(1.02)	1.41	0.28
Total from investment operations	2.10	1.92	(0.81)	1.57	0.44
Less distributions from:					
Net investment income and net foreign currency gains	(0.15)	—	(0.04)	—	(—) ^d
Net realized gains	—	(0.14)	—	—	(0.02)
Total distributions	(0.15)	(0.14)	(0.04)	—	(0.02)
Net asset value, end of year	\$14.55	\$12.60	\$10.82	\$11.67	\$10.10
Total return ^e	16.85%	17.82%	(6.93)%	15.54%	4.39%
Ratios to average net assets					
Expenses before waiver and payments by affiliates ^f	0.88%	1.12%	1.10%	1.14%	1.25%
Expenses net of waiver and payments by affiliates ^{f,g}	0.65%	0.90%	0.75%	0.73%	0.73%
Net investment income ^c	1.85%	1.87%	1.85%	1.44%	1.50%
Supplemental data					
Net assets, end of year (000's)	\$45	\$39	\$33	\$36	\$31
Portfolio turnover rate	69.19%	4.99%	6.28%	5.69%	1.00%

^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.

^cRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

^eTotal 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.

^fDoes not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.12% for the year ended December 31, 2020.

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

Franklin VolSmart Allocation VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 5					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.59	\$10.80	\$11.65	\$10.07	\$9.67
Income from investment operations ^a :					
Net investment income ^{b,c}	0.23	0.23	0.22	0.17	0.16
Net realized and unrealized gains (losses)	1.86	1.70	(1.01)	1.41	0.29
Total from investment operations	2.09	1.93	(0.79)	1.58	0.45
Less distributions from:					
Net investment income and net foreign currency gains	(0.16)	—	(0.06)	—	(0.03)
Net realized gains	—	(0.14)	—	—	(0.02)
Total distributions	(0.16)	(0.14)	(0.06)	—	(0.05)
Net asset value, end of year	\$14.52	\$12.59	\$10.80	\$11.65	\$10.07
Total return ^d	16.78%	17.95%	(6.85)%	15.69%	4.59%
Ratios to average net assets					
Expenses before waiver and payments by affiliates ^e	1.03%	1.02%	1.00%	1.04%	1.15%
Expenses net of waiver and payments by affiliates ^{e,f}	0.80%	0.80%	0.65%	0.63%	0.63%
Net investment income ^e	1.70%	1.97%	1.95%	1.54%	1.60%
Supplemental data					
Net assets, end of year (000's)	\$195,818	\$185,381	\$171,173	\$188,240	\$124,581
Portfolio turnover rate	69.19%	4.99%	6.28%	5.69%	1.00%

^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.

^cRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

^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.

^eDoes not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.12% for the year ended December 31, 2020.

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

Statement of Investments, December 31, 2020

Franklin VolSmart Allocation VIP Fund

	Shares	Value
Common Stocks 69.1%		
Aerospace & Defense 1.7%		
BWX Technologies, Inc.	423	\$25,498
General Dynamics Corp.	5,300	788,746
Huntington Ingalls Industries, Inc.	435	74,159
Lockheed Martin Corp.	1,718	609,856
Northrop Grumman Corp.	946	288,265
Raytheon Technologies Corp.	22,645	1,619,344
		<u>3,405,868</u>
Air Freight & Logistics 1.2%		
CH Robinson Worldwide, Inc.	1,593	149,535
Expeditors International of Washington, Inc.	1,934	183,942
United Parcel Service, Inc., B	11,852	1,995,877
		<u>2,329,354</u>
Auto Components 0.1%		
Gentex Corp.	3,021	102,503
Banks 0.2%		
Associated Banc-Corp.	380	6,479
People's United Financial, Inc.	1,113	14,391
Wells Fargo & Co.	9,303	280,765
		<u>301,635</u>
Beverages 1.6%		
^a Boston Beer Co., Inc. (The), A.	43	42,754
Brown-Forman Corp., A.	543	39,894
Brown-Forman Corp., B.	1,105	87,770
Coca-Cola Co. (The)	12,138	665,648
^a Monster Beverage Corp.	3,835	354,661
PepsiCo, Inc.	12,712	1,885,190
		<u>3,075,917</u>
Biotechnology 1.8%		
AbbVie, Inc.	11,867	1,271,549
Amgen, Inc.	2,786	640,557
^a Biogen, Inc.	1,758	430,464
^a Exelixis, Inc.	2,889	57,982
Gilead Sciences, Inc.	8,805	512,979
^a Regeneron Pharmaceuticals, Inc.	624	301,461
^a Vertex Pharmaceuticals, Inc.	1,207	285,263
		<u>3,500,255</u>
Building Products 0.7%		
A O Smith Corp.	605	33,166
Allegion plc.	538	62,613
Johnson Controls International plc.	21,992	1,024,607
Lennox International, Inc.	257	70,410
Trane Technologies plc.	600	87,096
^a Trex Co., Inc.	541	45,293
		<u>1,323,185</u>
Capital Markets 1.3%		
Evercore, Inc., A.	173	18,968
FactSet Research Systems, Inc.	445	147,963
Invesco Ltd.	3,377	58,861
Lazard Ltd., A.	1,200	50,760
MarketAxess Holdings, Inc.	422	240,776
Moody's Corp.	1,298	376,732

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Capital Markets (continued)		
Morningstar, Inc.	206	\$47,703
Nasdaq, Inc.	5,370	712,814
S&P Global, Inc.	1,540	506,244
SEI Investments Co.	1,139	65,458
State Street Corp.	1,550	112,809
T Rowe Price Group, Inc.	1,419	214,822
		2,553,910
Chemicals 4.6%		
Air Products and Chemicals, Inc.	10,110	2,762,254
Albemarle Corp.	11,910	1,756,963
Celanese Corp.	860	111,748
Eastman Chemical Co.	1,173	117,629
Ecolab, Inc.	5,760	1,246,234
Huntsman Corp.	907	22,802
Linde plc.	10,000	2,635,100
LyondellBasell Industries NV, A	3,508	321,543
NewMarket Corp.	84	33,456
Valvoline, Inc.	1,311	30,337
		9,038,066
Commercial Services & Supplies 1.0%		
Cintas Corp.	4,696	1,659,848
^a Copart, Inc.	2,265	288,221
Rollins, Inc.	2,642	103,223
		2,051,292
Communications Equipment 0.6%		
^a Arista Networks, Inc.	264	76,711
Cisco Systems, Inc.	14,485	648,204
^a F5 Networks, Inc.	696	122,454
Motorola Solutions, Inc.	1,768	300,666
		1,148,035
Consumer Finance 0.0%[†]		
Santander Consumer USA Holdings, Inc.	941	20,721
Containers & Packaging 0.2%		
Ardagh Group SA	46	792
Avery Dennison Corp.	380	58,942
International Paper Co.	1,032	51,311
Packaging Corp. of America	934	128,808
Sonoco Products Co.	1,061	62,864
		302,717
Distributors 0.1%		
Pool Corp.	448	166,880
Diversified Consumer Services 0.0%[†]		
^a Grand Canyon Education, Inc.	205	19,088
H&R Block, Inc.	2,532	40,157
		59,245
Diversified Financial Services 0.0%[†]		
Jefferies Financial Group, Inc.	990	24,354
Diversified Telecommunication Services 0.6%		
AT&T, Inc.	21,695	623,948

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Diversified Telecommunication Services (continued)		
CenturyLink, Inc.	2,785	\$27,154
Verizon Communications, Inc.	10,354	608,297
		1,259,399
Electric Utilities 1.2%		
Alliant Energy Corp.	2,399	123,621
American Electric Power Co., Inc.	2,793	232,573
Evergy, Inc.	1,842	102,250
Eversource Energy	3,108	268,873
Hawaiian Electric Industries, Inc.	1,113	39,389
NextEra Energy, Inc.	8,376	646,208
PPL Corp.	6,271	176,842
Southern Co. (The)	8,503	522,339
Xcel Energy, Inc.	3,056	203,744
		2,315,839
Electrical Equipment 0.7%		
Eaton Corp. plc.	994	119,419
Emerson Electric Co.	6,400	514,368
^a Generac Holdings, Inc.	245	55,716
GrafTech International Ltd.	479	5,106
Hubbell, Inc.	134	21,010
nVent Electric plc	15,600	363,324
Rockwell Automation, Inc.	1,326	332,574
		1,411,517
Electronic Equipment, Instruments & Components 0.0%[†]		
^a Vontier Corp.	307	10,254
Entertainment 0.3%		
Activision Blizzard, Inc.	3,403	315,969
^a Electronic Arts, Inc.	1,349	193,716
		509,685
Equity Real Estate Investment Trusts (REITs) 0.7%		
CoreSite Realty Corp.	176	22,049
EPR Properties	827	26,878
Extra Space Storage, Inc.	312	36,148
Gaming and Leisure Properties, Inc.	21	873
Kimco Realty Corp.	3,961	59,455
National Retail Properties, Inc.	1,917	78,444
Omega Healthcare Investors, Inc.	572	20,775
Public Storage	1,949	450,083
Realty Income Corp.	3,496	217,346
Simon Property Group, Inc.	2,976	253,793
Spirit Realty Capital, Inc.	1,166	46,838
STORE Capital Corp.	2,228	75,708
VICI Properties, Inc.	1,396	35,598
WP Carey, Inc.	1,599	112,857
		1,436,845
Food & Staples Retailing 1.5%		
Casey's General Stores, Inc.	374	66,804
Costco Wholesale Corp.	1,621	610,760
Kroger Co. (The)	6,534	207,520
^a Sprouts Farmers Market, Inc.	1,083	21,768
Walgreens Boots Alliance, Inc.	7,220	287,934

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Food & Staples Retailing (continued)		
Walmart, Inc.	12,018	\$1,732,395
		<u>2,927,181</u>
Food Products 1.3%		
Campbell Soup Co.	857	41,436
Flowers Foods, Inc.	2,066	46,754
General Mills, Inc.	6,966	409,601
Hershey Co. (The)	1,883	286,837
Hormel Foods Corp.	3,241	151,063
Ingredion, Inc.	698	54,912
J M Smucker Co. (The)	1,011	116,872
Kellogg Co.	2,101	130,745
McCormick & Co., Inc.	11,700	1,118,520
Tyson Foods, Inc., A	3,078	198,346
		<u>2,555,086</u>
Gas Utilities 0.1%		
Atmos Energy Corp.	1,206	115,089
Health Care Equipment & Supplies 5.8%		
Abbott Laboratories.	14,060	1,539,429
^a ABIOMED, Inc.	197	63,867
^a Align Technology, Inc.	396	211,615
Becton Dickinson and Co.	7,500	1,876,650
^a IDEXX Laboratories, Inc.	263	131,466
Medtronic plc	17,500	2,049,950
^a Quidel Corp.	99	17,785
ResMed, Inc.	1,570	333,719
Stryker Corp.	11,500	2,817,960
West Pharmaceutical Services, Inc.	7,854	2,225,117
		<u>11,267,558</u>
Health Care Providers & Services 1.4%		
Chemed Corp.	158	84,152
CVS Health Corp.	6,750	461,025
Humana, Inc.	581	238,367
Premier, Inc., A	553	19,410
Quest Diagnostics, Inc.	331	39,445
UnitedHealth Group, Inc.	5,542	1,943,469
		<u>2,785,868</u>
Health Care Technology 0.2%		
Cerner Corp.	3,042	238,736
^a Veeva Systems, Inc., A	630	171,518
		<u>410,254</u>
Hotels, Restaurants & Leisure 1.3%		
Domino's Pizza, Inc.	486	186,362
McDonald's Corp.	8,756	1,878,862
Yum! Brands, Inc.	3,809	413,505
		<u>2,478,729</u>
Household Durables 0.3%		
DR Horton, Inc.	1,944	133,981
Garmin Ltd.	1,629	194,926
^a NVR, Inc.	35	142,795

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Household Durables (continued)		
PulteGroup, Inc.	1,979	\$85,334
		557,036
Household Products 2.1%		
Church & Dwight Co., Inc.	2,784	242,848
Clorox Co. (The)	1,642	331,553
Colgate-Palmolive Co.	18,539	1,585,270
Procter & Gamble Co. (The)	13,661	1,900,791
		4,060,462
Industrial Conglomerates 3.8%		
3M Co.	3,579	625,573
Carlisle Cos., Inc.	3,560	556,001
Honeywell International, Inc.	12,659	2,692,569
Roper Technologies, Inc.	8,240	3,552,182
		7,426,325
Insurance 0.7%		
Aflac, Inc.	8,740	388,668
American National Group, Inc.	84	8,074
Erie Indemnity Co., A.	3,040	746,624
Progressive Corp. (The)	2,628	259,856
		1,403,222
Interactive Media & Services 0.7%		
^a Alphabet, Inc., A	177	310,217
^a Alphabet, Inc., C	172	301,324
^a Facebook, Inc., A	2,252	615,156
^a Match Group, Inc.	949	143,479
		1,370,176
Internet & Direct Marketing Retail 0.0%[†]		
eBay, Inc.	1,683	84,571
Qurate Retail, Inc.	1,010	11,079
		95,650
IT Services 4.7%		
Accenture plc, A	13,717	3,583,018
^a Akamai Technologies, Inc.	708	74,333
Amdocs Ltd.	1,494	105,969
Automatic Data Processing, Inc.	3,575	629,915
Booz Allen Hamilton Holding Corp.	1,054	91,888
Broadridge Financial Solutions, Inc.	1,329	203,603
Cognizant Technology Solutions Corp., A.	4,948	405,489
International Business Machines Corp.	5,082	639,722
Jack Henry & Associates, Inc.	886	143,523
Mastercard, Inc., A	1,862	664,622
Paychex, Inc.	3,874	360,979
Visa, Inc., A.	10,788	2,359,659
Western Union Co. (The).	1,120	24,573
		9,287,293
Life Sciences Tools & Services 0.5%		
^a Bio-Rad Laboratories, Inc., A.	55	32,062
^a Mettler-Toledo International, Inc.	277	315,691
Thermo Fisher Scientific, Inc.	994	462,985

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Life Sciences Tools & Services (continued)		
^a Waters Corp.	324	\$80,164
		<u>890,902</u>
Machinery 2.0%		
Allison Transmission Holdings, Inc.	975	42,052
Cummins, Inc.	1,685	382,663
Donaldson Co., Inc.	8,530	476,656
Dover Corp.	8,744	1,103,930
Graco, Inc.	1,809	130,881
Illinois Tool Works, Inc.	2,547	519,282
Lincoln Electric Holdings, Inc.	254	29,528
Otis Worldwide Corp.	1,752	118,348
PACCAR, Inc.	2,427	209,402
Pentair plc	13,800	732,642
Snap-on, Inc.	466	79,751
Toro Co. (The)	1,248	118,360
		<u>3,943,495</u>
Media 0.4%		
Comcast Corp., A	12,379	648,659
Interpublic Group of Cos., Inc. (The)	3,567	83,896
Omnicom Group, Inc.	2,383	148,628
		<u>881,183</u>
Metals & Mining 0.2%		
Newmont Corp.	3,456	206,980
Nucor Corp.	2,166	115,210
Reliance Steel & Aluminum Co.	389	46,583
Southern Copper Corp.	202	13,154
Steel Dynamics, Inc.	1,689	62,273
		<u>444,200</u>
Multiline Retail 1.5%		
Dollar General Corp.	2,641	555,402
Target Corp.	13,341	2,355,087
		<u>2,910,489</u>
Multi-Utilities 0.7%		
Ameren Corp.	2,017	157,447
Consolidated Edison, Inc.	3,360	242,827
Dominion Energy, Inc.	5,903	443,906
Public Service Enterprise Group, Inc.	5,480	319,484
WEC Energy Group, Inc.	1,369	125,989
		<u>1,289,653</u>
Oil, Gas & Consumable Fuels 0.6%		
Cabot Oil & Gas Corp.	3,382	55,059
Chevron Corp.	6,790	573,416
EOG Resources, Inc.	5,530	275,781
Exxon Mobil Corp.	6,600	272,052
		<u>1,176,308</u>
Personal Products 0.4%		
Estee Lauder Cos., Inc. (The), A	2,473	658,288
Nu Skin Enterprises, Inc., A.	538	29,391
		<u>687,679</u>

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Pharmaceuticals 3.0%		
Bristol-Myers Squibb Co.	10,040	\$622,781
Eli Lilly and Co.	4,291	724,492
^a Horizon Therapeutics plc.	883	64,591
Johnson & Johnson	13,195	2,076,629
Merck & Co., Inc.	7,679	628,142
Perrigo Co. plc	4,440	198,557
Pfizer, Inc.	31,629	1,164,264
Zoetis, Inc.	2,105	348,378
		<u>5,827,834</u>
Professional Services 0.1%		
CoreLogic, Inc.	192	14,846
^a FTI Consulting, Inc.	149	16,646
Robert Half International, Inc.	1,482	92,595
Verisk Analytics, Inc.	693	143,860
		<u>267,947</u>
Road & Rail 1.0%		
JB Hunt Transport Services, Inc.	960	131,184
Landstar System, Inc.	425	57,230
Norfolk Southern Corp.	4,200	997,962
Old Dominion Freight Line, Inc.	653	127,453
Schneider National, Inc., B	262	5,423
Union Pacific Corp.	3,032	631,323
		<u>1,950,575</u>
Semiconductors & Semiconductor Equipment 5.2%		
Analog Devices, Inc.	16,114	2,380,521
Applied Materials, Inc.	7,434	641,554
^a Cirrus Logic, Inc.	245	20,139
Intel Corp.	13,031	649,205
KLA Corp.	1,708	442,218
Lam Research Corp.	1,353	638,981
Maxim Integrated Products, Inc.	3,094	274,283
Monolithic Power Systems, Inc.	206	75,444
NVIDIA Corp.	1,143	596,875
QUALCOMM, Inc.	4,200	639,828
Skyworks Solutions, Inc.	2,114	323,188
Teradyne, Inc.	417	49,994
Texas Instruments, Inc.	18,855	3,094,671
Xilinx, Inc.	2,911	412,693
		<u>10,239,594</u>
Software 4.7%		
^a Adobe, Inc.	1,298	649,156
^a Aspen Technology, Inc.	593	77,238
^a Cadence Design Systems, Inc.	2,285	311,743
Citrix Systems, Inc.	1,011	131,531
^a Fair Isaac Corp.	121	61,836
^a Fortinet, Inc.	575	85,405
Intuit, Inc.	1,768	671,575
Microsoft Corp.	29,823	6,633,232
Oracle Corp.	8,108	524,506
^a Tyler Technologies, Inc.	175	76,391
^a VMware, Inc., A	321	45,023
		<u>9,267,636</u>

Franklin VolSmart Allocation VIP Fund (continued)

	Shares	Value
Common Stocks (continued)		
Specialty Retail 2.7%		
^a AutoZone, Inc.	221	\$261,982
Best Buy Co., Inc.	2,725	271,928
Foot Locker, Inc.	1,353	54,715
Lowe's Cos., Inc.	8,700	1,396,437
^a O'Reilly Automotive, Inc.	823	372,465
Ross Stores, Inc.	16,411	2,015,435
TJX Cos., Inc. (The)	9,757	666,306
Tractor Supply Co.	1,366	192,032
Williams-Sonoma, Inc.	949	96,646
		5,327,946
Technology Hardware, Storage & Peripherals 0.7%		
Apple, Inc.	5,106	677,515
^a Dell Technologies, Inc., C	684	50,131
HP, Inc.	17,926	440,800
NetApp, Inc.	2,476	164,010
Xerox Holdings Corp.	765	17,740
		1,350,196
Textiles, Apparel & Luxury Goods 1.5%		
Carter's, Inc.	457	42,990
Hanesbrands, Inc.	2,566	37,412
^a Lululemon Athletica, Inc.	1,263	439,562
NIKE, Inc., B.	17,655	2,497,653
		3,017,617
Tobacco 0.7%		
Altria Group, Inc.	14,304	586,464
Philip Morris International, Inc.	8,310	687,985
		1,274,449
Trading Companies & Distributors 0.7%		
Fastenal Co.	6,942	338,978
MSC Industrial Direct Co., Inc., A.	477	40,254
Watsco, Inc.	335	75,894
WW Grainger, Inc.	2,275	928,974
		1,384,100
Total Common Stocks (Cost \$86,843,939)		135,219,208
Investments In Underlying Funds and Exchange Traded Funds		
28.3%		
Domestic Fixed Income 20.3%		
^b Franklin Liberty U.S. Core Bond ETF.	1,030,425	26,945,614
^b Franklin Low Duration Total Return Fund, Class R6	679,503	6,591,183
^b Franklin Strategic Income Fund, Class R6	668,224	6,368,172
		39,904,969
Domestic Hybrid 8.0%		
^b Franklin Income Fund, Class R6	6,839,851	15,594,859
Total Investments In Underlying Funds and Exchange Traded Funds (Cost		
\$54,178,319)		55,499,828
Total Long Term Investments (Cost \$141,022,258)		190,719,036

Franklin VolSmart Allocation VIP Fund (continued)

Short Term Investments 1.8%

	Shares	Value
Money Market Funds 1.8%		
^{b,c} Institutional Fiduciary Trust - Money Market Portfolio, 0%	3,563,810	\$3,563,810
Total Money Market Funds (Cost \$3,563,810)		3,563,810
Total Short Term Investments (Cost \$3,563,810)		3,563,810
Total Investments (Cost \$144,586,068) 99.2%		\$194,282,846
Other Assets, less Liabilities 0.8%		1,579,567
Net Assets 100.0%		\$195,862,413

¹Rounds to less than 0.1% of net assets.

^aNon-income producing.

^bSee Note 3(e) regarding investments in FT Underlying Funds.

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

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Equity contracts					
S&P 500 E-Mini Index	Short	106	\$19,868,640	3/19/21	\$(325,338)
Total Futures Contracts					\$(325,338)

*As of period end.

At December 31, 2020, the Fund had the following total return swap contracts outstanding. See Note 1(c).

Total Return Swap Contracts

Underlying Instruments	Financing Rate	Payment Frequency	Counter-party	Maturity Date	Notional Value*	Value/ Unrealized Appreciation (Depreciation)
OTC Swap Contracts						
Long						
Dynamic VIX Backwardation (BEFSDVB1 Index)	—	Monthly	BZWS	3/02/21	3,500,000	\$(480)
Total Return Swap Contracts						\$(480)

*In U.S. dollars unless otherwise stated.

Franklin VolSmart Allocation VIP Fund (continued)

See Abbreviations on page FVA- 32.

Statement of Assets and Liabilities

December 31, 2020

	Franklin VolSmart Allocation VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$86,843,939
Cost - Non-controlled affiliates (Note 3e)	57,742,129
	<hr/>
Value - Unaffiliated issuers	\$135,219,208
Value - Non-controlled affiliates (Note 3e)	59,063,638
Cash	30,828
Receivables:	
Investment securities sold	15,079
Capital shares sold	393,874
Dividends	394,921
Deposits with brokers for:	
Futures contracts	1,166,000
Other assets	21
Total assets	<hr/> 196,283,569
Liabilities:	
Payables:	
Investment securities purchased	29,863
Capital shares redeemed	60,458
Management fees	98,563
Distribution fees	24,455
Professional fees	63,551
Variation margin on futures contracts	130,380
Unrealized depreciation on OTC swap contracts	480
Accrued expenses and other liabilities	13,406
Total liabilities	<hr/> 421,156
Net assets, at value	<hr/> \$195,862,413
Net assets consist of:	
Paid-in capital	\$129,060,245
Total distributable earnings (losses)	66,802,168
Net assets, at value	<hr/> \$195,862,413
Franklin VolSmart Allocation VIP Fund	
Class 2:	
Net assets, at value	\$44,545
Shares outstanding	3,061
Net asset value and maximum offering price per share	<hr/> \$14.55
Class 5:	
Net assets, at value	\$195,817,868
Shares outstanding	13,482,181
Net asset value and maximum offering price per share	<hr/> \$14.52

Statement of Operations

for the year ended December 31, 2020

**Franklin
VolSmart
Allocation VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$245)	
Unaffiliated issuers	\$2,228,089
Non-controlled affiliates (Note 3e)	2,307,364
Total investment income	4,535,453
Expenses:	
Management fees (Note 3a)	1,448,828
Distribution fees: (Note 3c)	
Class 5	271,633
Custodian fees (Note 4)	384
Reports to shareholders	22,200
Professional fees	98,406
Trustees' fees and expenses	1,036
Other	17,828
Total expenses	1,860,315
Expense reductions (Note 4)	(690)
Expenses waived/paid by affiliates (Note 3e and 3f)	(410,358)
Net expenses	1,449,267
Net investment income	3,086,186
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	5,578,891
Non-controlled affiliates (Note 3e)	1,528,018
Futures contracts	(7,312,039)
Swap contracts	15,179,128
Capital gain distributions from Underlying Funds:	
Non-controlled affiliates (Note 3e)	196,165
Net realized gain (loss)	15,170,163
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	13,791,735
Non-controlled affiliates (Note 3e)	(3,788,523)
Futures contracts	(325,338)
Swap contracts	3,333
Net change in unrealized appreciation (depreciation)	9,681,207
Net realized and unrealized gain (loss)	24,851,370
Net increase (decrease) in net assets resulting from operations	\$27,937,556

Statements of Changes in Net Assets

	Franklin VolSmart Allocation VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$3,086,186	\$3,607,372
Net realized gain (loss)	15,170,163	(2,663,428)
Net change in unrealized appreciation (depreciation)	9,681,207	28,799,406
Net increase (decrease) in net assets resulting from operations	27,937,556	29,743,350
Distributions to shareholders:		
Class 2	(470)	(429)
Class 5	(2,132,195)	(2,160,339)
Total distributions to shareholders	(2,132,665)	(2,160,768)
Capital share transactions: (Note 2)		
Class 5	(15,361,900)	(13,368,874)
Total capital share transactions	(15,361,900)	(13,368,874)
Net increase (decrease) in net assets	10,442,991	14,213,708
Net assets:		
Beginning of year	185,419,422	171,205,714
End of year	\$195,862,413	\$185,419,422

Notes to Financial Statements

Franklin VolSmart Allocation VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin VolSmart Allocation VIP Fund (Fund) is included in this report. The Fund invests a large percentage of its assets in mutual funds (Underlying Funds) and exchange traded funds (ETFs), including affiliated funds managed by Franklin Templeton (FT Underlying Funds). 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. At December 31, 2020, 98.3% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers two classes of shares: Class 2 and Class 5. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The accounting policies of the Underlying Funds are outlined in their respective shareholder reports. A copy of the Underlying Funds' shareholder reports is available on the U.S. Securities and Exchange Commission (SEC) website at sec.gov. The Underlying Funds' shareholder reports are not covered by this report.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Investments in the Underlying Funds are valued at their closing NAV each trading day.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Certain derivative financial instruments trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

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

Franklin VolSmart Allocation VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

c. 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.

Franklin VolSmart Allocation VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**c. Derivative Financial Instruments** (continued)

Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At December 31, 2020 the Fund had OTC derivatives in a net liability position of \$480.

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 exchange traded futures contracts primarily to manage and/or gain exposure to interest rate and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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.

The Fund entered into OTC total return swap contracts primarily to manage and/or gain exposure to credit and market risk of an underlying instrument such as a stock, bond, index or basket of securities or indices. A total return swap is an agreement between the Fund and a counterparty to exchange a return linked to an underlying instrument for a floating or fixed rate payment, both based upon a notional amount. Over the term of the contract, contractually required payments to be paid or received are accrued daily and recorded as unrealized appreciation or depreciation until the payments are made, at which time they are recognized as realized gain or loss.

See Note 10 regarding other derivative information.

d. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial

Franklin VolSmart Allocation VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes (continued)

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.

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

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the

combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

The Fund indirectly bears its proportionate share of expenses from the Underlying Funds and ETFs. Since the Underlying Funds and ETFs have varied expense levels and the Fund may own different proportions of the Underlying Funds and ETFs at different times, the amount of expenses incurred indirectly by the Fund will vary.

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.

f. 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.

g. Guarantees and Indemnifications

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). During the years ended December 31, 2020, and December 31, 2019, there were no transactions of the Fund's Class 2 shares. Transactions in the Fund's Class 5 shares were as follows:

Franklin VolSmart Allocation VIP Fund (continued)**2. Shares of Beneficial Interest** (continued)

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 5 Shares:				
Shares sold	1,955,432	\$26,179,712	1,083,696	\$12,810,981
Shares issued in reinvestment of distributions	165,415	2,132,195	181,847	2,160,339
Shares redeemed	(3,368,455)	(43,673,807)	(2,383,442)	(28,340,194)
Net increase (decrease)	(1,247,608)	\$(15,361,900)	(1,117,899)	\$(13,368,874)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers, directors and/or trustees of certain of the Underlying Funds and of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
K2/D&S Management Co., LLC (K2 Advisors)	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 of 0.80% per year of the average daily net assets of the Fund.

Under a subadvisory agreement, K2 Advisors, an affiliate of Advisers, provides subadvisory services to the Fund. The subadvisory fee is paid by Advisers based on Fund's average daily net assets, and is not an additional expense of the Fund. Effective May 1, 2020, the subadvisory agreement was terminated with K2 Advisors.

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 5 shares pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to 0.35% and 0.15% per year of its average daily net assets of Class 2 and Class 5, respectively. The Board has agreed to limit the current rate to 0.25% per year for Class 2. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

d. Transfer Agent Fees

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

Franklin VolSmart Allocation VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Underlying Funds

The Fund invests in Underlying Funds which are managed by affiliates of the Fund's administrative manager, Franklin Templeton Services, LLC. The Fund does not invest in Underlying Funds for the purpose of exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the Underlying Funds, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Underlying Funds.

Investments in Underlying Funds for the year ended December 31, 2020, were as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Dividend Income
Franklin VolSmart Allocation VIP Fund								
Non-Controlled Affiliates								
Franklin DynaTech Fund, Class R6	\$9,701,447	\$1,700,000	\$(11,942,385)	\$5,149,340	\$(4,608,402)	\$— ^a	—	\$—
Franklin Income Fund, Class R6	15,600,923	1,829,287	(1,552,000)	(211,629)	(71,722)	15,594,859	6,839,851	760,882
Franklin Liberty U.S. Core Bond ETF	—	27,703,683	(1,032,131)	5,340	268,722	26,945,614	1,030,425	703,845 ^b
Franklin Low Duration Total Return Fund, Class R6	32,117,065	524,292	(24,748,000)	(1,804,315)	502,141	6,591,183	679,503	524,528
Franklin Strategic Income Fund, Class R6	22,028,255	498,897	(14,669,000)	(1,610,718)	120,738	6,368,172	668,224	498,897
Institutional Fiduciary Trust - Money Market Portfolio, 0%	4,131,506	127,115,950	(127,683,646)	—	—	3,563,810	3,563,810	15,377
Total Non-Controlled Affiliates	\$83,579,196	\$159,372,109	\$(181,627,162)	\$1,528,018	\$(3,788,523)	\$59,063,638		\$2,503,529
Total Affiliated Securities	\$83,579,196	\$159,372,109	\$(181,627,162)	\$1,528,018	\$(3,788,523)	\$59,063,638		\$2,503,529

^aAs of December 31, 2020, no longer held by the fund.

^bDividend income includes capital gain distributions received, if any, from underlying funds, and are presented in corresponding line item in the Statement of Operations.

f. Waiver and Expense Reimbursements

Advisers has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees, acquired fund fees and expenses and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for each class of the Fund do not exceed 0.65%, based on the average net assets of each class until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

Franklin VolSmart Allocation VIP Fund (continued)

5. Income Taxes

During the year ended December 31, 2020 the Fund utilized \$416,421 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$2,132,665	\$670
Long term capital gain	—	2,160,098
	\$2,132,665	\$2,160,768

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$144,876,369
Unrealized appreciation.	\$50,841,450
Unrealized depreciation.	(1,760,791)
Net unrealized appreciation (depreciation).	\$49,080,659
Distributable earnings:	
Undistributed ordinary income.	\$17,721,514

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of swaps, short term capital gains distributions from Underlying Funds and corporate actions.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$119,787,658 and \$127,448,345, respectively.

7. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

8. Other Derivative Information

At December 31, 2020, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Franklin VolSmart Allocation VIP Fund (continued)

8. Other Derivative Information (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Franklin VolSmart Allocation VIP Fund				
Equity contracts				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$325,338 ^a
	Unrealized appreciation on OTC swap contracts	—	Unrealized depreciation on OTC swap contracts	480
Total		<u>\$—</u>		<u>\$325,818</u>

^aThis amount reflects the cumulative appreciation (depreciation) of futures 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.

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Franklin VolSmart Allocation VIP Fund				
Equity Contracts				
	Futures contracts	\$(7,312,039)	Futures contracts	\$(325,338)
	Swap contracts	15,179,128	Swap contracts	3,333
Total		<u>\$7,867,089</u>		<u>\$(322,005)</u>

For the year ended December 31, 2020, the average month end notional amount of futures contracts and swap contracts represented \$26,184,878 and \$7,369,231, respectively.

See Note 1(c) regarding derivative financial instruments.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers,

Franklin VolSmart Allocation VIP Fund (continued)**9. Credit Facility** (continued)

including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin VolSmart Allocation VIP Fund				
Assets:				
Investments in Securities: ^a				
Common Stocks	\$135,219,208	\$—	\$—	\$135,219,208
Investments in Underlying Funds and Exchange Traded Funds	55,499,828	—	—	55,499,828
Short Term Investments	3,563,810	—	—	3,563,810
Total Investments in Securities	<u>\$194,282,846</u>	<u>\$—</u>	<u>\$—</u>	<u>\$194,282,846</u>
Liabilities:				
Other Financial Instruments:				
Futures contracts	325,338	—	—	325,338
Swap contracts	—	480	—	480
Total Other Financial Instruments	<u>\$325,338</u>	<u>\$480</u>	<u>\$—</u>	<u>\$325,818</u>

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

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

Franklin VolSmart Allocation VIP Fund (continued)

12. Subsequent Events

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

Abbreviations

Counterparty

BZWS Barclays Bank plc

Selected Portfolio

ETF Exchange-Traded Fund

VIX Market Volatility Index

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Franklin VolSmart Allocation VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin VolSmart Allocation VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Franklin VoISmart Allocation VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 88.00% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

Templeton Developing Markets VIP Fund

This annual report for Templeton Developing Markets VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

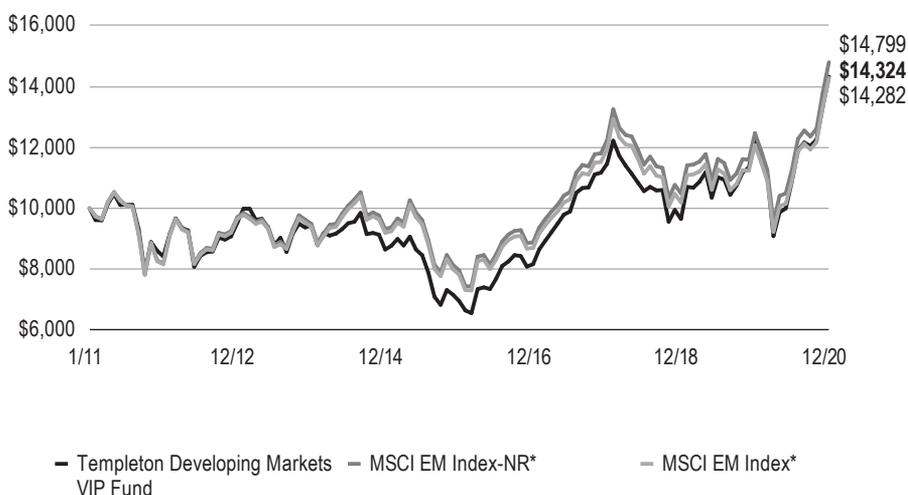
Share Class	Average Annual Total Return
2	
1-Year	+17.18%
5-Year	+15.57%
10-Year	+3.66%

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the MSCI Emerging Markets (EM) Index-NR and the MSCI EM Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Templeton Developing Markets VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in emerging market investments.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in developing markets, of which frontier markets are a subset, 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 markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with developing markets are magnified in frontier markets. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's new benchmark, the MSCI Emerging Markets (EM) Index-NR, posted a +18.31% total return for the same period.¹ The Fund's old benchmark, the MSCI EM Index, posted a +18.69% total return.¹ The investment manager believes the MSCI EM Index-NR provides a more consistent basis for comparison relative to the Fund's peers. Please note, index performance numbers are for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research.

Geographic Composition

12/31/20

	% of Total Net Assets
Asia	75.6%
Europe	9.8%
Latin America & Caribbean	7.5%
Middle East & Africa	4.6%
North America	1.8%
Short-Term Investments & Other Net Assets	0.7%

Economic and Market Overview

The novel coronavirus (COVID-19) pandemic pushed the economies of many emerging market countries into contractions, especially during the first two quarters of the 12 months ended December 31, 2020. In response, many emerging market central banks adopted more accommodative monetary policies in an effort to support their economies. Despite significant losses in early 2020 and renewed outbreaks throughout the year, emerging market equities posted gains for the 12-month period, as investors were buoyed by the economic reopening of several emerging market countries, notably China, and optimism about vaccine development.

Regarding individual countries, China's economy contracted in 2020's first quarter for the first time on record after the government shut down nonessential businesses for two months to contain the pandemic. Year-on-year growth returned in the second quarter after businesses reopened and then accelerated in the third and fourth quarters, driven by retail sales and industrial production. Taiwan's year-on-year growth rate slowed in the first and second quarters as its export-dependent economy was impacted by decreased global demand. Government stimulus and foreign demand for electronics parts helped accelerate growth in the third and fourth quarters. South Korea's year-on-year growth rate slowed in the first quarter before contracting in the second, third and fourth quarters, partly due to negative growth in construction, consumption and exports. The year-on-year growth rates of India and Russia also slowed in the first quarter before contracting in the second and third quarters, with low oil prices particularly hurting Russia's energy export-dependent economy. Brazil's year-on-year growth rates contracted in the first three quarters of 2020.

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).

Turning to specific countries' monetary policies, the People's Bank of China lowered its benchmark loan prime rate twice during the period. Taiwan's central bank cut its benchmark interest rate once, bringing it to a record low, and South Korea's central bank lowered its benchmark interest rate twice, also bringing it to a record low. India's central bank cut its benchmark rate twice. Russia's central bank cut its key rate four times to a record low, and Brazil's central bank cut its benchmark interest rate five times, also bringing it to a record low.

In this environment, emerging market stocks, as measured by the MSCI EM Index-NR, posted a +18.31% total return for the 12 months ended December 31, 2020.¹ Chinese equities rose during the period, as investors were reassured by the government's aggressive actions to contain the pandemic and by a sustained economic recovery as 2020 progressed. Technology-related stocks performed particularly well in the second half of the year, though gains were limited by tensions with the U.S., which imposed sanctions on several Chinese companies. Equities in Taiwan also rose, benefiting from the government's successful efforts to control COVID-19 and the strong performance of large technology companies. Russian equities fell during the period, largely due to low oil prices, though stocks recovered some losses late in the period when projections for global oil demand improved. Brazilian equities also declined, with an uncertain political environment and uneven economic recovery limiting gains following massive pandemic-related losses early in the period.

Investment Strategy

We employ a fundamental research, value-oriented, long-term investment approach. We focus on the market price of a company's securities relative to our evaluation of its long-term earnings, asset value and cash flow potential. This includes an assessment of the potential impacts of material environmental, social and governance factors on the long-term risk and return profile of a company. We also consider a company's profit and loss outlook, balance sheet strength, cash flow trends and asset value in relation to the current price of the company's securities. Our analysis considers the company's position in its sector, the economic framework and political environment.

Manager's Discussion

Key contributors to absolute performance during the period were Taiwan Semiconductor Manufacturing Co. (TSMC), Samsung Electronics and Tencent Holdings.

Top 10 Countries

12/31/20

	% of Total Net Assets
China	28.0%
South Korea	22.5%
Taiwan	15.8%
Russia	6.4%
India	6.1%
Brazil	5.7%
South Africa	4.5%
United Kingdom	2.3%
United States	1.8%
Mexico	1.5%

TSMC is one of the world's leading semiconductor makers and counts major technology companies among its clients. The company has been a beneficiary of increased demand from cloud applications related to remote working and online education, trends which the pandemic has accelerated. The chip maker posted better-than-expected third-quarter 2020 earnings and provided solid revenue guidance amid strong demand for its cutting-edge chips. Although investor uncertainty increased after the U.S. tightened restrictions on TSMC customer Huawei (not a Fund holding)—prohibiting semiconductor makers that use U.S. technology from selling products to the company without U.S. government permission—shares rose after the announcement by a major American competitor of a delay in the production of its next-generation chips and the possibility of outsourcing.

A leading global semiconductor manufacturer, Samsung Electronics is also one of the world's largest smartphone producers as well as a key supplier of organic light-emitting diode (LED) displays. Overcoming initial supply chain concerns amid the onset of the COVID-19 pandemic, an improving outlook for the memory chip market and expectations for the company to raise its dividends boosted the stock. New foundry orders from high-profile clients lifted market confidence in its chip-making business. Investors also eyed potential market share gains for the South Korean company across the semiconductor, smartphone, and fifth generation wireless technology (5G) network equipment industries amid escalating U.S. restrictions against Chinese technology-related companies.

Tencent is one of the largest internet services companies in China. The company provides online gaming, social network, financial technology, cloud and other entertainment-related services. After declining in early 2020, shares rebounded in March due to expectations that solid growth in the mobile gaming and financial technology businesses would offset

any short-term negative impact of COVID-19 on Tencent’s advertising, payments and cloud services. Above-consensus quarterly revenues and net profit in the first three quarters of 2020 continued to support the upward share price trend. Shares also benefited from a U.S. court ruling blocking the U.S. presidential administration from enforcing restrictions against Tencent’s WeChat messaging app in 2020. With the U.S. accounting for a small portion of Tencent’s revenues, limited impact is expected even if some type of ban takes effect. Shares faced some pressure late in the reporting period as China unveiled draft anti-monopoly rules for its internet industry.

In contrast, key detractors from absolute performance included ICICI Bank, Banco Bradesco and Itau Unibanco Holding.

ICICI Bank is one of the largest private-sector banks in India. The bank’s stock corrected substantially in the first quarter of 2020 due to concerns about COVID-19-related economic disruptions on the bank’s loans and margins. Hopes of economic normalization drove a sharp share-price recovery in the final quarter of the year, however, offsetting most of the earlier decline. ICICI Bank continued to report solid quarterly profit growth in the first three quarters of the year, with pandemic-related provisions declining in the third quarter after increasing in the first two quarters. Investors also reacted positively to the bank’s stake sale in its insurance subsidiaries and solid participation in August from the global and domestic investor community in its multi-billion dollar equity issuance, which strengthened the bank’s balance sheet.

Itau Unibanco and Banco Bradesco are leading commercial banks in Brazil. A collapse in economic activity amid the COVID-19 pandemic and expectations of slowing loan growth, falling margins and rising bad debts have hurt both banks’ near-term earnings forecasts. Both banks also reported weak first-quarter corporate results largely due to higher-than-expected provisions related to COVID-19 and suspended guidance for 2020. Investor sentiment improved, however, after quarter-on-quarter profits rose in the second and third quarters. Shares subsequently rebounded off their lows, driven by expectations that the banks would resume secular growth once the Brazilian economy begins to recover. The banks’ sound fundamentals, attractive valuations and dominant market share provided investors with additional reasons to maintain a positive longer-term view. Credit penetration in Brazil is far below many other markets, signaling room to increase in the coming years.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage & Peripherals, South Korea</i>	12.2%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors & Semiconductor Equipment, Taiwan</i>	11.8%
Alibaba Group Holding Ltd. <i>Internet & Direct Marketing Retail, China</i>	8.7%
Tencent Holdings Ltd. <i>Interactive Media & Services, China</i>	7.2%
NAVER Corp. <i>Interactive Media & Services, South Korea</i>	4.2%
Naspers Ltd. <i>Internet & Direct Marketing Retail, South Africa</i>	4.0%
ICICI Bank Ltd. <i>Banks, India</i>	3.5%
LG Corp. <i>Industrial Conglomerates, South Korea</i>	2.3%
Unilever plc <i>Personal Products, United Kingdom</i>	2.3%
MediaTek, Inc. <i>Semiconductors & Semiconductor Equipment, Taiwan</i>	2.1%

In the past 12 months, we decreased the Fund’s investments across most markets to raise funds for redemptions and in favor of opportunities we found more compelling. Positions in Russia, India, South Korea and China were reduced the most. In terms of sectors, reductions were made in communication services, information technology, financials and health care. In terms of key sales, we closed positions in Chinese commercial bank China Construction Bank, Indian biopharmaceutical company Biocon and South Korean semiconductor company SK Hynix. We also reduced our positions in several key holdings, including the aforementioned TSMC and Tencent, leading South Korean search engine company Naver and leading Russian search engine company Yandex, to realign the portfolio following their strong share-price performance.

Meanwhile, we continued to identify what we deemed to be attractive companies with sustainable earnings power and which trade at a discount to their intrinsic worth. New additions to the portfolio included MediaTek, a major Taiwanese integrated circuit design company, and Flat Glass Group, a leading Chinese photovoltaic glass manufacturer. We also increased positions in existing high-conviction holdings with purchases in Alibaba Group Holding, the leading e-commerce company in China; Samsung Life Insurance, one of the largest insurance companies in South Korea; Bajaj Holdings and Investment, which owns significant stakes in some of India’s leading auto and financial services companies; and the aforementioned Itau Unibanco.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,316.70	\$8.47	\$1,017.83	\$7.37	1.45%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

**SUPPLEMENT DATED NOVEMBER 9, 2020
TO THE PROSPECTUS
DATED MAY 1, 2020 OF
TEMPLETON DEVELOPING MARKETS VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)**

The prospectus is amended as follows:

I. The following is added to the “Fund Summaries – Principal Investment Strategies” section on page TD-S1 of the prospectus:

This Fund is a “non-diversified” fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

II. The following is added to the “Fund Summaries – Principal Risks” section on page TD-S3 of the prospectus:

Non-Diversification Because the Fund is non-diversified, it may be more sensitive to economic, business, political or other changes affecting individual issuers or investments than a diversified fund, which may result in greater fluctuation in the value of the Fund’s shares.

III. The following is added to the “Fund Summaries – Investment Manager” section on page TD-S5 of the prospectus:

Sub-Advisor

Franklin Templeton Investment Management Limited (“FTIML”)

IV. The portfolio management team under the “Fund Summaries – Portfolio Manager” section on page TD-S5 of the prospectus is replaced with the following:

Portfolio Managers

Chetan Sehgal, CFA Portfolio manager of Asset Management and portfolio manager of the Fund since 2017.

Andrew Ness, CFA Portfolio Manager of FTIML and portfolio manager of the Fund since November 2020.

V. The following is added under the “Fund Summaries – Performance – Average Annual Total Returns” table on page TD-S4 of the prospectus:

MSCI Emerging Markets Index-NR (index reflects no deduction for fees, expenses or taxes)¹ 18.44% 5.61% 3.68%

1. The MSCI Emerging Markets Index-NR is replacing the MSCI Emerging Markets Index as the Fund’s benchmark because the investment manager believes the MSCI Emerging Markets Index-NR provides a more consistent basis for comparison relative to the Fund’s peers.

VI. The following is added to the “Fund Details – Principal Investment Policies and Practices” section on page TD-D1 of the prospectus:

The Fund is a “non-diversified” fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

VII. The following is added to the “Fund Details – Principal Risks” section on page TD-D2 of the prospectus:

Non-Diversification

The Fund is a “non-diversified” fund. It generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund. The Fund may be more sensitive to a single economic, business, political, regulatory or other occurrence than a more diversified fund might be, which may result in greater fluctuation in the value of the Fund’s shares.

VIII. The following is added to the “Fund Details – Management” section on page TD-D7 of the prospectus:

Management

Templeton Asset Management Ltd. (Asset Management), 7 Temasek Boulevard, Suntec Tower One, #38-3, Singapore 038987, is the Fund’s investment manager. Asset Management has a branch office in Hong Kong. Asset Management an indirect subsidiary of Franklin Resources., Inc. (Resources)

Under a separate agreement with Asset Management, Franklin Templeton Investment Management Limited (FTIML), Cannon Place, 78 Cannon Street, London, EC4N 6HL, England serves as the Fund’s sub-advisor. The sub-advisor provides Asset Management with investment management advice (which may include research and analysis services). FTIML is an indirect subsidiary of Resources. For purposes of the Fund’s investment strategies, techniques and risks, the term “investment manager” includes the sub-advisor.

The Fund is managed by a team of dedicated professionals focused on investments in developing and emerging markets. The portfolio managers of the Fund are as follows:

Chetan Sehgal, CFA

Director of Global Emerging Markets/Small Cap Strategies of the Templeton Emerging Markets Group and portfolio manager of Asset Management

Mr. Sehgal has been a portfolio manager of the Fund since 2017. He joined Franklin Templeton in 1995.

Andrew Ness, CFA

Portfolio Manager of FTIML

Mr. Ness has been a portfolio manager of the Fund since November 2020. He joined Franklin Templeton in 2018. Prior to joining Franklin Templeton, he was a portfolio manager at Martin Currie Investment Management Limited, an Edinburgh based asset manager.

As co-lead portfolio managers, Messrs. Sehgal and Ness are jointly and primarily responsible for the day-to-day management of the Fund’s portfolio. They have equal authority over all aspects of the Fund’s investment portfolio, including but not limited to, the implementation of the Fund’s asset allocation strategy, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment. The degree to which they may perform these functions, and the nature of the functions, may change from time to time.

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Please keep this supplement with your prospectus for future reference.

**SUPPLEMENT DATED NOVEMBER 9, 2020
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2020 OF
TEMPLETON DEVELOPING MARKETS VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)**

The Statement of Additional Information (SAI) is amended as follows:

I. The following is added to “Management and Other Services – Investment and Services Provided” section on page 83 of the SAI is replaced with the following:

The Templeton Developing Markets VIP Fund’s sub-advisor is Franklin Templeton Investment Management Limited, an indirect, wholly owned subsidiary of Resources. The sub-advisor has an agreement with the investment manager and provides the investment manager with investment management advice and assistance. The sub-advisor's activities are subject to the board's review and control, as well as the investment manager's instruction and supervision. The investment manager pays the sub-advisor a fee equal to 50% of the net advisory fee paid by the Fund to the investment manager. The net investment advisory fee, in this case, is defined to equal: (i) 96% of an amount equal to the total investment management fee payable to the investment manager minus any Fund fees and/or expenses waived and/or reimbursed by the investment manager, minus (ii) any amounts paid by the investment manager to Franklin Templeton Services, LLC for fund administrative services.

II. The following is added to the “Management – Portfolio Managers – Other accounts managed by the portfolio managers” section beginning on page 88 as of November 9, 2021:

Andrew Ness ¹	0	N/A	0	N/A	0	N/A
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1. Effective November 9, 2020, Andrew Ness was added as a portfolio manager of the Templeton Developing Markets VIP Fund.

III. The first paragraph under “Management and Other Services – Administrator and services provided” section on page 91 of the SAI is replaced with the following:

Franklin Templeton Services, LLC (FT Services) has an agreement with the investment manager to provide certain administrative services and facilities for the Fund. FT Services is an indirect, wholly owned subsidiary of Resources and is an affiliate of the Fund's investment manager, sub-advisor and principal underwriter.

IV. The first paragraph under “Organization, Voting Rights and Principal Holders” section on page 95 is revised as follows:

The Trust is an open-end management investment company, commonly called a mutual fund. The Trust was originally organized as a Massachusetts business trust on April 26, 1988 and was reorganized effective May 1, 2007, as a Delaware statutory trust on October 18, 2006, and is registered with the SEC. Each Fund, except the Developing Markets VIP Fund and Global Bond VIP Fund, are a diversified series of the Trust. Developing Markets VIP Fund and Global Bond VIP Fund are non-diversified Funds as defined under the 1940 Act.

Please keep this supplement with your SAI for future reference.

**SUPPLEMENT DATED NOVEMBER 17, 2020
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2020 OF
TEMPLETON DEVELOPING MARKETS VIP FUND
(a series of Franklin Templeton Variable Insurance Products Trust)**

The Statement of Additional Information (SAI) is amended as follows:

I. The “Fundamental Investment Policies – Diversification” section on page 3 of the SAI is replaced with the following:

Each Fund, except for Franklin Global Real Estate VIP Fund, Templeton Developing Markets VIP Fund and Templeton Global Bond VIP Fund, may not:

Purchase the securities of any one issuer (other than the U.S. government or any of its agencies or instrumentalities or securities of other investment companies, whether registered or excluded from registration under Section 3(c) of the 1940 Act) if immediately after such investment (a) more than 5% of the value of the Fund’s total assets would be invested in such issuer or (b) more than 10% of the outstanding voting securities of such issuer would be owned by the Fund, except that up to 25% of the value of the Fund’s total assets may be invested without regard to such 5% and 10% limitations.

Please keep this supplement with your SAI for future reference.

Meeting of Shareholders: September 9, 2020 (unaudited)

A Special Meeting of Shareholders of Templeton Developing Markets VIP Fund, a series of Franklin Templeton Variable Insurance Products Trust, was held at the offices of Franklin Templeton, 300 S.E. 2nd Street, Fort Lauderdale, Florida on September 9, 2020. The purpose of the meeting was to approve a change in the Fund's classification from a diversified to a non-diversified fund. The proposal was approved by shareholders. No other business was transacted at the meeting.

The results of the voting at the meeting are as follows:

Proposal. To approve a change in the Fund's classification from a diversified to a non-diversified fund:

For	% Voted FOR	% FOR of Outstanding Shares
17,615,235	84.04%	59.01%
Against	% Voted Against	% Against of Outstanding Shares
2,244,680	10.71%	7.52%
Abstain	% Voted Abstain	% Abstain of Outstanding Shares
1,100,844	5.25%	3.69%

Financial Highlights

Templeton Developing Markets VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.80	\$8.62	\$10.31	\$7.42	\$6.37
Income from investment operations ^a :					
Net investment income ^b	0.07	0.18	0.09	0.08	0.05
Net realized and unrealized gains (losses)	1.57	2.12	(1.67)	2.92	1.08
Total from investment operations	1.64	2.30	(1.58)	3.00	1.13
Less distributions from:					
Net investment income	(0.45)	(0.12)	(0.11)	(0.11)	(0.08)
Net realized gains	(0.26)	—	—	—	—
Total distributions	(0.71)	(0.12)	(0.11)	(0.11)	(0.08)
Net asset value, end of year	\$11.73	\$10.80	\$8.62	\$10.31	\$7.42
Total return ^c	17.39%	26.92%	(15.44)%	40.65%	17.79%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.19%	1.15%	1.24%	1.36%	1.38%
Expenses net of waiver and payments by affiliates	1.19% ^d	1.15% ^d	1.24% ^d	1.35% ^e	1.36%
Net investment income	0.73%	1.83%	0.99%	0.86%	0.79%
Supplemental data					
Net assets, end of year (000's)	\$89,165	\$97,271	\$85,397	\$105,493	\$82,596
Portfolio turnover rate	11.60%	18.04%	9.22%	10.76%	26.78%

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

^bBased on average daily shares outstanding.

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

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

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

Templeton Developing Markets VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.71	\$8.54	\$10.23	\$7.36	\$6.32
Income from investment operations ^a :					
Net investment income ^b	0.05	0.15	0.07	0.05	0.04
Net realized and unrealized gains (losses)	1.56	2.11	(1.68)	2.91	1.06
Total from investment operations	1.61	2.26	(1.61)	2.96	1.10
Less distributions from:					
Net investment income	(0.42)	(0.09)	(0.08)	(0.09)	(0.06)
Net realized gains	(0.26)	—	—	—	—
Total distributions	(0.68)	(0.09)	(0.08)	(0.09)	(0.06)
Net asset value, end of year	\$11.64	\$10.71	\$8.54	\$10.23	\$7.36
Total return ^c	17.18%	26.70%	(15.79)%	40.41%	17.44%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.45%	1.40%	1.49%	1.61%	1.63%
Expenses net of waiver and payments by affiliates	1.44%	1.40% ^d	1.49% ^d	1.60% ^e	1.61%
Net investment income	0.49%	1.58%	0.74%	0.61%	0.54%
Supplemental data					
Net assets, end of year (000's)	\$241,104	\$231,645	\$195,305	\$270,433	\$205,151
Portfolio turnover rate	11.60%	18.04%	9.22%	10.76%	26.78%

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

^bBased on average daily shares outstanding.

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

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

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

Templeton Developing Markets VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.77	\$8.59	\$10.28	\$7.39	\$6.34
Income from investment operations ^a :					
Net investment income ^b	0.04	0.15	0.06	0.05	0.03
Net realized and unrealized gains (losses)	1.57	2.11	(1.68)	2.92	1.06
Total from investment operations	1.61	2.26	(1.62)	2.97	1.09
Less distributions from:					
Net investment income	(0.41)	(0.08)	(0.07)	(0.08)	(0.04)
Net realized gains	(0.26)	—	—	—	—
Total distributions	(0.67)	(0.08)	(0.07)	(0.08)	(0.04)
Net asset value, end of year	\$11.71	\$10.77	\$8.59	\$10.28	\$7.39
Total return ^c	17.05%	26.49%	(15.81)%	40.30%	17.32%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.54%	1.50%	1.59%	1.71%	1.73%
Expenses net of waiver and payments by affiliates	1.54% ^d	1.50% ^d	1.59% ^d	1.70% ^e	1.71%
Net investment income	0.44%	1.48%	0.64%	0.51%	0.44%
Supplemental data					
Net assets, end of year (000's)	\$5,518	\$5,590	\$5,203	\$7,199	\$6,377
Portfolio turnover rate	11.60%	18.04%	9.22%	10.76%	26.78%

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

^bBased on average daily shares outstanding.

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

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

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

Statement of Investments, December 31, 2020

Templeton Developing Markets VIP Fund

	Industry	Shares	Value
Common Stocks 96.1%			
Brazil 2.4%			
^a B2W Cia Digital	Internet & Direct Marketing Retail	76,800	\$1,118,450
B3 SA - Brasil Bolsa Balcao	Capital Markets	61,400	735,157
^a Lojas Americanas SA	Multiline Retail	274,360	1,081,412
^a M Dias Branco SA.	Food Products	106,200	697,777
Vale SA.	Metals & Mining	266,919	4,492,754
			8,125,550
Cambodia 0.6%			
NagaCorp Ltd.	Hotels, Restaurants & Leisure	1,525,400	2,003,524
China 28.0%			
^a Alibaba Group Holding Ltd.	Internet & Direct Marketing Retail	1,008,209	29,323,285
^b BAIC Motor Corp. Ltd., H, 144A, Reg S	Automobiles	1,686,100	625,678
^a Baidu, Inc., ADR	Interactive Media & Services	12,923	2,794,470
Brilliance China Automotive Holdings Ltd.	Automobiles	7,756,600	7,080,740
China Merchants Bank Co. Ltd., A.	Banks	340,000	2,291,681
China Merchants Bank Co. Ltd., H.	Banks	606,700	3,838,011
China Mobile Ltd.	Wireless Telecommunication Services	428,729	2,443,950
China Resources Cement Holdings Ltd.	Construction Materials	2,429,000	2,713,034
CNOOC Ltd.	Oil, Gas & Consumable Fuels	2,008,500	1,842,643
COSCO SHIPPING Ports Ltd.	Transportation Infrastructure	349,259	242,932
^c Flat Glass Group Co. Ltd., H.	Semiconductors & Semiconductor Equipment	327,017	1,379,462
Health & Happiness H&H International Holdings Ltd.	Food Products	418,400	1,550,420
NetEase, Inc., ADR	Entertainment	21,265	2,036,549
Ping An Bank Co. Ltd., A.	Banks	802,600	2,379,761
Ping An Insurance Group Co. of China Ltd., A	Insurance	202,225	2,696,225
Ping An Insurance Group Co. of China Ltd., H.	Insurance	41,852	509,323
^a Prosus NV	Internet & Direct Marketing Retail	32,057	3,461,615
Tencent Holdings Ltd.	Interactive Media & Services	337,501	24,284,479
Uni-President China Holdings Ltd.	Food Products	1,814,017	1,847,170
Weifu High-Technology Group Co. Ltd., B.	Auto Components	306,139	587,756
			93,929,184
Czech Republic 0.4%			
^{a,b} Moneta Money Bank A/S, 144A, Reg S	Banks	390,403	1,236,955
Hungary 0.8%			
Richter Gedeon Nyrt.	Pharmaceuticals	107,565	2,699,576
India 6.1%			
Bajaj Holdings & Investment Ltd.	Diversified Financial Services	61,532	2,593,670
Coal India Ltd.	Oil, Gas & Consumable Fuels	442,535	822,764
^a ICICI Bank Ltd.	Banks	1,579,654	11,617,881
Infosys Ltd.	IT Services	306,365	5,252,887
Tata Chemicals Ltd.	Chemicals	32,940	215,725
			20,502,927
Indonesia 0.7%			
Astra International Tbk. PT	Automobiles	5,624,400	2,417,485
Kenya 0.1%			
^a Equity Group Holdings plc.	Banks	764,354	255,835

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
Mexico 1.5%			
^a Banco Santander Mexico SA Institucion de Banca Multiple Grupo Financiero Santand, ADR	Banks	879,522	\$4,529,538
^b Nemak SAB de CV, 144A, Reg S	Auto Components	1,928,900	562,645
			5,092,183
Pakistan 0.2%			
Habib Bank Ltd.	Banks	1,013,500	835,952
Peru 0.3%			
Intercorp Financial Services, Inc.	Banks	31,950	988,533
Philippines 0.2%			
BDO Unibank, Inc.	Banks	327,469	729,150
Russia 6.4%			
Gazprom PJSC, ADR	Oil, Gas & Consumable Fuels	202,485	1,130,502
LUKOIL PJSC, ADR	Oil, Gas & Consumable Fuels	85,254	5,798,383
^{a,b} Mail.Ru Group Ltd., GDR, Reg S.	Interactive Media & Services	27,833	729,435
Sberbank of Russia PJSC, ADR	Banks	471,958	6,823,676
^a Yandex NV, A	Interactive Media & Services	98,891	6,880,836
			21,362,832
South Africa 4.5%			
^a Massmart Holdings Ltd.	Food & Staples Retailing	580,084	1,658,759
Naspers Ltd., N.	Internet & Direct Marketing Retail	66,341	13,585,143
			15,243,902
South Korea 22.5%			
^a Fila Holdings Corp.	Textiles, Apparel & Luxury Goods	67,366	2,712,621
^a KT Skylife Co. Ltd.	Media	92,351	748,874
^a LG Corp.	Industrial Conglomerates	96,342	7,762,360
^a NAVER Corp.	Interactive Media & Services	52,323	14,083,346
POSCO	Metals & Mining	15,429	3,849,562
Samsung Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	549,012	40,935,767
^a Samsung Life Insurance Co. Ltd.	Insurance	74,406	5,421,313
			75,513,843
Taiwan 15.8%			
Catcher Technology Co. Ltd.	Technology Hardware, Storage & Peripherals	143,000	1,051,219
CTBC Financial Holding Co. Ltd.	Banks	350,500	245,945
Hon Hai Precision Industry Co. Ltd.	Electronic Equipment, Instruments & Components	1,388,000	4,550,042
Largan Precision Co. Ltd.	Electronic Equipment, Instruments & Components	5,300	603,849
MediaTek, Inc.	Semiconductors & Semiconductor Equipment	267,000	7,118,390
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	2,087,831	39,486,649
			53,056,094
Thailand 1.5%			
Kasikornbank PCL	Banks	705,000	2,654,663
Kiatnakin Phatra Bank PCL.	Banks	859,600	1,481,899
Thai Beverage PCL.	Beverages	1,450,900	808,225
			4,944,787
United Kingdom 2.3%			
Unilever plc.	Personal Products	128,311	7,695,845

Templeton Developing Markets VIP Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
United States 1.8%			
Cognizant Technology Solutions Corp., A	IT Services	59,192	\$4,850,784
^a IMAX Corp.	Entertainment	66,750	1,202,835
			6,053,619
Total Common Stocks (Cost \$186,341,531)			322,687,776
Preferred Stocks 3.2%			
Brazil 3.2%			
^d Banco Bradesco SA, ADR, 3.42%	Banks	1,026,866	5,401,316
^d Itau Unibanco Holding SA, ADR, 4.37%	Banks	897,443	5,465,428
			10,866,744
Total Preferred Stocks (Cost \$7,746,133)			10,866,744
Escrows and Litigation Trusts 0.0%			
^e Hemisphere Properties India Ltd., Escrow Account		82,304	—
Total Escrows and Litigation Trusts (Cost \$—)			—
Total Long Term Investments (Cost \$194,087,664)			333,554,520
Short Term Investments 0.5%			
Money Market Funds 0.4%			
United States 0.4%			
^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 0%		1,250,033	1,250,033
Total Money Market Funds (Cost \$1,250,033)			1,250,033
^hInvestments from Cash Collateral Received for Loaned Securities 0.1%			
Money Market Funds 0.1%			
^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 0%		518,425	518,425
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$518,425)			518,425
Total Short Term Investments (Cost \$1,768,458)			1,768,458
Total Investments (Cost \$195,856,122) 99.8%			\$335,322,978
Other Assets, less Liabilities 0.2%			463,704
Net Assets 100.0%			\$335,786,682

See Abbreviations on page TD- 29.

^a Non-income producing.

Templeton Developing Markets VIP Fund (continued)

^b Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$3,154,713, representing 0.9% of net assets.

^c A portion or all of the security is on loan at December 31, 2020. See Note 1(c).

^d Variable rate security. The rate shown represents the yield at period end.

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

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

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

^h See Note 1(c) regarding securities on loan.

Statement of Assets and Liabilities

December 31, 2020

	Templeton Developing Markets VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$194,087,664
Cost - Non-controlled affiliates (Note 3e)	1,768,458
Value - Unaffiliated issuers (Includes securities loaned of \$911,818)	\$333,554,520
Value - Non-controlled affiliates (Note 3e)	1,768,458
Foreign currency, at value (cost \$12,854)	12,858
Receivables:	
Investment securities sold	1,644,857
Capital shares sold	40,972
Dividends	843,768
Other assets	40
Total assets	<u>337,865,473</u>
Liabilities:	
Payables:	
Investment securities purchased	368,942
Capital shares redeemed	87,408
Management fees	293,084
Distribution fees	51,784
Payable upon return of securities loaned (Note 1c)	518,425
Deferred tax	551,342
Accrued expenses and other liabilities	207,806
Total liabilities	<u>2,078,791</u>
Net assets, at value	<u>\$335,786,682</u>
Net assets consist of:	
Paid-in capital	\$195,381,923
Total distributable earnings (losses)	140,404,759
Net assets, at value	<u>\$335,786,682</u>
	Templeton Developing Markets VIP Fund
Class 1:	
Net assets, at value	\$89,164,574
Shares outstanding	7,599,685
Net asset value and maximum offering price per share	<u>\$11.73</u>
Class 2:	
Net assets, at value	\$241,104,498
Shares outstanding	20,719,809
Net asset value and maximum offering price per share	<u>\$11.64</u>
Class 4:	
Net assets, at value	\$5,517,610
Shares outstanding	471,266
Net asset value and maximum offering price per share	<u>\$11.71</u>

Statement of Operations

for the year ended December 31, 2020

	Templeton Developing Markets VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$1,024,621)	
Unaffiliated issuers	\$5,536,196
Non-controlled affiliates (Note 3e)	9,563
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	11,162
Non-controlled affiliates (Note 3e)	1,716
Total investment income	<u>5,558,637</u>
Expenses:	
Management fees (Note 3a)	3,020,903
Distribution fees: (Note 3c)	
Class 2	512,787
Class 4	17,079
Custodian fees (Note 4)	75,112
Reports to shareholders	125,646
Professional fees	181,475
Trustees' fees and expenses	1,640
Other	32,349
Total expenses	<u>3,966,991</u>
Expenses waived/paid by affiliates (Note 3e)	<u>(11,011)</u>
Net expenses	<u>3,955,980</u>
Net investment income	<u>1,602,657</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$182,654)	
Unaffiliated issuers	7,472,701
Foreign currency transactions	<u>(54,850)</u>
Net realized gain (loss)	<u>7,417,851</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	35,665,338
Translation of other assets and liabilities denominated in foreign currencies	29,973
Change in deferred taxes on unrealized appreciation	<u>7,832</u>
Net change in unrealized appreciation (depreciation)	<u>35,703,143</u>
Net realized and unrealized gain (loss)	<u>43,120,994</u>
Net increase (decrease) in net assets resulting from operations	<u>\$44,723,651</u>

Statements of Changes in Net Assets

	Templeton Developing Markets VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$1,602,657	\$5,141,772
Net realized gain (loss)	7,417,851	16,774,357
Net change in unrealized appreciation (depreciation)	35,703,143	50,174,103
Net increase (decrease) in net assets resulting from operations	44,723,651	72,090,232
Distributions to shareholders:		
Class 1	(5,313,566)	(1,134,638)
Class 2	(13,445,802)	(2,113,534)
Class 4	(329,902)	(46,961)
Total distributions to shareholders	(19,089,270)	(3,295,133)
Capital share transactions: (Note 2)		
Class 1	(15,688,037)	(8,627,549)
Class 2	(8,150,495)	(10,720,631)
Class 4	(515,345)	(845,695)
Total capital share transactions	(24,353,877)	(20,193,875)
Net increase (decrease) in net assets	1,280,504	48,601,224
Net assets:		
Beginning of year	334,506,178	285,904,954
End of year	\$335,786,682	\$334,506,178

Notes to Financial Statements

Templeton Developing Markets 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 Developing Markets VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day

Templeton Developing Markets VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

a. Financial Instrument Valuation (continued)

of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. Additionally, the Fund received \$443,442 in U.S. Government and Agency securities as collateral. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

d. Income and Deferred Taxes

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

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

Templeton Developing Markets VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

d. Income and Deferred Taxes (continued)

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

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

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the

relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

f. 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.

g. 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 Developing Markets VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	551,169	\$5,176,244	544,413	\$5,344,264
Shares issued in reinvestment of distributions	605,880	5,313,565	121,873	1,134,638
Shares redeemed	(2,564,863)	(26,177,846)	(1,570,097)	(15,106,451)
Net increase (decrease)	(1,407,814)	\$(15,688,037)	(903,811)	\$(8,627,549)
Class 2 Shares:				
Shares sold	3,773,009	\$36,677,695	5,803,158	\$55,845,696
Shares issued in reinvestment of distributions	1,543,720	13,445,802	228,490	2,113,534
Shares redeemed	(6,223,836)	(58,273,992)	(7,263,336)	(68,679,861)
Net increase (decrease)	(907,107)	\$(8,150,495)	(1,231,688)	\$(10,720,631)
Class 4 Shares:				
Shares sold	25,280	\$230,224	26,510	\$252,720
Shares issued in reinvestment of distributions	37,660	329,902	5,050	46,961
Shares redeemed	(110,712)	(1,075,471)	(118,358)	(1,145,376)
Net increase (decrease)	(47,772)	\$(515,345)	(86,798)	\$(845,695)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or trustees of the following subsidiaries:

Subsidiary	Affiliation
Templeton Asset Management Ltd. (Asset Management)	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 Asset Management based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.050%	Up to and including \$1 billion
1.000%	Over \$1 billion, up to and including \$5 billion
0.950%	Over \$5 billion, up to and including \$10 billion
0.900%	Over \$10 billion, up to and including \$15 billion
0.850%	Over \$15 billion, up to and including \$20 billion
0.800%	In excess of \$20 billion

Templeton Developing Markets VIP Fund (continued)

3. Transactions with Affiliates (continued)

b. Administrative Fees

Under an agreement with Asset Management, FT Services provides administrative services to the Fund. The fee is paid by Asset Management 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 year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Templeton Developing Markets VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$3,522,232	\$44,073,306	\$(46,345,505)	\$—	\$—	\$1,250,033	1,250,033	\$9,563
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$14,306,993	\$(13,788,568)	\$—	\$—	\$518,425	518,425	\$1,716
Total Affiliated Securities	\$3,522,232	\$58,380,299	\$(60,134,073)	\$—	\$—	\$1,768,458		\$11,279

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, there were no credits earned.

Templeton Developing Markets VIP Fund (continued)**5. Income Taxes**

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$11,805,794	\$3,295,133
Long term capital gain	7,283,476	—
	\$19,089,270	\$3,295,133

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$203,964,075
Unrealized appreciation	\$153,637,535
Unrealized depreciation	(22,278,632)
Net unrealized appreciation (depreciation)	\$131,358,903
Distributable earnings:	
Undistributed ordinary income	\$9,205,841
Undistributed long term capital gains	\$532,628
Total distributable earnings	\$9,738,469

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$32,787,720 and \$71,416,531, respectively.

At December 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$518,425 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. 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, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

The United States and other nations have imposed and could impose additional sanctions on certain issuers in Russia due to regional conflicts. These sanctions could result in the devaluation of Russia's currency, a downgrade in Russian issuers' credit ratings, or a decline in the value and liquidity of Russian stocks or other securities. Such sanctions could also adversely affect Russia's economy. The Fund may be prohibited from investing in securities issued by companies subject to such sanctions. In addition, if the Fund holds the securities of an issuer that is subject to such sanctions, an immediate freeze of that issuer's

Templeton Developing Markets VIP Fund (continued)

7. Concentration of Risk (continued)

securities could result, impairing the ability of the Fund to buy, sell, receive or deliver those securities. There is also the risk that countermeasures could be taken by Russia's government, which could involve the seizure of the Fund's assets. These risks could affect the value of the Fund's portfolio. While the Fund holds securities of certain issuers impacted by the sanctions, existing investments do not presently violate the applicable terms and conditions of the sanctions. The sanctions currently do not affect the Fund's ability to sell these securities. At December 31, 2020, the Fund had 6.4% of its net assets invested in Russia.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Templeton Developing Markets VIP Fund (continued)**10. Fair Value Measurements** (continued)

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Developing Markets VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Brazil	\$—	\$8,125,550	\$—	\$8,125,550
Cambodia	—	2,003,524	—	2,003,524
China	4,831,019	89,098,165	—	93,929,184
Czech Republic	—	1,236,955	—	1,236,955
Hungary	—	2,699,576	—	2,699,576
India	—	20,502,927	—	20,502,927
Indonesia	—	2,417,485	—	2,417,485
Kenya	255,835	—	—	255,835
Mexico	5,092,183	—	—	5,092,183
Pakistan	835,952	—	—	835,952
Peru	988,533	—	—	988,533
Philippines	—	729,150	—	729,150
Russia	6,880,836	14,481,996	—	21,362,832
South Africa	1,658,759	13,585,143	—	15,243,902
South Korea	—	75,513,843	—	75,513,843
Taiwan	—	53,056,094	—	53,056,094
Thailand	—	4,944,787	—	4,944,787
United Kingdom	—	7,695,845	—	7,695,845
United States	6,053,619	—	—	6,053,619
Preferred Stocks	10,866,744	—	—	10,866,744
Escrows and Litigation Trusts	—	—	— ^a	—
Short Term Investments	1,768,458	—	—	1,768,458
Total Investments in Securities	\$39,231,938	\$296,091,040	\$—	\$335,322,978

^aIncludes securities determined to have no value at December 31, 2020.

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate LIBOR and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Abbreviations**Selected Portfolio**

ADR	American Depositary Receipt
GDR	Global Depositary Receipt

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Templeton Variable Insurance Products Trust and Shareholders of Templeton Developing Markets VIP Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Developing Markets VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Templeton Developing Markets VIP Fund

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$7,283,476 as a long term capital gain dividend for the fiscal year ended December 31, 2020.

At December 31, 2020, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2021 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

Templeton Foreign VIP Fund

This annual report for Templeton Foreign VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	-1.16%
5-Year	+3.30%
10-Year	+2.42%

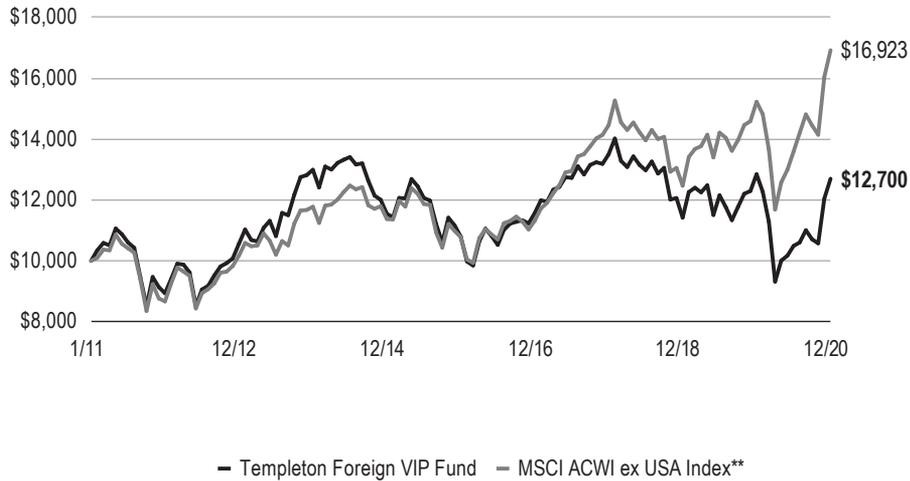
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance* is compared to the performance of the MSCI All Country World Index (ACWI) ex USA Index. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. **Please see Important Notes to Performance Information preceding the Fund Summaries.**



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

Templeton Foreign VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of issuers located outside the U.S., including those in emerging markets.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in developing markets involve heightened risks related to the same factors. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Current political uncertainty concerning the economic consequences of the departure of the U.K. from the European Union may increase market volatility. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as enable gains) on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Index, posted a +11.13% total return for the period under review.¹

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

2. Source: U.S. Bureau of Labor Statistics.

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

Geographic Composition

12/31/20

	% of Total Net Assets
Asia	47.4%
Europe	39.5%
Latin America & Caribbean	1.7%
North America	1.3%
Short-Term Investments & Other Net Assets	10.1%

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI ACWI (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and

consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹ Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China’s economy, a key driver of the region’s economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region’s economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. Technology Hardware, Storage & Peripherals, South Korea	5.2%
Taiwan Semiconductor Manufacturing Co. Ltd. Semiconductors & Semiconductor Equipment, Taiwan	3.8%
Takeda Pharmaceutical Co. Ltd. Pharmaceuticals, Japan	2.9%
NXP Semiconductors NV Semiconductors & Semiconductor Equipment, Netherlands	2.7%
Bayer AG Pharmaceuticals, Germany	2.5%
Hitachi Ltd. Electronic Equipment, Instruments & Components, Japan	2.4%
ArcelorMittal SA Metals & Mining, Luxembourg	2.3%
Sumitomo Metal Mining Co. Ltd. Metals & Mining, Japan	2.3%
AIA Group Ltd. Insurance, Hong Kong	2.3%
Housing Development Finance Corp. Ltd. Thriffs & Mortgage Finance, India	2.2%

Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. When choosing investments for the Fund, we generally focus on the market price of a company’s securities relative to our evaluation of the company’s potential long-term earnings, asset value and cash flow. Our analysis includes an assessment of the potential impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider a company’s price/earnings ratio, price/cash flow ratio, profit margins and liquidation value.

The Fund may, from time to time, engage in currency-related derivatives to seek to hedge (protect) against currency risks. The Fund may also use a variety of equity-related derivatives for various purposes including enhancing Fund returns, increasing liquidity and gaining exposure to particular markets in more efficient or less expensive ways.

Manager’s Discussion

During the 12 months under review, significant detractors from the Fund’s performance relative to the MSCI ACWI ex USA Index included stock selection in the health care and financials sectors, as well as an overweighting in the energy sector.

Within health care, German pharmaceuticals and agricultural chemicals firm Bayer was the biggest detractor. The market has remained skeptical about the finality of Bayer's complex US\$12 billion settlement to resolve litigation stemming from its acquisition of Monsanto (not a Fund holding), manufacturer of the controversial weed-killer Roundup. Adding to the negative sentiment, at the end of 2020's third quarter, company management issued a profit warning for 2021.

In the financials sector, our positions in European banks Standard Chartered (U.K.), ING Groep (Netherlands), Bank of Ireland (not held at period-end) and BNP Paribas (France) (not held at period-end) hurt relative performance. Standard Chartered fell in early January 2020, as COVID-19 began to spread across parts of Asia and Europe. The uncertain operating environment brought on by the pandemic, combined with a low interest-rate environment, created a headwind for Standard Chartered operating profits in 2020. In addition, geopolitical tension between the U.S. and China, pertaining to the Hong Kong national security law passed at the end of June and supported by the business community, was a source of investor concern.

In the energy sector, our investment in U.K. integrated oil and gas company BP hampered relative results. BP began 2020 on a positive note by reporting positive fourth quarter results and increasing its dividend. However, the stock price slid during March 2020, due in part to cratering gasoline demand caused by reduced commuter and business travel as the COVID-19 pandemic significantly reduced travel, putting downward pressure on the price of oil. A pricing disagreement between Russia and Saudi Arabia exacerbated the issue. BP responded to the crisis by substantially reducing its capital expenditures, cutting jobs and decreasing its dividend distribution.

Other key relative detractors included our positions in Hong Kong-based industrial conglomerate CK Hutchison Holdings, Hong Kong-based property developer CK Asset Holdings and Hong Kong-based real estate management and development company Swire Pacific.

Conversely, key contributors to the Fund's relative performance included stock selection and overweightings in the information technology (IT) and materials sectors.

Within IT, South Korean semiconductor, electronics and computer peripherals manufacturer Samsung Electronics, integrated circuits and wafer semiconductor devices maker Taiwan Semiconductor Manufacturing, German semiconductor and system solutions provider Infineon Technologies and Netherlands-based semiconductor

solutions provider NXP Semiconductors benefited relative performance. Samsung Electronics' shares overcame the initial supply chain concerns amid the onset of the COVID-19 pandemic and rose amid an improving outlook for the memory chip market and expectations for the company to raise its dividends. New foundry orders from high-profile clients lifted market confidence in its chip-making business. Furthermore, many investors became optimistic about potential market share gains for the company across the semiconductor, smartphone, and 5G network equipment industries amid escalating U.S. restrictions against Chinese technology-related companies.

In the materials sector, Canada-based mining firms Wheaton Precious Metals, which has operations in Brazil, and Alamos Gold; Netherlands-based steelmaking and mining company ArcelorMittal; and Japan-based mining company Sumitomo Metal Mining aided relative results. Wheaton Precious Metals and Alamos Gold benefited from higher gold prices amid investor concerns about excess debt, economic turmoil and the potentially inflationary impact of extreme monetary accommodation.

Elsewhere, China-based internet search and online marketing solutions provider Baidu helped relative performance. Baidu's shares recovered from the heightened market volatility in early 2020, as declining costs helped the company post better-than-expected first-quarter 2020 profits. Despite subpar advertising revenues during the summer months, second-quarter 2020 earnings results were positive, due in part to tight cost controls during those three months. As China's advertising market rebounded in the fall, the company's advertising revenues also recovered, turning core business revenues positive. Third-quarter 2020 earnings beat market expectations, and along with news of an acquisition, provided fuel for a share price rally that lasted for the remainder of the 2020.

From a geographic perspective, significant detractors from the Fund's relative performance included stock selection in Asia ex Japan, particularly in Hong Kong and China; stock selection in the eurozone, especially in the Netherlands and Ireland; and stock selection in the U.K. and Japan. Conversely, key contributors to relative results included stock selection and an underweighting in Canada, as well as a lack of exposure to Latin America and the Caribbean.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely,

when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,210.60	\$6.13	\$1,019.59	\$5.60	1.10%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 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 Foreign VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$14.23	\$13.01	\$15.80	\$13.89	\$13.46
Income from investment operations ^a :					
Net investment income ^b	0.32 ^c	0.44	0.29	0.30	0.33
Net realized and unrealized gains (losses)	(0.54)	1.19	(2.64)	2.03	0.62
Total from investment operations	(0.22)	1.63	(2.35)	2.33	0.95
Less distributions from:					
Net investment income	(0.44)	(0.27)	(0.44)	(0.42)	(0.29)
Net realized gains	—	(0.14)	—	—	(0.23)
Total distributions	(0.44)	(0.41)	(0.44)	(0.42)	(0.52)
Net asset value, end of year	\$13.57	\$14.23	\$13.01	\$15.80	\$13.89
Total return ^d	(0.92)%	12.84%	(15.27)%	17.02%	7.49%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.86%	0.85%	0.83%	0.82%	0.80%
Expenses net of waiver and payments by affiliates	0.84%	0.83%	0.81%	0.81% ^e	0.78%
Net investment income	2.68% ^c	3.25%	1.96%	1.99%	2.38%
Supplemental data					
Net assets, end of year (000's)	\$113,317	\$121,948	\$114,784	\$152,684	\$133,218
Portfolio turnover rate	40.07%	28.52%	21.38%	26.81%	20.93%

^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.

^cNet investment income per share includes approximately \$0.14 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.54%.

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

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

Templeton Foreign VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$13.93	\$12.74	\$15.47	\$13.61	\$13.20
Income from investment operations ^a :					
Net investment income ^b	0.28 ^c	0.40	0.25	0.26	0.28
Net realized and unrealized gains (losses)	(0.53)	1.16	(2.58)	1.98	0.62
Total from investment operations	(0.25)	1.56	(2.33)	2.24	0.90
Less distributions from:					
Net investment income	(0.40)	(0.23)	(0.40)	(0.38)	(0.26)
Net realized gains	—	(0.14)	—	—	(0.23)
Total distributions	(0.40)	(0.37)	(0.40)	(0.38)	(0.49)
Net asset value, end of year	\$13.28	\$13.93	\$12.74	\$15.47	\$13.61
Total return ^d	(1.16)%	12.53%	(15.44)%	16.69%	7.18%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.11%	1.10%	1.08%	1.07%	1.05%
Expenses net of waiver and payments by affiliates	1.09%	1.08%	1.06%	1.06% ^e	1.03%
Net investment income	2.42% ^c	3.00%	1.71%	1.74%	2.13%
Supplemental data					
Net assets, end of year (000's)	\$1,084,789	\$1,117,813	\$1,060,101	\$1,394,475	\$1,436,518
Portfolio turnover rate	40.07%	28.52%	21.38%	26.81%	20.93%

^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.

^cNet investment income per share includes approximately \$0.13 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.28%.

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

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

Templeton Foreign VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$14.20	\$12.96	\$15.71	\$13.71	\$13.29
Income from investment operations ^a :					
Net investment income ^b	0.28 ^c	0.39	0.24	0.23	0.26
Net realized and unrealized gains (losses)	(0.55)	1.20	(2.63)	2.03	0.63
Total from investment operations	(0.27)	1.59	(2.39)	2.26	0.89
Less distributions from:					
Net investment income	(0.39)	(0.21)	(0.36)	(0.26)	(0.24)
Net realized gains	—	(0.14)	—	—	(0.23)
Total distributions	(0.39)	(0.35)	(0.36)	(0.26)	(0.47)
Net asset value, end of year	\$13.54	\$14.20	\$12.96	\$15.71	\$13.71
Total return ^d	(1.34)%	12.49%	(15.54)%	16.62%	7.09%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.21%	1.20%	1.18%	1.17%	1.15%
Expenses net of waiver and payments by affiliates	1.19%	1.18%	1.16%	1.16% ^e	1.13%
Net investment income	2.33% ^c	2.90%	1.61%	1.64%	2.03%
Supplemental data					
Net assets, end of year (000's)	\$106,224	\$113,681	\$125,265	\$159,944	\$484,763
Portfolio turnover rate	40.07%	28.52%	21.38%	26.81%	20.93%

^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.

^cNet investment income per share includes approximately \$0.13 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.19%.

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

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

Statement of Investments, December 31, 2020

Templeton Foreign VIP Fund

	Country	Shares	Value
Common Stocks 89.9%			
Aerospace & Defense 2.2%			
BAE Systems plc	United Kingdom	2,629,361	\$17,535,896
^a Dassault Aviation SA	France	10,152	11,055,208
			28,591,104
Airlines 1.1%			
^a International Consolidated Airlines Group SA	United Kingdom	6,519,183	14,186,772
Auto Components 3.0%			
Cie Generale des Etablissements Michelin SCA	France	155,752	20,054,955
Toyota Industries Corp.	Japan	247,600	19,672,098
			39,727,053
Automobiles 4.1%			
Bayerische Motoren Werke AG	Germany	235,253	20,763,479
Honda Motor Co. Ltd.	Japan	517,600	14,604,756
Isuzu Motors Ltd.	Japan	1,906,500	18,149,188
			53,517,423
Banks 8.4%			
^a ING Groep NV	Netherlands	1,660,582	15,440,466
Kasikornbank PCL	Thailand	1,860,000	7,003,791
KB Financial Group, Inc., ADR	South Korea	596,606	23,625,598
Shinhan Financial Group Co. Ltd.	South Korea	619,076	18,342,111
^a Standard Chartered plc	United Kingdom	4,207,691	26,720,550
Sumitomo Mitsui Financial Group, Inc.	Japan	606,500	18,800,380
			109,932,896
Beverages 1.5%			
Kirin Holdings Co. Ltd.	Japan	836,100	19,742,826
Biotechnology 0.3%			
^a Galapagos NV	Belgium	44,734	4,427,700
Chemicals 1.7%			
^b Covestro AG, 144A, Reg S	Germany	216,793	13,357,910
Tosoh Corp.	Japan	574,100	8,969,835
			22,327,745
Construction & Engineering 1.3%			
Sinopec Engineering Group Co. Ltd., H.	China	11,734,000	5,066,299
Taisei Corp.	Japan	352,700	12,167,634
			17,233,933
Electronic Equipment, Instruments & Components 3.1%			
Hitachi Ltd.	Japan	796,900	31,453,096
^a Landis+Gyr Group AG	Switzerland	120,834	9,492,746
			40,945,842
Energy Equipment & Services 1.4%			
SBM Offshore NV	Netherlands	960,511	18,146,596
Food & Staples Retailing 2.4%			
Matsumotokiyoshi Holdings Co. Ltd.	Japan	387,600	16,532,156
Sundrug Co. Ltd.	Japan	366,100	14,631,888
			31,164,044
Health Care Providers & Services 2.2%			
Fresenius Medical Care AG & Co. KGaA	Germany	265,350	22,127,749

Templeton Foreign VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Health Care Providers & Services (continued)			
Sinopharm Group Co. Ltd., H	China	2,794,800	\$6,779,697
			28,907,446
Household Durables 1.9%			
Sony Corp.	Japan	248,300	25,020,716
Industrial Conglomerates 2.6%			
CK Hutchison Holdings Ltd.	United Kingdom	3,873,500	27,044,137
Siemens AG	Germany	46,925	6,759,658
			33,803,795
Insurance 2.3%			
AIA Group Ltd.	Hong Kong	2,416,800	29,451,420
Interactive Media & Services 2.0%			
^a Baidu, Inc., ADR	China	122,130	26,409,391
Internet & Direct Marketing Retail 1.2%			
^a Alibaba Group Holding Ltd.	China	516,700	15,027,977
IT Services 0.6%			
Amadeus IT Group SA	Spain	104,548	7,717,763
Machinery 1.4%			
Komatsu Ltd.	Japan	655,000	18,076,879
Media 1.6%			
^a Informa plc	United Kingdom	1,217,196	9,102,085
Nippon Television Holdings, Inc.	Japan	338,900	3,694,637
TBS Holdings, Inc.	Japan	441,700	7,768,482
			20,565,204
Metals & Mining 7.1%			
Alamos Gold, Inc., A	Canada	1,135,752	9,937,830
^a ArcelorMittal SA	Luxembourg	1,334,255	30,515,598
Sumitomo Metal Mining Co. Ltd.	Japan	670,600	29,828,960
Wheaton Precious Metals Corp.	Brazil	544,400	22,750,023
			93,032,411
Multi-Utilities 1.7%			
E.ON SE.	Germany	1,972,849	21,846,728
Oil, Gas & Consumable Fuels 4.7%			
BP plc.	United Kingdom	6,025,868	20,795,241
Equinor ASA	Norway	1,303,205	21,994,164
Galp Energia SGPS SA, B	Portugal	1,139,637	12,076,541
Husky Energy, Inc.	Canada	1,163,600	5,762,660
			60,628,606
Pharmaceuticals 8.4%			
Bayer AG	Germany	552,576	32,554,246
Novartis AG	Switzerland	71,856	6,765,814
Roche Holding AG	Switzerland	54,982	19,150,152
Sanofi.	France	130,382	12,637,533
Takeda Pharmaceutical Co. Ltd.	Japan	1,053,394	38,121,669
			109,229,414
Real Estate Management & Development 3.4%			
CK Asset Holdings Ltd.	Hong Kong	3,560,500	18,218,720
Mitsui Fudosan Co. Ltd.	Japan	811,000	16,981,991

Templeton Foreign VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Real Estate Management & Development (continued)			
Swire Pacific Ltd., A	Hong Kong	1,628,500	\$8,970,442
			44,171,153
Semiconductors & Semiconductor Equipment 8.2%			
Infineon Technologies AG	Germany	590,665	22,557,604
NXP Semiconductors NV	Netherlands	221,300	35,188,913
Taiwan Semiconductor Manufacturing Co. Ltd.	Taiwan	2,587,000	48,927,313
			106,673,830
Technology Hardware, Storage & Peripherals 5.2%			
Samsung Electronics Co. Ltd.	South Korea	909,188	67,791,429
Thriffs & Mortgage Finance 2.2%			
Housing Development Finance Corp. Ltd.	India	822,605	28,825,898
Tobacco 1.8%			
Imperial Brands plc	United Kingdom	1,122,761	23,551,167
Wireless Telecommunication Services 0.9%			
Vodafone Group plc, ADR	United Kingdom	700,303	11,540,994
Total Common Stocks (Cost \$959,821,356)			1,172,216,155
Short Term Investments 9.2%			
	Country	Shares	Value
Money Market Funds 9.2%			
^{c,d} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	120,292,539	120,292,539
Total Money Market Funds (Cost \$120,292,539)			120,292,539
Total Short Term Investments (Cost \$120,292,539)			120,292,539
Total Investments (Cost \$1,080,113,895) 99.1%			\$1,292,508,694
Other Assets, less Liabilities 0.9%			11,821,511
Net Assets 100.0%			\$1,304,330,205

See Abbreviations on page TF-26.

^a Non-income producing.

^b Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the value of this security was \$13,357,910, representing 1.0% of net assets.

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

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

Statement of Assets and Liabilities

December 31, 2020

	Templeton Foreign VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$959,821,356
Cost - Non-controlled affiliates (Note 3e)	120,292,539
Value - Unaffiliated issuers	\$1,172,216,155
Value - Non-controlled affiliates (Note 3e)	120,292,539
Receivables:	
Investment securities sold	60,245
Capital shares sold	116,182
Dividends	3,984,448
European Union tax reclaims (Note 1d)	13,602,471
Other assets	155
Total assets	<u>1,310,272,195</u>
Liabilities:	
Payables:	
Capital shares redeemed	2,851,915
Management fees	874,668
Distribution fees	260,329
Deferred tax	1,509,784
Accrued contingent fees	90,131
Accrued expenses and other liabilities	355,163
Total liabilities	<u>5,941,990</u>
Net assets, at value	<u>\$1,304,330,205</u>
Net assets consist of:	
Paid-in capital	\$1,202,123,551
Total distributable earnings (losses)	102,206,654
Net assets, at value	<u>\$1,304,330,205</u>
	Templeton Foreign VIP Fund
Class 1:	
Net assets, at value	\$113,316,913
Shares outstanding	8,350,806
Net asset value and maximum offering price per share	<u>\$13.57</u>
Class 2:	
Net assets, at value	\$1,084,789,093
Shares outstanding	81,677,642
Net asset value and maximum offering price per share	<u>\$13.28</u>
Class 4:	
Net assets, at value	\$106,224,199
Shares outstanding	7,842,727
Net asset value and maximum offering price per share	<u>\$13.54</u>

Statement of Operations

for the year ended December 31, 2020

**Templeton
Foreign VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$1,717,098)	
Unaffiliated issuers	\$27,135,753
Non-controlled affiliates (Note 3e)	185,345
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	126,544
Non-controlled affiliates (Note 3e)	15,612
Other income (Note 1d)	13,270,885
Total investment income	<u>40,734,139</u>
Expenses:	
Management fees (Note 3a)	9,395,009
Distribution fees: (Note 3c)	
Class 2	2,397,954
Class 4	340,716
Custodian fees (Note 4)	112,001
Reports to shareholders	283,634
Professional fees	124,651
Trustees' fees and expenses	6,787
Other	97,024
Total expenses	<u>12,757,776</u>
Expenses waived/paid by affiliates (Note 3e)	(271,371)
Net expenses	<u>12,486,405</u>
Net investment income	<u>28,247,734</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	(90,535,276)
Foreign currency transactions	(1,214,424)
Net realized gain (loss)	<u>(91,749,700)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	51,886,450
Translation of other assets and liabilities denominated in foreign currencies	711,362
Change in deferred taxes on unrealized appreciation	(1,487,265)
Net change in unrealized appreciation (depreciation)	<u>51,110,547</u>
Net realized and unrealized gain (loss)	<u>(40,639,153)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(12,391,419)</u>

Statements of Changes in Net Assets

	Templeton Foreign VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$28,247,734	\$39,750,754
Net realized gain (loss)	(91,749,700)	(42,940,121)
Net change in unrealized appreciation (depreciation)	51,110,547	161,044,541
Net increase (decrease) in net assets resulting from operations	(12,391,419)	157,855,174
Distributions to shareholders:		
Class 1	(3,651,171)	(3,542,825)
Class 2	(32,735,824)	(29,727,357)
Class 4	(3,189,135)	(2,819,837)
Total distributions to shareholders	(39,576,130)	(36,090,019)
Capital share transactions: (Note 2)		
Class 1	(3,329,454)	(3,622,678)
Class 2	9,474,525	(41,982,881)
Class 4	(3,288,883)	(22,867,835)
Total capital share transactions	2,856,188	(68,473,394)
Net increase (decrease) in net assets	(49,111,361)	53,291,761
Net assets:		
Beginning of year	1,353,441,566	1,300,149,805
End of year	\$1,304,330,205	\$1,353,441,566

Notes to Financial Statements

Templeton Foreign 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 Foreign VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day

Templeton Foreign VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities agent and/or third party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2020, the Fund has no securities on loan.

d. Income and Deferred Taxes

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

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

Templeton Foreign VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Income and Deferred Taxes** (continued)

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

e. 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. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date.

Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

f. 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.

g. 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 Foreign VIP Fund (continued)

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	806,359	\$9,224,666	315,303	\$4,277,207
Shares issued in reinvestment of distributions	325,707	3,651,171	273,789	3,542,825
Shares redeemed	(1,349,400)	(16,205,291)	(844,252)	(11,442,710)
Net increase (decrease)	(217,334)	\$(3,329,454)	(255,160)	\$(3,622,678)
Class 2 Shares:				
Shares sold	11,015,042	\$124,442,450	7,564,257	\$99,786,234
Shares issued in reinvestment of distributions	2,981,404	32,735,824	2,342,581	29,727,357
Shares redeemed	(12,535,323)	(147,703,749)	(12,910,655)	(171,496,472)
Net increase (decrease)	1,461,123	\$9,474,525	(3,003,817)	\$(41,982,881)
Class 4 Shares:				
Shares sold	1,219,556	\$13,736,529	784,963	\$10,500,046
Shares issued in reinvestment of distributions	284,490	3,189,135	218,085	2,819,837
Shares redeemed	(1,669,364)	(20,214,547)	(2,661,084)	(36,187,718)
Net increase (decrease)	(165,318)	\$(3,288,883)	(1,658,036)	\$(22,867,835)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Investment Counsel, LLC (TIC)	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

Templeton Foreign VIP Fund (continued)**3. Transactions with Affiliates** (continued)**a. Management Fees**

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

Annualized Fee Rate	Net Assets
0.900%	Up to and including \$200 million
0.810%	Over \$200 million, up to and including \$700 million
0.775%	Over \$700 million, up to and including \$1.2 billion
0.750%	Over \$1.2 billion, up to and including \$1.3 billion
0.675%	Over \$1.3 billion, up to and including \$10 billion
0.655%	Over \$10 billion, up to and including \$15 billion
0.635%	Over \$15 billion, up to and including \$20 billion
0.615%	In excess of \$20 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.811% of the Fund's average daily net assets.

b. Administrative Fees

Under an agreement with TIC, FT Services provides administrative services to the Fund. The fee is paid by TIC 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.

Templeton Foreign VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Templeton Foreign VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$70,825,763	\$283,203,116	\$(233,736,340)	\$—	\$—	\$120,292,539	120,292,539	\$185,345
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$260,204,128	\$(260,204,128)	\$—	\$—	\$— ^a	—	\$15,612
Total Affiliated Securities	\$70,825,763	\$543,407,244	\$(493,940,468)	\$—	\$—	\$120,292,539		\$200,957

^aAs of December 31, 2020, no longer held by the fund.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, there were no credits earned.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$13,644,309
Long term	121,820,664
Total capital loss carryforwards	\$135,464,973

Templeton Foreign VIP Fund (continued)**5. Income Taxes** (continued)

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$39,576,130	\$24,584,858
Long term capital gain	—	11,505,161
	<u>\$39,576,130</u>	<u>\$36,090,019</u>

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	<u>\$1,089,077,125</u>
Unrealized appreciation.	\$316,464,790
Unrealized depreciation.	(113,033,221)
Net unrealized appreciation (depreciation).	<u>\$203,431,569</u>
Distributable earnings:	
Undistributed ordinary income.	<u>\$22,035,070</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales, EU reclaims, corporate actions, passive foreign investment company shares and foreign capital gain taxes.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$413,400,119 and \$477,319,270, respectively.

7. 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, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

Templeton Foreign VIP Fund (continued)

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Templeton Foreign VIP Fund (continued)

10. Fair Value Measurements (continued)

A summary of inputs used as of December 31, 2020, in valuing the Fund's investments in financial instruments carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Foreign VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$28,591,104	\$—	\$28,591,104
Airlines	—	14,186,772	—	14,186,772
Auto Components	—	39,727,053	—	39,727,053
Automobiles	—	53,517,423	—	53,517,423
Banks	23,625,598	86,307,298	—	109,932,896
Beverages	—	19,742,826	—	19,742,826
Biotechnology	—	4,427,700	—	4,427,700
Chemicals	—	22,327,745	—	22,327,745
Construction & Engineering	—	17,233,933	—	17,233,933
Electronic Equipment, Instruments & Components	—	40,945,842	—	40,945,842
Energy Equipment & Services	—	18,146,596	—	18,146,596
Food & Staples Retailing	—	31,164,044	—	31,164,044
Health Care Providers & Services	—	28,907,446	—	28,907,446
Household Durables	—	25,020,716	—	25,020,716
Industrial Conglomerates	—	33,803,795	—	33,803,795
Insurance	—	29,451,420	—	29,451,420
Interactive Media & Services	26,409,391	—	—	26,409,391
Internet & Direct Marketing Retail	—	15,027,977	—	15,027,977
IT Services	—	7,717,763	—	7,717,763
Machinery	—	18,076,879	—	18,076,879
Media	—	20,565,204	—	20,565,204
Metals & Mining	32,687,853	60,344,558	—	93,032,411
Multi-Utilities	—	21,846,728	—	21,846,728
Oil, Gas & Consumable Fuels	5,762,660	54,865,946	—	60,628,606
Pharmaceuticals	—	109,229,414	—	109,229,414
Real Estate Management & Development	—	44,171,153	—	44,171,153
Semiconductors & Semiconductor Equipment	35,188,913	71,484,917	—	106,673,830
Technology Hardware, Storage & Peripherals	—	67,791,429	—	67,791,429
Thrifts & Mortgage Finance	—	28,825,898	—	28,825,898
Tobacco	—	23,551,167	—	23,551,167
Wireless Telecommunication Services	11,540,994	—	—	11,540,994
Short Term Investments	120,292,539	—	—	120,292,539
Total Investments in Securities	\$255,507,948	\$1,037,000,746	\$—	\$1,292,508,694

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

Templeton Foreign VIP Fund (continued)

12. Subsequent Events

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

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Foreign VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Templeton Foreign VIP Fund

At December 31, 2020, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2021 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

Templeton Global Bond VIP Fund

This annual report for Templeton Global Bond VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	-5.28%**
5-Year	+0.66%
10-Year	+1.56%

*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 4/30/21. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

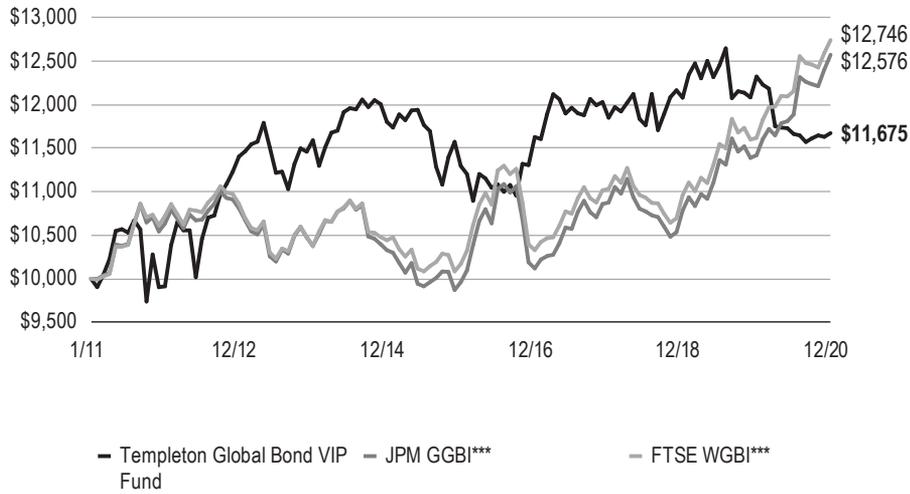
**Total return information is based on net asset values calculated for shareholder transactions. Certain adjustments were made to the net assets of the Fund at 12/31/19 for financial reporting purposes. Accordingly, adjusted total returns have been disclosed in the Financial Highlights and differ from those reported here.

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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

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



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

Templeton Global Bond VIP Fund

Fund Goal and Main Investments

The Fund seeks high current income, consistent with preservation of capital. Capital appreciation is 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. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Adverse conditions in a certain region or country can adversely affect securities of issuers in other countries whose economies appear to be unrelated. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities market. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the J.P. Morgan Global Government Bond Index posted a +9.68% total return and the FTSE World Government Bond Index posted a +10.11% total return for the same period.¹

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).

Geographic Composition

12/31/20

	% of Total Net Assets
North America	20.8%
Asia	19.9%
Latin America & Caribbean	19.1%
Europe	5.5%
Middle East & Africa	1.6%
Supranational	0.5%
Short-Term Investments & Other Net Assets	32.6%

Economic and Market Overview

The 12-month period ended December 31, 2020, started optimistically, as a phase one trade deal between the U.S. and China appeared to bolster market sentiment, driving risk asset valuations higher in several markets across the globe. However, conditions changed radically and rapidly by late February, as the novel coronavirus (COVID-19) pandemic upended economies and financial markets around the world. Lockdown orders from governments trying to "flatten the curve" (i.e., stem the rate of infection) ultimately brought entire countries, regions and continents to an economic standstill in March and April. The speed and pervasiveness of the economic shocks were unprecedented. There is no historical comparison for the magnitude of aggregate demand that was destroyed, nor the magnitude of job losses in such a compressed timescale.

Risk aversion rapidly escalated to crisis levels and deepened throughout March, driving correlations to 1.0 across multiple asset classes as investors shed risk and moved into perceived safe havens. Credit markets experienced substantial price volatility, with the lower-rated credit tiers bearing the brunt of the selloffs. The U.S. Federal Reserve (Fed) responded quickly to the deepening crisis with two emergency rate cuts in March, the second of which dropped the federal funds target rate 100 basis points (bps) to the zero bound that was used during the 2008 global financial crisis (GFC). The Fed also cut reserve requirements and encouraged financial institutions to borrow directly from the discount window.

Growing liquidity strains throughout financial markets in March prompted the Fed to restart liquidity programs that had been created during the GFC, such as the Commercial Paper Funding Facility and the Primary Dealer Credit Facility. On March 23, the Fed took its financial market

interventions beyond the scope of the GFC programs by creating corporate lending programs, and announcing its intentions to support lending to small- and medium-sized businesses through the newly created Main Street Business Lending Program. The Fed also pledged to buy unlimited government bonds, abandoning the previous quantitative easing (QE) targets it had announced a week earlier on March 15. The heightened demand for U.S. dollars (USD) around the world also led the Fed to expand its liquidity swaps program with foreign central banks beyond the five banks in its standing facility.

On the U.S. fiscal side, Congress passed the CARES Act (Coronavirus Aid, Relief, and Economic Security) on March 27, a USD\$2.2 trillion fiscal relief program designed to provide loans to businesses, income support and unemployment benefits to individuals, and funding for hospitals and public health services. It was the largest economic relief bill in U.S. history.

In Europe, the European Central Bank (ECB) unveiled the €750 billion Pandemic Emergency Purchase Programme (PEPP) in an unscheduled mid-week announcement on March 18. ECB President Christine Lagarde commented that, “there are no limits to our commitment to the euro. We are determined to use the full potential of our tools, within our mandate.” PEPP appeared geared to support the more vulnerable states, as the program has unprecedented flexibility to buy a wide range of eligible securities, including Greek and Italian sovereign debt, as well as corporate commercial paper. The European Commission passed its €750 billion recovery fund in July, which was largely viewed by markets as a major step towards greater fiscal solidarity across the euro area.

In the second quarter of 2020, global financial markets rebounded from the extreme lows in March, as extraordinary measures from central banks and governments appeared to improve market confidence. Additionally, regional economies began to incrementally reopen and the improving economic data appeared to bolster optimism that the worst of the economic shocks had passed. Risk assets rallied and credit spreads tightened in many sectors during the second quarter, returning to levels last seen in early March and late February. Those trends largely extended through July and August as strengthening economic activity and profound policy interventions continued to fuel rallies across global financial markets through much of the summer. However, many risk assets appeared detached from underlying economic fundamentals due to extraordinary monetary policies.

Risk assets eventually pulled back from their summer high points in September 2020, as rising cases of COVID-19 appeared to concern investors, particularly as areas of Europe and Asia returned to various mobility restrictions. Developed market sovereign bond yields fluctuated during the summer months, rising on reflation expectations but dropping in September as broad risk aversion returned to global financial markets. Additionally, economic recoveries in many regions showed signs of levelling off in August and September, demonstrating that the improvements in the late spring and summer months were rebounds from the extreme low points in March and April, not trends that could be extrapolated through upcoming quarters.

Yoshihide Suga was confirmed as the new prime minister of Japan on September 16, following Shinzo Abe's resignation on August 28. Abe had been prime minister since December 2012. We expected political continuity in the near term, as Suga is an Abe loyalist who was often credited with pushing through many of Abe's critical domestic reforms.

In October 2020, “risk-on” sentiment initially returned to global financial markets, with risk assets rallying during the first couple weeks of the month before broad risk aversion sharply returned, leading to significant price adjustments in various credit sectors during the second half of the month. Investors appeared concerned over resurgent waves of COVID-19 cases around the world. Market sentiments ultimately improved in November on apparent optimism over promising vaccine trials and prospects for a potential global economic recovery in 2021. Risk assets finished the final months of the year on broad-based rallies as initial vaccine distributions commenced.

However, market optimism in the fourth quarter ran in stark contrast to the worsening pandemic, as COVID-19 infections surged to record levels in areas of Europe, the U.S. and Latin America in the waning months of the year, with a highly contagious variant of the virus surfacing in dozens of countries. The harsh realities of a worldwide health crisis and deepening economic hardship continued to have profound consequences for lives and livelihoods around the world.

In late December 2020, the U.S. government passed a USD\$900 billion support package that extended unemployment benefits until mid-March 2021 and provides one-time relief payments of USD\$600 to most citizens. Additional fiscal stimulus appeared likely with the upcoming change in the U.S. government. The Fed continued to maintain low rates as well as its emergency support program from March through the end of the year, continuously reaffirming its commitment to use its “full range of tools to support the U.S. economy” at each policy meeting.

The ECB also kept monetary policy unchanged through the end of the year, with the main refinancing operations rate remaining at 0.0%, and the main deposit facility rate remaining at -0.5%. The ECB increased the size of the PEPP program to €1.85 trillion in December, after previously raising it to €1.35 trillion in June. The U.K. and the European Union also settled on final terms for post-Brexit trade agreements in the last week of the year.

The Bank of Japan (BOJ) also made no changes to its rates policy in 2020. Overnight interest rates remained at 0.1% and the yield target on the 10-year Japanese government bond remained at 0.0%. In the second quarter, the BOJ removed QE caps and quadrupled the size of its corporate debt purchases. It also increasingly focused on ensuring businesses had ample access to capital through various loan programs, increasing its lending program to USD\$1 trillion. However, despite the BOJ's efforts to drive inflation higher during the Abenomics era, deflationary pressures returned, with core inflation dropping to -0.4% year-over-year in August and falling further to -0.9% in November. The BOJ announced in December that it had launched a comprehensive review of its monetary framework, scheduled to arrive in March 2021. We continued to expect the Japanese yen to appreciate against the USD during the period, on stable rate differentials and Japan's strong external balance.

Nearly every country in the world declared some form of fiscal response to the economic crisis in 2020, with most countries pursuing programs that went beyond the measures they deployed during the GFC. Debt-to-GDP (gross domestic product) ratios have risen significantly in just about every country. On the monetary front, many central banks aggressively cut policy rates, with several indicating they intend to respond to ongoing economic adversity with additional accommodation as needed. During the 12-month period, Brazil cut rates by 250 bps to 2.00%, Colombia cut rates by 250 bps to 1.75%, Mexico cut rates by 300 bps to 4.25%, Indonesia cut rates by 125 bps to 3.75%, and India cut rates by 115 bps to 4.00%.

In global bond markets, the yield on the 10-year U.S. Treasury (UST) note finished the period 100 bps lower, at 0.92%, ranging from a pre-pandemic high of 1.92% on January 1 to an all-time low of 0.51% on August 4. The yield on the 10-year German Bund finished the year 38 bps lower at -0.57%, ranging from a pre-pandemic high of -0.19% on January 13 to an all-time low of -0.86% on March 9, during peak financial market shocks. Sovereign bond yields also declined in several countries on ongoing monetary

accommodation during the year, notably including much of Latin America and Asia, particularly Brazil, Mexico, Indonesia and India.

In currency markets, the USD initially strengthened in March on tremendous demand for U.S. dollars during the financial market shocks, but then entered a broad-based weakening pattern in mid-May that largely persisted through the end of December. Many developed market and emerging market currencies alike strengthened against the USD over the final seven months of the year. In credit markets, spreads widened substantially during peak financial market volatility in February and March, but progressively tightened from April through December, with several sovereign and corporate sectors finishing the year at pre-pandemic levels.

Investment Strategy

We invest selectively in bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure to various currencies and regularly enter into various currency-related derivative instruments, such as currency and cross-currency forwards, currency and currency index futures contracts and currency options.

Manager's Discussion

The strategy was structured around four key pillars during much of the reporting period: (1) maintaining high liquidity through elevated cash balances and risk-adjusted position weights; (2) holding long exposures to perceived safe-haven assets such as the Japanese yen, Swiss franc, Norwegian krone and Swedish krona; (3) targeting appropriate risk-adjusted returns in a select subset of emerging markets; and (4) underweighting overvalued developed fixed income markets, notably longer-term USTs. The strategy continued to emphasize select duration exposures in countries that have attractive risk-adjusted yields, resilient economic fundamentals and prudent fiscal and monetary policies. Several emerging markets continued to offer significantly higher yields than those available in the developed markets. The strategy entered the reporting period in a de-risked state as the investment team saw elevated global financial market risks that it believed were significantly underappreciated by markets. While the team was not explicitly anticipating the COVID-19 crisis, it was concerned that overvalued risk assets were vulnerable to a geopolitical, economic or financial market shock. The team adjusted the risk-sizing of various positions and hedged (using currency forwards)

a substantial amount of local-currency emerging market beta risk through proxy hedges (net-negative Australian dollar) and direct hedges (Indian rupee, South Korean won, Mexican peso and Brazilian real). The strategy held a net-negative position in the euro as the team expected fundamental weakening in the currency due to structural and political risks in the eurozone, along with headwinds to growth and reflation efforts across Europe.

The strategy remained significantly underweighted in developed market duration, preferring to hold short- to intermediate-term USTs, while holding no exposure to the long end of the curve. The strategy exited its negative duration exposure to USTs in the first quarter. The strategy held no duration exposure in the eurozone, and instead focused on higher-yielding local-currency bonds in specific emerging markets, such as Brazil, Mexico, Colombia, Indonesia, India and Ghana. The team also continued to broadly avoid credit sectors, which it believed were overvalued leading up to the crisis and increasingly vulnerable to insolvencies as the economic crisis progressed. During the period, the team used forward currency exchange contracts to actively manage currencies, and used interest-rate swaps to tactically manage duration exposures.

During the period, the Fund's negative absolute performance was primarily due to currency positions. Interest-rate strategies contributed to absolute results, while sovereign credit exposures had a largely neutral effect. Among currencies, positions in Latin America (the Brazilian real and Argentine peso) detracted from absolute performance. The Fund's net-negative positions in the euro and the Australian dollar also detracted from absolute results, as did tactical positioning (negative) in the Mexican peso. However, the Fund's net-positive positions in the Japanese yen and the Swiss franc contributed to absolute performance, as did positions in northern European currencies (the Swedish krona and Norwegian krone). 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 (Argentina and Mexico), Asia ex-Japan (India and Indonesia) and Africa (Ghana) contributed to absolute results, while negative duration exposure to USTs during the first quarter detracted.

On a relative basis, the Fund underperformed its benchmark due to currency positions, followed by interest-rate strategies. Sovereign credit exposures had a largely neutral effect on relative results. Among currencies, overweighted positions in Latin America (the Brazilian real and Argentine peso) detracted from relative performance. The Fund's

underweighted positions in the euro, the Australian dollar and the Mexican peso also detracted from relative results. However, overweighted positions in northern European currencies (the Swedish krona and Norwegian krone) contributed to relative performance, as did the Fund's overweighted positions in the Japanese yen and the Swiss franc. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Underweighted duration exposure in the U.S. detracted from relative results, as did select underweighted duration exposures in Europe. However, select overweighted duration exposures in Latin America (Argentina and Mexico), Asia ex-Japan (India and Indonesia) and Africa (Ghana) contributed to relative performance.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,000.70	\$3.60	\$1,021.54	\$3.64	0.72%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 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

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.63	\$17.54	\$17.17	\$16.85	\$16.34
Income from investment operations ^a :					
Net investment income ^b	0.52	0.89	0.88	0.83	0.62
Net realized and unrealized gains (losses)	(1.31)	(0.54)	(0.51)	(0.46)	(0.10)
Total from investment operations	(0.79)	0.35	0.37	0.37	0.52
Less distributions from:					
Net investment income and net foreign currency gains	(1.35)	(1.26)	—	—	—
Net realized gains	—	—	—	(0.05)	(0.01)
Tax return of capital	(—) ^c	—	—	—	—
Total distributions	(1.35)	(1.26)	—	(0.05)	(0.01)
Net asset value, end of year	\$14.49	\$16.63	\$17.54	\$17.17	\$16.85
Total return ^d	(4.73)%	1.89%	2.15%	2.15%	3.21%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.51%	0.53%	0.56%	0.53%	0.53%
Expenses net of waiver and payments by affiliates	0.46%	0.44%	0.47%	0.46%	0.48%
Expenses net of waiver and payments by affiliates and expense reduction	0.45%	0.42%	0.45%	0.46% ^e	0.48% ^e
Net investment income	3.43%	5.22%	5.09%	4.81%	3.88%
Supplemental data					
Net assets, end of year (000's)	\$224,704	\$322,794	\$285,046	\$286,502	\$241,792
Portfolio turnover rate	52.84%	22.58%	18.22%	37.97%	59.00%

^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, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

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

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

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

Templeton Global Bond VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$15.91	\$16.83	\$16.51	\$16.25	\$15.80
Income from investment operations ^a :					
Net investment income ^b	0.46	0.82	0.81	0.76	0.56
Net realized and unrealized gains (losses)	(1.24)	(0.53)	(0.49)	(0.45)	(0.10)
Total from investment operations	(0.78)	0.29	0.32	0.31	0.46
Less distributions from:					
Net investment income and net foreign currency gains	(1.31)	(1.21)	—	—	—
Net realized gains	—	—	—	(0.05)	(0.01)
Tax return of capital	(—) ^c	—	—	—	—
Total distributions	(1.31)	(1.21)	—	(0.05)	(0.01)
Net asset value, end of year	\$13.82	\$15.91	\$16.83	\$16.51	\$16.25
Total return ^d	(4.92)%	1.63%	1.94%	1.93%	2.94%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.75%	0.78%	0.81%	0.78%	0.78%
Expenses net of waiver and payments by affiliates	0.71%	0.69%	0.72%	0.71%	0.73%
Expenses net of waiver and payments by affiliates and expense reduction	0.70%	0.67%	0.70%	0.71% ^e	0.73% ^e
Net investment income	3.16%	4.97%	4.84%	4.56%	3.63%
Supplemental data					
Net assets, end of year (000's)	\$2,022,487	\$2,389,610	\$2,544,900	\$2,730,081	\$2,812,535
Portfolio turnover rate	52.84%	22.58%	18.22%	37.97%	59.00%

^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, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

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

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

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

Templeton Global Bond VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$16.27	\$17.19	\$16.88	\$16.62	\$16.18
Income from investment operations ^a :					
Net investment income ^b	0.46	0.82	0.81	0.76	0.56
Net realized and unrealized gains (losses)	(1.27)	(0.55)	(0.50)	(0.45)	(0.11)
Total from investment operations	(0.81)	0.27	0.31	0.31	0.45
Less distributions from:					
Net investment income and net foreign currency gains	(1.29)	(1.19)	—	—	—
Net realized gains	—	—	—	(0.05)	(0.01)
Tax return of capital	(—) ^c	—	—	—	—
Total distributions	(1.29)	(1.19)	—	(0.05)	(0.01)
Net asset value, end of year	\$14.17	\$16.27	\$17.19	\$16.88	\$16.62
Total return ^d	(5.00)%	1.48%	1.84%	1.76%	2.87%
Ratios to average net assets					
Expenses before waiver and payments by affiliates and expense reduction	0.85%	0.88%	0.91%	0.88%	0.88%
Expenses net of waiver and payments by affiliates	0.81%	0.79%	0.82%	0.81%	0.83%
Expenses net of waiver and payments by affiliates and expense reduction	0.80%	0.77%	0.80%	0.81% ^e	0.83% ^e
Net investment income	3.06%	4.87%	4.74%	4.46%	3.53%
Supplemental data					
Net assets, end of year (000's)	\$76,771	\$90,272	\$94,312	\$98,934	\$96,798
Portfolio turnover rate	52.84%	22.58%	18.22%	37.97%	59.00%

^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, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

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

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

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

Statement of Investments, December 31, 2020

Templeton Global Bond VIP Fund

	Principal Amount [†]	Value
Foreign Government and Agency Securities 46.6%		
Argentina 1.8%		
^{a,b} Argentina BONCER,		
Index Linked, 1.1%, 4/17/21	365,252,183 ARS	\$2,547,335
Index Linked, 1%, 8/05/21	197,247,071 ARS	1,387,789
Index Linked, 1.2%, 3/18/22	1,943,817,439 ARS	13,606,998
Index Linked, 1.3%, 9/20/22	16,771,612 ARS	112,093
Index Linked, 1.4%, 3/25/23	1,112,491,535 ARS	7,267,681
Index Linked, 1.5%, 3/25/24	1,112,491,539 ARS	6,650,114
^{b,c} Argentina Bonos del Tesoro Nacional en		
Pesos Badlar, FRN, 31.641%, (ARS BADLAR + 2%), 4/03/22	24,036,000 ARS	155,231
^b Argentina Government Bond,		
18.2%, 10/03/21	820,823,000 ARS	4,735,423
16%, 10/17/23	844,288,000 ARS	2,692,248
15.5%, 10/17/26	1,668,306,000 ARS	3,879,808
		43,034,720
Brazil 1.0%		
Brazil Notas do Tesouro Nacional, 10%, 1/01/21	117,516,000 BRL	22,641,507
Colombia 1.8%		
Colombia Government Bond,		
Senior Bond, 7.75%, 4/14/21	2,386,000,000 COP	707,155
Senior Bond, 4.375%, 3/21/23	362,000,000 COP	108,121
Senior Bond, 9.85%, 6/28/27	576,000,000 COP	219,726
Colombia Titulos de Tesoreria,		
B, 7%, 5/04/22	17,524,600,000 COP	5,441,181
B, 10%, 7/24/24	40,977,000,000 COP	14,546,773
B, 7.5%, 8/26/26	35,134,200,000 COP	11,863,115
B, 6%, 4/28/28	29,113,600,000 COP	9,113,408
		41,999,479
Ghana 1.6%		
Ghana Government Bond,		
24.75%, 3/01/21	690,000 GHS	119,774
16.5%, 3/22/21	1,730,000 GHS	296,862
16.25%, 5/17/21	7,250,000 GHS	1,241,152
24.5%, 6/21/21	80,000 GHS	14,146
24.75%, 7/19/21	1,190,000 GHS	210,935
18.75%, 1/24/22	26,990,000 GHS	4,636,323
17.6%, 11/28/22	520,000 GHS	87,578
19%, 9/18/23	150,000 GHS	25,355
19.75%, 3/25/24	26,840,000 GHS	4,602,058
19%, 11/02/26	80,510,000 GHS	13,048,859
19.75%, 3/15/32	80,510,000 GHS	12,797,848
		37,080,890
India 4.0%		
India Government Bond,		
8.79%, 11/08/21	653,000,000 INR	9,330,989
8.2%, 2/15/22	500,000,000 INR	7,191,604
8.35%, 5/14/22	212,700,000 INR	3,089,362
8.15%, 6/11/22	1,621,000,000 INR	23,561,404
6.84%, 12/19/22	98,000,000 INR	1,417,610
7.16%, 5/20/23	133,700,000 INR	1,953,728
8.83%, 11/25/23	1,468,100,000 INR	22,518,431

Templeton Global Bond VIP Fund (continued)

	Principal Amount ^a		Value
Foreign Government and Agency Securities (continued)			
India (continued)			
India Government Bond, (continued)			
Senior Note, 5.22%, 6/15/25	313,000,000	INR	\$4,321,896
7.59%, 1/11/26	1,032,000,000	INR	15,607,187
7.27%, 4/08/26	214,000,000	INR	3,204,971
			92,197,182
Indonesia 4.9%			
Indonesia Government Bond,			
FR34, 12.8%, 6/15/21	324,406,000,000	IDR	24,141,265
FR61, 7%, 5/15/22	244,849,000,000	IDR	18,160,651
FR35, Senior Bond, 12.9%, 6/15/22	71,229,000,000	IDR	5,735,693
FR43, 10.25%, 7/15/22	147,832,000,000	IDR	11,532,491
FR63, 5.625%, 5/15/23	274,915,000,000	IDR	20,229,336
FR46, 9.5%, 7/15/23	226,780,000,000	IDR	18,077,709
FR39, 11.75%, 8/15/23	5,491,000,000	IDR	458,380
FR70, 8.375%, 3/15/24	53,132,000,000	IDR	4,166,265
FR44, 10%, 9/15/24	4,454,000,000	IDR	368,372
FR81, 6.5%, 6/15/25	101,941,000,000	IDR	7,655,733
FR40, 11%, 9/15/25	46,856,000,000	IDR	4,113,127
			114,639,022
Mexico 14.5%			
Mexican Bonos Desarr Fixed Rate,			
M, 6.5%, 6/10/21	1,413,720,000	MXN	71,703,274
M, Senior Note, 7.25%, 12/09/21	1,840,710,000	MXN	95,033,288
M, 6.5%, 6/09/22	2,147,994,000	MXN	111,253,386
M, Senior Note, 6.75%, 3/09/23	229,144,000	MXN	12,099,089
M, Senior Bond, 8%, 12/07/23	836,490,000	MXN	46,202,989
			336,292,026
Norway 5.5%			
^d Norway Government Bond,			
144A, Reg S, 3.75%, 5/25/21	335,990,000	NOK	39,746,904
144A, Reg S, 2%, 5/24/23	315,007,000	NOK	38,192,670
144A, Reg S, 3%, 3/14/24	265,052,000	NOK	33,430,124
144A, Reg S, 1.75%, 3/13/25	89,312,000	NOK	10,927,022
144A, Reg S, 1.5%, 2/19/26	52,969,000	NOK	6,441,429
			128,738,149
South Korea 11.0%			
Korea Treasury Bond,			
3%, 3/10/23	3,919,000,000	KRW	3,759,972
2.25%, 9/10/23	88,312,000,000	KRW	83,860,948
1.875%, 3/10/24	33,811,000,000	KRW	31,854,621
1.375%, 9/10/24	75,881,910,000	KRW	70,265,722
3%, 9/10/24	18,500,000,000	KRW	18,121,176
1.375%, 12/10/29	53,382,000,000	KRW	47,708,850
			255,571,289
Supranational 0.5%			
^e Inter-American Development Bank,			
Senior Bond, 7.5%, 12/05/24	200,000,000	MXN	10,946,188
			1,083,140,452
Total Foreign Government and Agency Securities (Cost \$1,267,123,431)			1,083,140,452

Templeton Global Bond VIP Fund (continued)

	Principal Amount ¹	Value
U.S. Government and Agency Securities 20.8%		
United States 20.8%		
U.S. Treasury Notes,		
1.125%, 9/30/21	3,497,000	\$3,523,502
1.5%, 9/30/21	15,768,000	15,931,779
2.125%, 12/31/21	3,953,000	4,032,148
1.5%, 10/31/24	64,160,000	67,247,700
1.5%, 11/30/24	50,420,000	52,874,036
1.75%, 12/31/24	22,672,000	24,018,150
2%, 2/15/25	49,140,000	52,620,110
2.125%, 5/15/25	58,760,000	63,428,665
2.875%, 5/31/25	76,680,000	85,318,481
2.625%, 12/31/25	44,803,000	49,824,086
1.625%, 2/15/26	24,220,000	25,762,133
2.125%, 5/31/26	11,063,000	12,076,820
1.625%, 10/31/26	24,220,000	25,828,360
		<u>482,485,970</u>
Total U.S. Government and Agency Securities (Cost \$463,568,866)		482,485,970
Total Long Term Investments (Cost \$1,730,692,297)		1,565,626,422

	Number of Contracts	Notional Amount [#]		
Options Purchased 0.7%				
Calls - Over-the-Counter				
Currency Options				
Foreign Exchange AUD/JPY, Counterparty CITI, January Strike Price 78.75 JPY, Expires 1/22/21	1	29,730,000	AUD	365,624
Foreign Exchange AUD/JPY, Counterparty CITI, January Strike Price 79.00 JPY, Expires 1/22/21	1	26,674,000	AUD	283,333
Foreign Exchange AUD/JPY, Counterparty CITI, April Strike Price 81.00 JPY, Expires 4/29/21	1	19,266,000	AUD	205,458
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 81.00 JPY, Expires 6/21/21	1	29,640,000	AUD	415,785
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 84.15 JPY, Expires 6/18/21	1	30,645,000	AUD	153,690
Foreign Exchange AUD/JPY, Counterparty CITI, December Strike Price 86.50 JPY, Expires 12/20/21	1	22,983,000	AUD	161,357
Foreign Exchange USD/AUD, Counterparty HSBK, January Strike Price 1.45 AUD, Expires 1/22/21	1	16,911,280		832
Foreign Exchange USD/AUD, Counterparty HSBK, March Strike Price 1.46 AUD, Expires 3/22/21	1	14,358,483		13,259
Foreign Exchange USD/AUD, Counterparty MSCO, February Strike Price 1.47 AUD, Expires 2/02/21	1	22,794,030		1,527
Foreign Exchange USD/AUD, Counterparty MSCO, January Strike Price 1.48 AUD, Expires 1/21/21	1	19,862,726		393

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Calls - Over-the-Counter (continued)			
Currency Options (continued)			
Foreign Exchange USD/AUD, Counterparty MSCO, April Strike Price 1.48 AUD, Expires 4/16/21	1	15,551,876	\$19,368
Foreign Exchange USD/AUD, Counterparty HSBK, February Strike Price 1.53 AUD, Expires 2/08/21 . . .	1	20,676,864	891
Foreign Exchange USD/AUD, Counterparty HSBK, February Strike Price 1.54 AUD, Expires 2/10/21 . . .	1	24,565,503	966
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 104.78 JPY, Expires 2/01/21 . . .	1	4,536,000	9,512
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 110.80 JPY, Expires 2/24/21 . . .	1	49,303,000	4,196
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 115.00 JPY, Expires 2/24/21 . . .	1	98,607,000	1,225
Foreign Exchange USD/JPY, Counterparty CITI, August Strike Price 115.95 JPY, Expires 8/11/21	1	27,911,000	15,713
Foreign Exchange USD/MXN, Counterparty GSCO, March Strike Price 20.65 MXN, Expires 3/25/21 . . .	1	48,868,000	901,267
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 21.16 MXN, Expires 6/21/21	1	28,804,000	711,995
Foreign Exchange USD/MXN, Counterparty GSCO, June Strike Price 22.83 MXN, Expires 6/09/21	1	7,291,000	73,507
Foreign Exchange USD/MXN, Counterparty CITI, March Strike Price 23.23 MXN, Expires 3/24/21	1	18,842,000	56,328
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 23.30 MXN, Expires 4/29/21	1	17,520,000	98,825
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 23.75 MXN, Expires 4/09/21	1	11,742,000	37,863
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 24.81 MXN, Expires 6/30/21	1	35,754,000	195,983
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 25.48 MXN, Expires 4/09/21	1	11,205,000	15,660
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 26.09 MXN, Expires 6/18/21	1	23,833,000	72,908
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 26.30 MXN, Expires 10/19/23 . . .	1	16,875,000	777,058
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 26.30 MXN, Expires 10/19/23 . . .	1	9,033,000	415,951

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Calls - Over-the-Counter (continued)			
Currency Options (continued)			
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 26.30 MXN, Expires 10/19/23 .	1	9,033,000	\$415,951
Foreign Exchange USD/MXN, Counterparty MSCO, March Strike Price 28.75 MXN, Expires 3/30/21 . .	1	24,669,000	6,177
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 29.19 MXN, Expires 8/29/24 . .	1	21,864,000	1,019,302
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 29.71 MXN, Expires 8/09/24 . .	1	21,864,000	941,769
Foreign Exchange USD/MXN, Counterparty CITI, December Strike Price 29.73 MXN, Expires 12/07/21 .	1	31,535,000	148,161
			7,541,834
Puts - Over-the-Counter			
Currency Options			
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 58.95 JPY, Expires 6/21/21	1	39,520,000 AUD	16,294
Foreign Exchange AUD/JPY, Counterparty CITI, March Strike Price 68.50 JPY, Expires 3/24/21	1	17,783,000 AUD	8,477
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 69.20 JPY, Expires 6/24/21	1	31,616,000 AUD	82,765
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 69.20 JPY, Expires 6/24/21	1	15,808,000 AUD	41,382
Foreign Exchange AUD/JPY, Counterparty CITI, April Strike Price 71.00 JPY, Expires 4/29/21	1	51,376,000 AUD	107,886
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 71.44 JPY, Expires 6/21/21	1	39,520,000 AUD	154,646
Foreign Exchange AUD/JPY, Counterparty CITI, December Strike Price 75.00 JPY, Expires 12/20/21 . .	1	45,967,000 AUD	754,911
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 76.20 JPY, Expires 6/18/21	1	61,289,000 AUD	626,428
Foreign Exchange USD/AUD, Counterparty HSBK, February Strike Price 1.28 AUD, Expires 2/08/21 . . .	1	12,330,240	103,455
Foreign Exchange USD/AUD, Counterparty MSCO, May Strike Price 1.30 AUD, Expires 5/12/21	1	16,341,872	447,024
Foreign Exchange USD/AUD, Counterparty MSCO, April Strike Price 1.33 AUD, Expires 4/16/21	1	8,931,989	327,876

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount [#]	Value
Options Purchased (continued)			
Puts - Over-the-Counter (continued)			
Currency Options (continued)			
Foreign Exchange USD/AUD, Counterparty HSBK, January Strike Price 1.40 AUD, Expires 1/22/21 . . .	1	5,677,954	\$436,715
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 102.10 JPY, Expires 2/24/21 . . .	1	49,303,000	290,219
Foreign Exchange USD/JPY, Counterparty CITI, August Strike Price 102.65 JPY, Expires 8/11/21	1	41,892,000	832,070
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 103.50 JPY, Expires 2/01/21 . . .	1	29,582,000	261,319
Foreign Exchange USD/MXN, Counterparty GSCO, March Strike Price 18.72 MXN, Expires 3/25/21 . . .	1	41,049,000	164,595
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 18.83 MXN, Expires 6/21/21	1	34,913,000	334,344
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 19.43 MXN, Expires 8/30/21 . . .	1	16,398,000	342,469
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 19.85 MXN, Expires 10/19/23 . . .	1	4,517,000	158,537
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 19.85 MXN, Expires 10/19/23 . . .	1	4,517,000	158,537
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 19.85 MXN, Expires 10/19/23 . . .	1	8,437,000	296,121
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 19.88 MXN, Expires 8/11/21 . . .	1	16,398,000	486,534
Foreign Exchange USD/MXN, Counterparty CITI, March Strike Price 20.66 MXN, Expires 3/24/21	1	10,516,000	489,471
Foreign Exchange USD/MXN, Counterparty GSCO, June Strike Price 22.83 MXN, Expires 6/09/21	1	7,291,000	994,813
			<u>7,916,888</u>
Total Options Purchased (Cost \$28,886,326)			<u>15,458,722</u>

Short Term Investments 31.8%

	Principal Amount [#]	Value
Foreign Government and Agency Securities 11.9%		
Argentina 0.1%		
^{b,f} Argentina Letras de la Nacion Argentina con Ajuste por CER,		
^a Index Linked, 2/26/21	62,729,833 ARS	432,988
5/21/21	202,632,899 ARS	1,467,363
^a Index Linked, 9/13/21	111,839,579 ARS	801,134

Templeton Global Bond VIP Fund (continued)

Short Term Investments (continued)

	Principal Amount ^f	Value
Foreign Government and Agency Securities (continued)		
Argentina (continued)		
^{b,f} Argentina Letras Del Tesoro En Pesos A Descuento, 3/31/21	48,678,666 ARS	\$308,906
		<u>3,010,391</u>
Brazil 3.0%		
^f Brazil Letras do Tesouro Nacional, 4/01/21	25,610,000 BRL	4,906,924
7/01/21	34,210,000 BRL	6,519,582
10/01/21	302,400,000 BRL	57,139,108
		<u>68,565,614</u>
Japan 8.7%		
^f Japan Treasury Bills, 1/12/21	1,884,800,000 JPY	18,254,250
1/12/21	5,422,600,000 JPY	52,517,771
1/18/21	1,610,000,000 JPY	15,593,105
2/10/21	1,180,000,000 JPY	11,429,316
3/10/21	8,017,300,000 JPY	77,660,294
3/22/21	896,100,000 JPY	8,680,400
3/25/21	698,500,000 JPY	6,766,318
4/12/21	290,800,000 JPY	2,817,115
6/16/21	906,750,000 JPY	8,786,287
		<u>202,504,856</u>
Mexico 0.1%		
^f Mexico Cetes, BI, 3/25/21	24,448,000 MXN	1,218,197
		<u>275,299,058</u>
Total Foreign Government and Agency Securities (Cost \$273,009,376)		
U.S. Government and Agency Securities 10.4%		
United States 10.4%		
^f U.S. Treasury Bills, 1/07/21	64,460,000	64,459,892
3/09/21	113,820,000	113,804,825
3/18/21	64,460,000	64,452,157
		<u>242,716,874</u>
Total U.S. Government and Agency Securities (Cost \$242,711,668)		
	Shares	
Money Market Funds 9.5%		
United States 9.5%		
^{g,h} Institutional Fiduciary Trust - Money Market Portfolio, 0%	221,215,254	221,215,254
		<u>221,215,254</u>
Total Money Market Funds (Cost \$221,215,254)		
Total Short Term Investments (Cost \$736,936,298)		
Total Investments (Cost \$2,496,514,921) 99.9%		
Options Written (0.8)%		
Other Assets, less Liabilities 0.9%		
Net Assets 100.0%		
		<u>\$2,320,316,330</u>
		<u>(18,551,294)</u>
		<u>22,196,494</u>
		<u>\$2,323,961,530</u>

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Written (0.8)%			
Calls - Over-the-Counter			
Currency Options			
Foreign Exchange AUD/JPY, Counterparty CITI, January Strike Price 76.00 JPY, Expires 1/22/21 . . .	1	26,674,000 AUD	\$(946,714)
Foreign Exchange AUD/JPY, Counterparty CITI, January Strike Price 76.25 JPY, Expires 1/22/21 . . .	1	29,730,000 AUD	(986,586)
Foreign Exchange AUD/JPY, Counterparty CITI, April Strike Price 76.80 JPY, Expires 4/29/21	1	38,532,000 AUD	(1,356,653)
Foreign Exchange AUD/JPY, Counterparty CITI, January Strike Price 76.95 JPY, Expires 1/22/21 . . .	1	31,616,000 AUD	(848,964)
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 78.00 JPY, Expires 6/21/21	1	29,640,000 AUD	(889,160)
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 80.50 JPY, Expires 6/18/21	1	30,645,000 AUD	(489,930)
Foreign Exchange AUD/JPY, Counterparty CITI, December Strike Price 81.20 JPY, Expires 12/20/21 . .	1	22,983,000 AUD	(500,565)
Foreign Exchange USD/AUD, Counterparty HSBK, January Strike Price 1.40 AUD, Expires 1/22/21 . . .	1	5,677,954	(1,445)
Foreign Exchange USD/AUD, Counterparty MSCO, February Strike Price 1.44 AUD, Expires 2/02/21 . . .	1	8,362,475	(1,291)
Foreign Exchange USD/AUD, Counterparty HSBK, January Strike Price 1.52 AUD, Expires 1/22/21 . . .	1	7,817,846	(66)
Foreign Exchange USD/AUD, Counterparty HSBK, January Strike Price 1.52 AUD, Expires 1/27/21 . . .	1	6,879,660	(81)
Foreign Exchange USD/AUD, Counterparty HSBK, March Strike Price 1.54 AUD, Expires 3/22/21 . . .	1	5,515,403	(1,544)
Foreign Exchange USD/AUD, Counterparty MSCO, January Strike Price 1.57 AUD, Expires 1/21/21 . . .	1	9,344,403	(21)
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 107.00 JPY, Expires 2/24/21 . .	1	98,607,000	(82,495)
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 107.65 JPY, Expires 2/01/21 . .	1	19,721,000	(3,295)
Foreign Exchange USD/JPY, Counterparty CITI, August Strike Price 109.90 JPY, Expires 8/11/21	1	41,892,000	(116,149)
Foreign Exchange USD/MXN, Counterparty GSCO, March Strike Price 21.48 MXN, Expires 3/25/21 . . .	1	48,868,000	(486,346)
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 22.38 MXN, Expires 4/29/21	1	8,760,000	(78,974)

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Written (continued)			
Calls - Over-the-Counter (continued)			
Currency Options (continued)			
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 22.56 MXN, Expires 6/21/21	1	19,202,000	\$(239,215)
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 24.57 MXN, Expires 4/29/21	1	4,380,000	(13,805)
Foreign Exchange USD/MXN, Counterparty CITI, March Strike Price 25.87 MXN, Expires 3/24/21	1	17,883,000	(12,438)
Foreign Exchange USD/MXN, Counterparty CITI, March Strike Price 26.08 MXN, Expires 3/24/21	1	7,537,000	(4,732)
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 26.61 MXN, Expires 8/30/21 . .	1	16,398,000	(83,130)
Foreign Exchange USD/MXN, Counterparty CITI, April Strike Price 27.24 MXN, Expires 4/09/21	1	22,442,000	(15,249)
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 27.38 MXN, Expires 8/11/21 . .	1	16,398,000	(61,265)
Foreign Exchange USD/MXN, Counterparty CITI, December Strike Price 27.93 MXN, Expires 12/07/21 .	1	10,512,000	(69,687)
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 28.24 MXN, Expires 6/18/21	1	23,833,000	(37,968)
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 28.40 MXN, Expires 6/30/21	1	23,836,000	(43,662)
Foreign Exchange USD/MXN, Counterparty GSCO, June Strike Price 30.36 MXN, Expires 6/09/21	1	7,291,000	(5,935)
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 34.95 MXN, Expires 10/19/23 .	1	4,517,000	(75,111)
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 34.95 MXN, Expires 10/19/23 .	1	4,517,000	(75,111)
			<u>(7,527,587)</u>
Puts - Over-the-Counter			
Currency Options			
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 64.86 JPY, Expires 6/21/21	1	59,280,000 AUD	(67,583)
Foreign Exchange AUD/JPY, Counterparty CITI, April Strike Price 66.00 JPY, Expires 4/29/21	1	25,688,000 AUD	(18,474)
Foreign Exchange AUD/JPY, Counterparty CITI, December Strike Price 68.40 JPY, Expires 12/20/21 . .	1	22,983,000 AUD	(154,519)

Templeton Global Bond VIP Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Written (continued)			
Puts - Over-the-Counter (continued)			
Currency Options (continued)			
Foreign Exchange AUD/JPY, Counterparty CITI, June Strike Price 71.60 JPY, Expires 6/18/21	1	61,289,000 AUD	\$(241,110)
Foreign Exchange USD/AUD, Counterparty HSBK, May Strike Price 1.29 AUD, Expires 5/05/21	1	15,290,750	(320,038)
Foreign Exchange USD/AUD, Counterparty MSCO, May Strike Price 1.35 AUD, Expires 5/12/21	1	31,506,748	(1,700,783)
Foreign Exchange USD/AUD, Counterparty MSCO, April Strike Price 1.38 AUD, Expires 4/16/21	1	5,718,544	(409,058)
Foreign Exchange USD/AUD, Counterparty MSCO, February Strike Price 1.39 AUD, Expires 2/02/21	1	8,669,520	(621,646)
Foreign Exchange USD/JPY, Counterparty CITI, August Strike Price 98.00 JPY, Expires 8/11/21	1	13,980,000	(104,270)
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 98.80 JPY, Expires 2/01/21	1	17,256,000	(7,983)
Foreign Exchange USD/JPY, Counterparty CITI, February Strike Price 104.78 JPY, Expires 2/01/21	1	4,536,000	(78,288)
Foreign Exchange USD/MXN, Counterparty GSCO, March Strike Price 19.40 MXN, Expires 3/25/21	1	41,049,000	(498,372)
Foreign Exchange USD/MXN, Counterparty GSCO, June Strike Price 19.61 MXN, Expires 6/09/21	1	7,291,000	(154,458)
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 19.79 MXN, Expires 6/21/21	1	34,913,000	(898,769)
Foreign Exchange USD/MXN, Counterparty CITI, June Strike Price 20.24 MXN, Expires 6/30/21	1	11,918,000	(445,705)
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 20.94 MXN, Expires 8/30/21	1	16,398,000	(982,956)
Foreign Exchange USD/MXN, Counterparty MSCO, August Strike Price 21.43 MXN, Expires 8/11/21	1	16,398,000	(1,268,490)
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 22.32 MXN, Expires 10/19/23	1	16,875,000	(1,473,601)
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 22.32 MXN, Expires 10/19/23	1	9,033,000	(788,802)
Foreign Exchange USD/MXN, Counterparty CITI, October Strike Price 22.32 MXN, Expires 10/19/23	1	9,033,000	(788,802)
			(11,023,707)
Total Options Written (Premiums received \$16,875,384)			<u>\$(18,551,294)</u>

Templeton Global Bond VIP Fund (continued)

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

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

ª Redemption price at maturity is adjusted for inflation. See Note 1(f).

º Securities denominated in Argentine Peso have been designated as Level 3 investments. See Note 12 regarding fair value measurements.

¸ The coupon rate shown represents the rate at period end.

¸ Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$128,738,149, representing 5.5% of net assets.

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

¸ The security was issued on a discount basis with no stated coupon rate.

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

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

¸ See Note 1(c) regarding written options.

At December 31, 2020, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counter-party ^a	Type	Quantity	Contract Amount [*]	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Brazilian Real	CITI	Buy	177,213,700	35,182,390	1/04/21	\$—	\$(1,063,465)
Brazilian Real	CITI	Sell	177,213,700	30,586,782	1/04/21	—	(3,532,143)
Euro	CITI	Buy	33,700,000	41,012,900	1/04/21	158,389	—
Euro	CITI	Sell	33,700,000	37,987,988	1/04/21	—	(3,183,301)
Brazilian Real	HSBK	Buy	93,155,800	18,308,923	1/05/21	—	(373,651)
Brazilian Real	HSBK	Sell	93,155,800	16,086,306	1/05/21	—	(1,848,965)
South Korean Won	HSBK	Buy	42,561,000,000	38,607,583	1/08/21	513,083	—
South Korean Won	HSBK	Sell	42,561,000,000	36,389,364	1/08/21	—	(2,731,303)
Euro	UBSW	Sell	8,109,795	8,689,078 CHF	1/11/21	—	(92,508)
Swiss Franc	UBSW	Sell	8,689,078	8,061,603 EUR	1/11/21	33,623	—
Australian Dollar	JPHQ	Sell	5,931,539	452,327,326 JPY	1/13/21	—	(192,452)
Euro	UBSW	Sell	5,039,506	5,430,597 CHF	1/13/21	—	(22,245)
Japanese Yen	JPHQ	Sell	465,945,132	5,931,539 AUD	1/13/21	60,553	—
Mexican Peso	CITI	Buy	404,375,000	20,233,622	1/13/21	83,488	—
Mexican Peso	CITI	Sell	404,375,000	18,709,804	1/13/21	—	(1,607,305)
South Korean Won	DBAB	Buy	13,919,000,000	12,865,924	1/13/21	—	(71,969)
South Korean Won	DBAB	Sell	13,919,000,000	11,609,809	1/13/21	—	(1,184,146)
Swiss Franc	UBSW	Sell	5,430,597	5,038,664 EUR	1/13/21	21,217	—
Euro	GSCO	Sell	7,941,195	8,527,493 CHF	1/14/21	—	(68,861)
Swiss Franc	GSCO	Sell	8,527,493	7,908,422 EUR	1/14/21	28,813	—
Mexican Peso	CITI	Buy	595,223,000	29,776,932	1/15/21	121,789	—
Mexican Peso	CITI	Sell	595,223,000	27,490,440	1/15/21	—	(2,408,281)
Chinese Yuan	CITI	Buy	125,329,450	19,174,578	1/19/21	80,264	—
Chinese Yuan	HSBK	Buy	135,702,480	20,756,914	1/19/21	91,576	—
Euro	DBAB	Sell	10,035,282	104,016,200 SEK	1/19/21	382,047	—
Euro	JPHQ	Sell	18,291,233	198,445,700 NOK	1/19/21	792,010	—
South Korean Won	HSBK	Buy	13,984,825,441	12,685,800	1/19/21	168,744	—
South Korean Won	HSBK	Sell	13,984,825,441	11,602,776	1/19/21	—	(1,251,768)
Mexican Peso	CITI	Buy	299,321,000	14,915,221	1/21/21	116,340	(7,207)
Mexican Peso	CITI	Sell	299,321,000	14,091,331	1/21/21	—	(933,023)
Mexican Peso	CITI	Buy	223,105,000	11,223,144	1/22/21	—	(25,788)
Mexican Peso	CITI	Sell	223,105,000	10,493,775	1/22/21	—	(703,581)
Mexican Peso	JPHQ	Buy	57,736,000	2,903,977	1/22/21	—	(6,281)
Mexican Peso	JPHQ	Sell	57,736,000	2,607,533	1/22/21	—	(290,163)

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	HSBK	Sell	25,253,939	3,112,320,681 JPY	1/25/21	\$—	\$(718,362)
Australian Dollar	HSBK	Buy	4,821,000	3,590,329	1/27/21	127,888	—
Australian Dollar	HSBK	Sell	4,821,000	3,416,995	1/27/21	—	(301,222)
Mexican Peso	CITI	Buy	12,590,000	632,266	1/27/21	—	(771)
Mexican Peso	CITI	Sell	250,042,000	11,849,939	1/27/21	—	(691,779)
South Korean Won	HSBK	Buy	63,804,055,536	57,875,309	1/29/21	772,613	—
South Korean Won	HSBK	Sell	63,804,055,536	56,267,080	1/29/21	—	(2,380,842)
Brazilian Real	CITI	Sell	72,644,928	13,456,752	2/02/21	—	(527,303)
Brazilian Real	HSBK	Sell	160,509,575	30,775,804	2/02/21	366,122	(488,203)
Brazilian Real	JPHQ	Sell	60,285,900	11,151,046	2/02/21	—	(453,912)
South Korean Won	DBAB	Buy	13,920,000,000	12,857,717	2/04/21	—	(62,541)
South Korean Won	DBAB	Sell	13,920,000,000	11,622,276	2/04/21	—	(1,172,900)
Indian Rupee	CITI	Buy	149,657,200	2,018,440	2/08/21	23,605	—
Indian Rupee	JPHQ	Buy	205,330,400	2,769,242	2/08/21	32,453	—
Euro	UBSW	Sell	8,111,577	8,689,162 CHF	2/09/21	—	(92,728)
Indian Rupee	HSBK	Buy	241,380,400	3,254,487	2/09/21	38,767	—
Swiss Franc	UBSW	Sell	8,689,162	8,062,654 EUR	2/09/21	32,907	—
Australian Dollar	HSBK	Buy	15,808,000	11,773,909	2/10/21	420,255	—
Australian Dollar	HSBK	Sell	15,808,000	11,369,509	2/10/21	—	(824,656)
Euro	UBSW	Sell	20,210,865	21,723,143 CHF	2/10/21	—	(148,151)
South Korean Won	HSBK	Buy	75,818,000,000	69,121,508	2/10/21	569,639	—
South Korean Won	HSBK	Sell	75,818,000,000	67,138,354	2/10/21	—	(2,552,794)
Swiss Franc	UBSW	Sell	21,723,143	20,162,411 EUR	2/10/21	88,904	—
Australian Dollar	HSBK	Buy	6,937,000	5,166,726	2/12/21	184,482	—
Australian Dollar	HSBK	Sell	6,937,000	5,037,649	2/12/21	—	(313,559)
Euro	GSCO	Sell	10,558,941	11,370,079 CHF	2/12/21	—	(53,414)
Swiss Franc	GSCO	Sell	11,370,079	10,540,245 EUR	2/12/21	30,553	—
Euro	DBAB	Sell	25,071,532	255,476,400 SEK	2/16/21	410,871	—
Mexican Peso	CITI	Sell	546,651,200	24,633,360	2/16/21	—	(2,723,482)
Chinese Yuan	JPHQ	Buy	94,285,000	14,394,920	2/18/21	61,822	—
Australian Dollar	JPHQ	Sell	45,472,501	3,464,199,714 JPY	2/22/21	—	(1,511,165)
Euro	BOFA	Sell	7,066,000	8,402,520	2/22/21	—	(239,622)
Japanese Yen	JPHQ	Sell	3,571,720,807	45,472,501 AUD	2/22/21	469,275	—
Euro	JPHQ	Sell	13,349,845	15,834,652	2/23/21	—	(493,343)
Euro	HSBK	Sell	25,252,747	3,170,191,934 JPY	2/24/21	—	(166,848)
Australian Dollar	CITI	Sell	31,292,467	2,371,562,224 JPY	2/25/21	—	(1,159,558)
Australian Dollar	JPHQ	Sell	119,768,499	9,077,741,433 JPY	2/25/21	—	(4,429,880)
Euro	HSBK	Sell	50,507,550	6,262,645,380 JPY	2/25/21	—	(1,090,204)
Japanese Yen	CITI	Sell	2,457,603,992	31,292,467 AUD	2/25/21	325,781	—
Japanese Yen	JPHQ	Sell	9,406,837,061	119,768,499 AUD	2/25/21	1,240,822	—
Australian Dollar	CITI	Sell	3,372,533	255,563,103 JPY	2/26/21	—	(125,263)
Euro	CITI	Sell	20,106,846	2,529,075,228 JPY	2/26/21	—	(85,983)
Japanese Yen	CITI	Buy	2,796,566,000	26,458,830	2/26/21	641,184	—
Japanese Yen	CITI	Sell	264,866,234	3,372,533 AUD	2/26/21	35,112	—
Japanese Yen	JPHQ	Buy	4,594,279,100	43,404,543	2/26/21	1,116,140	—
Brazilian Real	CITI	Sell	177,213,700	35,127,297	3/02/21	1,079,585	—
Mexican Peso	CITI	Sell	861,862,000	38,568,616	3/02/21	—	(4,496,832)
Indian Rupee	CITI	Buy	200,059,600	2,691,252	3/08/21	30,649	—
Indian Rupee	JPHQ	Buy	205,911,800	2,769,240	3/08/21	32,284	—
Mexican Peso	CITI	Sell	440,156,000	20,126,477	3/08/21	—	(1,852,408)
Indian Rupee	HSBK	Buy	242,055,750	3,254,487	3/09/21	38,411	—
Indian Rupee	JPHQ	Buy	266,347,200	3,582,584	3/09/21	40,773	—
South Korean Won	GSCO	Buy	44,346,000,000	40,847,968	3/09/21	—	(87,298)
South Korean Won	GSCO	Sell	44,346,000,000	37,383,351	3/09/21	—	(3,377,319)
Australian Dollar	CITI	Sell	23,089,500	1,766,224,375 JPY	3/10/21	—	(696,259)
Euro	UBSW	Sell	10,068,687	10,861,193 CHF	3/10/21	—	(27,321)
Japanese Yen	CITI	Sell	834,402,500	10,625,000 AUD	3/10/21	110,604	—

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Swiss Franc	UBSW	Sell	10,861,193	10,050,379 EUR	3/10/21	\$4,922	\$—
Australian Dollar	HSBK	Sell	14,685,041	1,131,174,023 JPY	3/11/21	—	(366,707)
Euro	GSCO	Sell	13,210,994	14,212,520 CHF	3/11/21	—	(79,093)
Mexican Peso	CITI	Sell	539,656,000	23,963,623	3/11/21	—	(2,974,215)
Swiss Franc	GSCO	Sell	14,212,520	13,177,921 EUR	3/11/21	38,628	—
Chinese Yuan	JPHQ	Buy	188,842,190	28,786,382	3/15/21	120,334	—
Euro	DBAB	Sell	33,580,296	346,720,571 SEK	3/15/21	1,089,930	—
Euro	GSCO	Sell	10,558,082	11,369,999 CHF	3/15/21	—	(49,827)
Swiss Franc	GSCO	Sell	11,369,999	10,494,350 EUR	3/15/21	—	(28,157)
Australian Dollar	HSBK	Sell	81,620,000	6,273,721,300 JPY	3/16/21	—	(2,165,868)
Chinese Yuan	HSBK	Buy	68,097,210	10,378,457	3/16/21	44,675	—
Euro	JPHQ	Sell	18,684,804	198,445,700 NOK	3/16/21	278,786	—
Mexican Peso	CITI	Sell	545,017,000	25,079,239	3/16/21	—	(2,110,193)
Australian Dollar	HSBK	Sell	9,830,000	754,855,530 JPY	3/17/21	—	(267,850)
Mexican Peso	MSCO	Sell	616,953,800	29,350,721	3/17/21	—	(1,423,820)
South Korean Won	CITI	Buy	4,215,000,000	3,841,212	3/22/21	32,601	—
South Korean Won	CITI	Sell	4,215,000,000	3,570,521	3/22/21	—	(303,292)
Mexican Peso	MSCO	Sell	103,277,000	4,655,682	3/24/21	—	(491,676)
Euro	HSBK	Sell	25,254,215	3,106,369,487 JPY	3/25/21	—	(796,535)
Euro	CITI	Sell	22,619,073	2,852,513,891 JPY	3/29/21	—	(33,258)
Euro	CITI	Sell	33,700,000	41,090,747	3/29/21	—	(158,961)
Euro	CITI	Sell	22,619,073	2,787,144,769 JPY	3/31/21	—	(667,530)
Euro	JPHQ	Sell	20,737,524	230,077,650 NOK	3/31/21	1,444,635	—
Mexican Peso	GSCO	Sell	452,466,000	20,057,895	4/05/21	—	(2,461,254)
Australian Dollar	HSBK	Sell	14,684,959	1,111,761,533 JPY	4/13/21	—	(552,412)
Australian Dollar	JPHQ	Sell	28,382,293	2,152,140,576 JPY	4/13/21	—	(1,034,821)
Euro	GSCO	Sell	7,929,022	8,527,545 CHF	4/13/21	—	(48,144)
Euro	UBSW	Sell	5,043,109	5,430,597 CHF	4/13/21	—	(22,909)
Mexican Peso	CITI	Sell	211,419,600	9,442,126	4/13/21	—	(1,070,288)
Swiss Franc	GSCO	Sell	8,527,545	7,869,025 EUR	4/13/21	—	(25,319)
Swiss Franc	UBSW	Sell	5,430,597	5,022,192 EUR	4/13/21	—	(2,703)
Euro	DBAB	Sell	13,397,109	138,688,215 SEK	4/15/21	472,712	—
Euro	DBAB	Sell	10,025,271	104,016,200 SEK	4/16/21	382,005	—
South Korean Won	HSBK	Buy	7,007,000,000	6,387,187	4/20/21	51,727	—
South Korean Won	HSBK	Sell	7,007,000,000	6,116,979	4/20/21	—	(321,935)
Australian Dollar	MSCO	Buy	2,096,000	1,573,425	4/21/21	44,118	—
Australian Dollar	MSCO	Sell	2,096,000	1,489,732	4/21/21	—	(127,811)
Euro	CITI	Sell	20,106,927	2,467,743,293 JPY	4/30/21	—	(695,979)
Japanese Yen	CITI	Buy	4,212,680,000	40,850,745	4/30/21	5,207	—
Mexican Peso	CITI	Sell	660,655,100	29,513,293	4/30/21	—	(3,270,712)
Australian Dollar	CITI	Sell	2,393,000	178,673,345 JPY	5/06/21	—	(113,934)
Mexican Peso	CITI	Sell	23,651,000	1,136,767	5/13/21	—	(35,079)
Japanese Yen	CITI	Buy	727,486,679	6,927,290	5/17/21	129,647	—
Euro	GSCO	Sell	1,230,811	1,466,757	5/20/21	—	(41,521)
Euro	JPHQ	Sell	13,349,846	15,865,958	5/24/21	—	(494,839)
Euro	MSCO	Sell	30,744,500	36,649,289	5/27/21	—	(1,031,858)
Indian Rupee	CITI	Buy	151,776,500	2,018,439	6/08/21	22,621	—
Euro	UBSW	Sell	8,063,735	8,689,078 CHF	6/09/21	—	(25,950)
Indian Rupee	CITI	Buy	89,376,700	1,187,888	6/09/21	13,873	—
Swiss Franc	UBSW	Sell	8,689,078	8,031,536 EUR	6/09/21	—	(13,525)
Euro	DBAB	Sell	26,961,737	277,376,415 SEK	6/11/21	715,728	—
Euro	DBAB	Sell	5,298,434	54,462,600 SEK	6/15/21	134,650	—
Euro	DBAB	Sell	6,199,274	66,595,700 NOK	6/15/21	161,704	—
Japanese Yen	CITI	Buy	3,558,290,259	34,310,001	6/15/21	219,747	—
Japanese Yen	JPHQ	Buy	14,722,547,314	141,897,232	6/15/21	970,779	—
Chinese Yuan	HSBK	Buy	68,493,670	10,378,458	6/16/21	45,237	—
Euro	DBAB	Sell	9,571,391	101,812,800 NOK	6/16/21	131,868	—

Templeton Global Bond VIP Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counter-party ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Euro	DBAB	Sell	13,578,730	138,736,600 SEK	6/16/21	\$242,685	\$—
Euro	DBAB	Sell	8,945,963	95,003,000 NOK	6/18/21	104,365	—
Euro	JPHQ	Sell	2,465,027	25,140,000 SEK	6/18/21	38,416	—
Japanese Yen	BNDP	Buy	2,244,657,680	21,784,862	6/22/21	—	(695)
Euro	CITI	Sell	22,619,081	2,788,932,752 JPY	6/30/21	—	(673,981)
Australian Dollar	JPHQ	Sell	5,931,544	451,307,483 JPY	7/13/21	—	(198,506)
Euro	DBAB	Sell	5,298,435	54,526,200 SEK	9/15/21	134,636	—
Euro	DBAB	Sell	6,199,272	66,742,600 NOK	9/15/21	160,218	—
Euro	JPHQ	Sell	19,009,633	202,667,400 NOK	9/20/21	255,851	—
Japanese Yen	JPHQ	Buy	1,180,260,000	11,507,883	9/21/21	—	(39,917)
Japanese Yen	MSCO	Buy	9,526,876,470	92,355,861	9/21/21	211,797	—
Total Forward Exchange Contracts						\$18,677,539	\$(79,165,402)
Net unrealized appreciation (depreciation)							\$(60,487,863)

* In U.S. dollars unless otherwise indicated.

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

See Note 10 regarding other derivative information.

See Abbreviations on page TGB-41.

Statement of Assets and Liabilities

December 31, 2020

	Templeton Global Bond VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,275,299,667
Cost - Non-controlled affiliates (Note 3e)	221,215,254
Value - Unaffiliated issuers	\$2,099,101,076
Value - Non-controlled affiliates (Note 3e)	221,215,254
Cash	1,407,633
Restricted currency, at value (cost \$3,193) (Note 1d)	3,151
Foreign currency, at value (cost \$3,787,220)	3,781,188
Receivables:	
Capital shares sold	1,004,347
Interest	14,628,365
Deposits with brokers for:	
OTC derivative contracts	66,930,973
Unrealized appreciation on OTC forward exchange contracts	18,677,539
Other assets	337
Total assets	<u>2,426,749,863</u>
Liabilities:	
Payables:	
Investment securities purchased	463,749
Capital shares redeemed	1,016,699
Management fees	880,640
Distribution fees	448,759
Options written, at value (premiums received \$16,875,384)	18,551,294
Unrealized depreciation on OTC forward exchange contracts	79,165,402
Deferred tax	1,286,229
Accrued expenses and other liabilities	975,561
Total liabilities	<u>102,788,333</u>
Net assets, at value	<u>\$2,323,961,530</u>
Net assets consist of:	
Paid-in capital	\$2,743,348,578
Total distributable earnings (losses)	(419,387,048)
Net assets, at value	<u>\$2,323,961,530</u>

Statement of Assets and Liabilities (continued)

December 31, 2020

	Templeton Global Bond VIP Fund
Class 1:	
Net assets, at value	\$224,703,591
Shares outstanding	15,502,215
Net asset value and maximum offering price per share	<u>\$14.49</u>
Class 2:	
Net assets, at value	\$2,022,486,543
Shares outstanding	146,390,649
Net asset value and maximum offering price per share	<u>\$13.82</u>
Class 4:	
Net assets, at value	\$76,771,396
Shares outstanding	5,419,116
Net asset value and maximum offering price per share	<u>\$14.17</u>

Statement of Operations

for the year ended December 31, 2020

	Templeton Global Bond VIP Fund
Investment income:	
Dividends:	
Non-controlled affiliates (Note 3e)	\$1,688,580
Interest: (net of foreign taxes of \$2,639,472)	
Unaffiliated issuers	93,505,721
Total investment income.	<u>95,194,301</u>
Expenses:	
Management fees (Note 3a)	11,349,848
Distribution fees: (Note 3c)	
Class 2	5,317,115
Class 4	282,633
Custodian fees (Note 4)	470,321
Reports to shareholders	347,279
Professional fees	146,095
Trustees' fees and expenses	14,825
Other	113,159
Total expenses	<u>18,041,275</u>
Expense reductions (Note 4)	(356,564)
Expenses waived/paid by affiliates (Note 3e)	<u>(1,044,163)</u>
Net expenses	<u>16,640,548</u>
Net investment income	<u>78,553,753</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$451,244)	
Unaffiliated issuers	(88,414,051)
Written options	(21,331,965)
Foreign currency transactions	(7,181,805)
Forward exchange contracts	(21,322,484)
Swap contracts	<u>(117,098,171)</u>
Net realized gain (loss)	<u>(255,348,476)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	45,401,707
Translation of other assets and liabilities denominated in foreign currencies	558,772
Written options	(7,062,273)
Forward exchange contracts	(24,408,172)
Swap contracts	28,588,210
Change in deferred taxes on unrealized appreciation	<u>(205,474)</u>
Net change in unrealized appreciation (depreciation)	<u>42,872,770</u>
Net realized and unrealized gain (loss)	<u>(212,475,706)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$(133,921,953)</u>

Statements of Changes in Net Assets

	Templeton Global Bond VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$78,553,753	\$143,948,395
Net realized gain (loss)	(255,348,476)	40,922,392
Net change in unrealized appreciation (depreciation)	42,872,770	(136,420,695)
Net increase (decrease) in net assets resulting from operations	(133,921,953)	48,450,092
Distributions to shareholders:		
Class 1	(22,006,093)	(22,427,340)
Class 2	(177,353,662)	(175,601,316)
Class 4	(6,338,562)	(6,224,019)
Distributions to shareholders from tax return of capital:		
Class 1	(1,661)	—
Class 2	(13,386)	—
Class 4	(478)	—
Total distributions to shareholders	(205,713,842)	(204,252,675)
Capital share transactions: (Note 2)		
Class 1	(61,786,697)	55,417,128
Class 2	(74,631,398)	(21,954,185)
Class 4	(2,661,086)	758,324
Total capital share transactions	(139,079,181)	34,221,267
Net increase (decrease) in net assets	(478,714,976)	(121,581,316)
Net assets:		
Beginning of year	2,802,676,506	2,924,257,822
End of year	\$2,323,961,530	\$2,802,676,506

Notes to Financial Statements

Templeton Global Bond VIP Fund

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

Investments in open-end mutual funds are valued at the closing NAV.

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

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

b. Foreign Currency Translation

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

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

b. Foreign Currency Translation (continued)

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. Derivative Financial Instruments

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

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral terms are contract specific for OTC derivatives. 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, 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.

Templeton Global Bond VIP Fund (continued)**1. Organization and Significant Accounting Policies**

(continued)

c. Derivative Financial Instruments (continued)

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

See Note 10 regarding other derivative information.

d. Restricted Currency

At December 31, 2020, the Fund held currencies in certain markets in which the ability to repatriate such currency is limited. As a result of such limitations on repatriation, the Fund may incur substantial delays in gaining access to these assets and may be exposed to potential adverse movements in currency value.

e. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date. Distributions to shareholders are

Templeton Global Bond VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

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

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.

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

h. Guarantees and Indemnifications

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	4,250,493	\$64,180,339	5,087,795	\$89,164,653
Shares issued in reinvestment of distributions	1,520,923	22,007,754	1,330,210	22,427,340
Shares redeemed	(9,677,321)	(147,974,790)	(3,257,868)	(56,174,865)
Net increase (decrease)	(3,905,905)	\$(61,786,697)	3,160,137	\$55,417,128
Class 2 Shares:				
Shares sold	10,329,028	\$147,468,530	7,233,859	\$119,112,193
Shares issued in reinvestment of distributions	12,843,378	177,367,048	10,873,146	175,601,316
Shares redeemed	(26,982,602)	(399,466,976)	(19,122,225)	(316,667,694)
Net increase (decrease)	(3,810,196)	\$(74,631,398)	(1,015,220)	\$(21,954,185)

Templeton Global Bond VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 4 Shares:				
Shares sold	867,773	\$12,730,613	692,994	\$11,712,750
Shares issued in reinvestment of distributions	447,356	6,339,040	376,529	6,224,019
Shares redeemed	(1,443,142)	(21,730,739)	(1,010,027)	(17,178,445)
Net increase (decrease)	(128,013)	\$(2,661,086)	59,496	\$758,324

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Management Fees

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

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

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.460% 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.

Templeton Global Bond VIP Fund (continued)

3. Transactions with Affiliates (continued)

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Templeton Global Bond VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$691,092,548	\$1,042,673,135	\$(1,512,550,429)	\$—	\$—	\$221,215,254	221,215,254	\$1,688,580
Total Affiliated Securities	\$691,092,548	\$1,042,673,135	\$(1,512,550,429)	\$—	\$—	\$221,215,254		\$1,688,580

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$9,962,453
Long term	186,743,959
Total capital loss carryforwards	\$196,706,412

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$205,698,317	\$204,252,675
Return of capital	15,525	—
	\$205,713,842	\$204,252,675

Templeton Global Bond VIP Fund (continued)**5. Income Taxes** (continued)

At December 31, 2020, the cost of investments and net unrealized appreciation (depreciation), for income tax purposes were as follows:

Cost of investments	\$2,463,160,595
Unrealized appreciation	\$164,932,086
Unrealized depreciation	(386,815,507)
Net unrealized appreciation (depreciation)	<u>\$(221,883,421)</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, options sold, swaps, inflation related adjustments on foreign securities and tax straddles.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$883,018,892 and \$947,470,844, respectively.

7. Credit Risk

At December 31, 2020, the Fund had 7.6% 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

Investments in issuers domiciled or with significant operations in developing or emerging market countries may be subject to higher risks than investments in developed countries. These risks include fluctuating currency values, underdeveloped legal or business systems, 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. Currencies of developing or emerging market countries may be subject to significantly greater risks than currencies of developed countries, including the potential inability to repatriate those currencies into U.S. dollars.

At December 31, 2020, the Fund had 2.0% of its net assets denominated in Argentine Pesos. Argentina has restricted currency repatriation since September 2019, and had restructured certain issues of its debt. Political and economic conditions in Argentina could continue to affect the value of the Fund's holdings.

9. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

Templeton Global Bond VIP Fund (continued)

10. Other Derivative Information

At December 31, 2020, 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
Templeton Global Bond VIP Fund				
Foreign exchange contracts . . .				
	Investments in securities, at value	\$15,458,722 ^a	Options written, at value	\$18,551,294
	Unrealized appreciation on OTC forward exchange contracts	18,677,539	Unrealized depreciation on OTC forward exchange contracts	79,165,402
Total		<u>\$34,136,261</u>		<u>\$97,716,696</u>

^aPurchased option contracts are included in investments in securities, at value in the Statements of Assets and Liabilities.

For the year ended December 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Templeton Global Bond VIP Fund				
Interest rate contracts				
	Swap contracts	\$(117,098,171)	Swap contracts	\$28,588,210
Foreign exchange contracts . . .				
	Investments	27,890,115 ^a	Investments	5,176,467 ^a
	Written options	(21,331,965)	Written options	(7,062,273)
	Forward exchange contracts	(21,322,484)	Forward exchange contracts	(24,408,172)
Total		<u>\$(131,862,505)</u>		<u>\$2,294,232</u>

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

For the year ended December 31, 2020, the average month end notional amount of swap contracts and options represented \$60,563,231 and \$2,863,855,977, respectively. The average month end contract value of forward exchange contracts was \$2,916,651,060.

See Note 1(c) regarding derivative financial instruments.

Templeton Global Bond VIP Fund (continued)

10. Other Derivative Information (continued)

At December 31, 2020, 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		
Templeton Global Bond VIP Fund		
Forward exchange contracts	\$18,677,539	\$79,165,402
Options purchased	15,458,722	—
Options written	—	18,551,294
Total	\$34,136,261	\$97,716,696

^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 December 31, 2020, OTC derivative assets, which may be offset against OTC derivative liabilities and collateral received from the counterparty, are as follows:

	Amounts Not Offset in the Statement of Assets and Liabilities				
	Gross Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received^{a,b}	Cash Collateral Received	Net Amount (Not less than zero)
Templeton Global Bond VIP Fund					
Counterparty					
BNDP	\$—	\$—	\$—	\$—	\$—
BOFA	—	—	—	—	—
CITI	12,406,469	(12,406,469)	—	—	—
DBAB	4,523,419	(2,491,556)	(1,624,786)	—	407,077
GSCO	2,232,176	(2,232,176)	—	—	—
HSBK	3,989,338	(3,989,338)	—	—	—
JPHQ	6,954,933	(6,954,933)	—	—	—
MSCO	3,848,353	(3,848,353)	—	—	—
UBSW	181,573	(181,573)	—	—	—
Total	\$34,136,261	\$(32,104,398)	\$(1,624,786)	\$—	\$407,077

Templeton Global Bond VIP Fund (continued)

10. Other Derivative Information (continued)

At December 31, 2020, OTC derivative liabilities, which may be offset against OTC derivative assets and collateral pledged to the counterparty, are as follows:

	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 ^b	
Templeton Global Bond VIP Fund					
Counterparty					
BNDP	\$695	\$—	\$—	\$—	\$695
BOFA	239,622	—	—	(239,622)	—
CITI	49,885,523	(12,406,469)	—	(37,479,054)	—
DBAB	2,491,556	(2,491,556)	—	—	—
GSCO	7,465,318	(2,232,176)	—	(5,230,000)	3,142
HSBK	19,836,859	(3,989,338)	—	(15,847,521)	—
JPHQ	9,145,278	(6,954,933)	—	(2,190,345)	—
MSCO	8,203,805	(3,848,353)	—	(4,355,452)	—
UBSW	448,040	(181,573)	—	(266,467)	—
Total	\$97,716,696	\$(32,104,398)	\$—	\$(65,608,461)	\$3,837

^aAt December 31, 2020, the Fund received 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 the 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-41.

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

Templeton Global Bond VIP Fund (continued)

12. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Global Bond VIP Fund				
Assets:				
Investments in Securities:				
Foreign Government and Agency Securities:				
Argentina	\$—	\$—	\$43,034,720	\$43,034,720
Brazil	—	22,641,507	—	22,641,507
Colombia	—	41,999,479	—	41,999,479
Ghana	—	37,080,890	—	37,080,890
India	—	92,197,182	—	92,197,182
Indonesia	—	114,639,022	—	114,639,022
Mexico	—	336,292,026	—	336,292,026
Norway	—	128,738,149	—	128,738,149
South Korea	—	255,571,289	—	255,571,289
Supranational	—	10,946,188	—	10,946,188
U.S. Government and Agency Securities	—	482,485,970	—	482,485,970
Options purchased	—	15,458,722	—	15,458,722
Short Term Investments	463,932,128	272,288,667	3,010,391	739,231,186
Total Investments in Securities	\$463,932,128	\$1,810,339,091	\$46,045,111	\$2,320,316,330
Other Financial Instruments:				
Forward exchange contracts	\$—	\$18,677,539	\$—	\$18,677,539
Restricted Currency (ARS)	—	—	3,151	3,151
Total Other Financial Instruments	\$—	\$18,677,539	\$3,151	\$18,680,690
Receivables:				
Interest (ARS)	\$—	\$—	\$947,439	\$947,439
Liabilities:				
Other Financial Instruments:				
Options written	\$—	\$18,551,294	\$—	\$18,551,294
Forward exchange contracts	—	79,165,402	—	79,165,402
Total Other Financial Instruments	\$—	\$97,716,696	\$—	\$97,716,696
Payables:				
Investment Securities Purchased (ARS)	\$—	\$—	\$463,749	\$463,749
Deferred Tax (ARS)	\$—	\$—	\$2,124	\$2,124

Templeton Global Bond VIP Fund (continued)

12. Fair Value Measurements (continued)

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the year. At December 31, 2020, the reconciliation is as follows:

	Balance at Beginning of Year	Purchases	Sales	Transfer Into Level 3	Transfer Out of Level 3	Cost Basis Adjust- ments ^a	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
Templeton Global Bond VIP Fund										
Assets:										
Investments in Securities:										
Foreign Government and Agency Securities:										
Argentina	\$35,675,197	\$28,179,321	\$(10,217,792)	\$—	\$—	\$7,089,775	\$(18,641,512)	\$949,731	\$43,034,720	\$(6,646,977)
Short Term Investments	3,394,233	3,129,601	(2,160,508)	—	—	388,475	(817,458)	(923,952)	3,010,391	84,863
Total Investments in Securities.	\$39,069,430	\$31,308,922	\$(12,378,300)	\$—	\$—	7,478,250	(19,458,970)	25,779	\$46,045,111	\$(6,562,114)
Other Financial Instruments:										
Restricted Currency (ARS)	\$8,460,563	\$18,433,690	\$(25,517,801)	\$—	\$—	\$—	\$(1,603,199)	\$229,898	\$3,151	\$(42)
Receivables:										
Interest (ARS)	\$1,601,869	\$10,006,358	\$(9,462,346)	\$—	\$—	\$—	\$(1,350,526)	\$152,084	\$947,439	\$33,577
Liabilities:										
Payables:										
Deferred Tax (ARS)	\$4,066	\$—	\$—	\$—	\$—	\$—	\$—	\$(1,942)	\$2,124	\$(1,942)
Investment Securities Purchased (ARS)	\$—	\$463,749	\$—	\$—	\$—	\$—	\$—	\$—	\$463,749	\$—

^aMay include accretion, amortization, partnership adjustments, and/or other cost basis adjustments.

Significant unobservable valuation inputs for material Level 3 assets and/or liabilities and impact to fair value as a result of changes in unobservable valuation inputs as of December 31, 2020, are as follows:

Description	Fair Value at End of Year	Valuation Technique	Unobservable Inputs	Amount	Impact to Fair Value if Input Increases ^a
Templeton Global Bond VIP Fund					
Assets:					
Investments in Securities:					
Foreign Government and Agency Securities:					
Argentina	\$43,034,720	Market comparables	Implied foreign exchange rate	143.8 ARS/USD	Decrease ^b
Short Term Investments:					
Argentina	3,010,391	Market comparables	Implied foreign exchange rate	143.8 ARS/USD	Decrease ^c
All Other	950,590 ^d				
Liabilities:					
All Other	465,873 ^d				
Total	\$46,529,828				

Templeton Global Bond VIP Fund (continued)**12. Fair Value Measurements** (continued)

- ^a Represents the directional change in the fair value of the Level 3 financial instruments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.
- ^b Represents a significant impact to fair value and net assets.
- ^c Represents a significant impact to fair value but not net assets.
- ^d Includes fair value of immaterial assets and/or liabilities developed using various valuation techniques and unobservable inputs. May also include values derived using private transaction prices or non-public third party pricing information which is unobservable.

13. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

14. Subsequent Events

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

Abbreviations

Counterparty	Currency
BNDP BNP Paribas SA	ARS Argentine Peso
BOFA Bank of America Corp.	AUD Australian Dollar
CITI Citibank NA	BRL Brazilian Real
DBAB Deutsche Bank AG	CHF Swiss Franc
GSCO Goldman Sachs Group, Inc.	COP Colombian Peso
HSBK HSBC Bank plc	GHS Ghanaian Cedi
JPHQ JPMorgan Chase Bank NA	IDR Indonesian Rupiah
MSCO Morgan Stanley	INR Indian Rupee
UBSW UBS AG	JPY Japanese Yen
	KRW South Korean Won
	MXN Mexican Peso
	NOK Norwegian Krone
	SEK Swedish Krona
	USD United States Dollar
Selected Portfolio	
BADLAR Argentina Deposit Rates Badlar Private Banks ARS	
FRN Floating Rate Note	

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Global Bond VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Templeton Global Bond VIP Fund

At December 31, 2020, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2021 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

Templeton Growth VIP Fund

This annual report for Templeton Growth VIP Fund covers the fiscal year ended December 31, 2020.

Class 2 Performance Summary as of December 31, 2020

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

Share Class	Average Annual Total Return
2	
1-Year	+5.80%
5-Year	+6.15%
10-Year	+6.08%

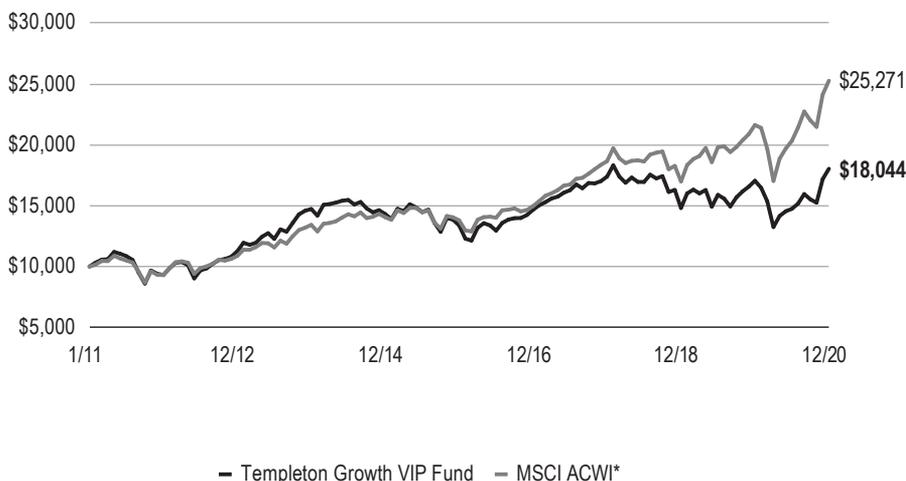
*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values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

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

Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/11–12/31/20)

The graph below shows the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and includes reinvestment of any income or distributions. The Fund's performance is compared to the performance of the MSCI All Country World Index (ACWI). One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Please see Important Notes to Performance Information preceding the Fund Summaries.



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

Templeton Growth VIP Fund

Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests primarily in equity securities (primarily common stocks) of companies located anywhere in the world, including developing markets.

Fund Risks

All investments involve risks, including possible loss of principal. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in developing markets involve heightened risks related to the same factors. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current political uncertainty concerning the economic consequences of the departure of the U.K. from the European Union may increase market volatility. Derivatives involve costs and can create economic leverage which may result in significant volatility and cause the Fund to participate in losses (and enable gains) on an amount that exceeds the Fund's initial investment. In addition, securities issued by small- and mid-capitalization companies have historically experienced more price volatility than larger-company stocks, especially over the short term and may involve additional risks. 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.

Geographic Composition

12/31/20

	% of Total Net Assets
North America	35.3%
Asia	28.4%
Europe	26.1%
Latin America & Caribbean	1.8%
Short-Term Investments & Other Net Assets	8.4%

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI), posted a +16.82% total return for the period under review.¹

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI ACWI (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.¹ Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the

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

2. Source: U.S. Bureau of Labor Statistics.

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

summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.²

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.¹

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.¹ Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.¹ In spite of higher COVID-19 cases in some countries, emerging

market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

Investment Strategy

Our investment philosophy is bottom up, value oriented and long term. When choosing equity investments for the Fund, we focus on the market price of a company's securities relative to our evaluation of the company's potential long-term earnings, asset value and cash flow. Our analysis includes an assessment of the potential impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider a company's price/earnings ratio, price/cash flow ratio, profit margins and liquidation value.

The Fund may, from time to time, seek to hedge (protect) against currency risks, using certain currency-related derivative instruments. The Fund may also use a variety of equity-related derivatives for various purposes including enhancing Fund returns, increasing liquidity and gaining exposure to particular markets in more efficient or less expensive ways.

Manager's Discussion

During the 12 months under review, significant detractors from the Fund's performance relative to the MSCI ACWI included stock selection and a large underweighting in the information technology (IT) sector, as well as stock selection in the consumer discretionary, communication services and energy sectors. There are no consumer discretionary stocks among the Fund's top individual detractors.

Within IT, our position in Japan-based electronic equipment and components manufacturer Kyocera hindered relative returns.

In the communication services sector, our positions in Luxembourg-based satellite operator SES and U.S. diversified telecommunication services provider Verizon Communications hurt relative results. SES reported weaker-than-expected fourth-quarter 2019 results and lowered fiscal-year 2020 revenue and earnings guidance due to lower-than-expected revenue growth in its video business and slowing growth in its networks business. Management also substantially cut the dividend, citing the need to protect its investment-grade debt rating.

Within energy, oil companies faced headwinds brought on by pandemic disruptions, pricing pressures and demand weakness. Our positions in U.S. oil and gas exploration

and production company Apache (not held at period-end), Netherlands-based oil and natural gas producer Royal Dutch Shell and U.K.-based integrated oil and gas company BP detracted from relative results.

Other key individual relative detractors included our positions in financial services firms ING Groep (Netherlands) and BNP Paribas (France). The Fund closed its positions in both firms during the period.

Conversely, key contributors to the Fund's relative performance included stock selection and overweightings in the materials and industrials sectors.

Within materials, our positions in U.S. gold and copper mining company Freeport-McMoRan; Canadian mining firm Wheaton Precious Metals, which has operations in Brazil; and Netherlands-based steelmaking and mining company ArcelorMittal boosted relative performance. Freeport-McMoRan's shares rallied over the summer as copper prices rose to the highest level in more two years and gold hit an all-time price high. The firm recently announced a well-received austerity plan to help weather this period of uncertainty, including capital expenditure reduction, executive pay cuts and a suspension of the dividend. Wheaton Precious Metals benefited from higher gold prices amid investor concerns about excess debt, economic turmoil and the potentially inflationary impact of extreme monetary accommodation.

In the industrials sector, Denmark-based integrated logistics company AP Moller - Maersk, U.S. logistics and package delivery company United Parcel Service and German industrial conglomerate Siemens supported relative performance.

Elsewhere, South Korean semiconductor, electronics and computer peripherals manufacturer Samsung Electronics benefited relative performance. Its shares overcame the initial supply chain concerns amid the onset of the COVID-19 pandemic and rose amid an improving outlook for the memory chip market and expectations for the company to raise its dividends. New foundry orders from high-profile clients lifted market confidence in its chip-making business. Furthermore, many investors became optimistic about potential market share gains for the company across the semiconductor, smartphone, and 5G network equipment industries amid escalating U.S. restrictions against Chinese technology-related companies.

From a geographic perspective, key detractors from the Fund's relative performance included stock selection and an overweighting in the eurozone, especially in France;

Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage & Peripherals, South Korea</i>	3.9%
Sanofi <i>Pharmaceuticals, France</i>	2.6%
Walt Disney Co. (The) <i>Entertainment, United States</i>	2.4%
Anheuser-Busch InBev SA/NV <i>Beverages, Belgium</i>	2.3%
Roche Holding AG <i>Pharmaceuticals, Switzerland</i>	2.3%
Verizon Communications, Inc. <i>Diversified Telecommunication Services, United States</i>	2.2%
Dollar Tree, Inc. <i>Multiline Retail, United States</i>	2.1%
Comcast Corp. <i>Media, United States</i>	2.1%
Sysco Corp. <i>Food & Staples Retailing, United States</i>	2.0%
EPAM Systems, Inc. <i>IT Services, United States</i>	1.9%

stock selection and a large underweighting in the U.S.; and stock selection in Asia ex Japan, especially in China. Stock selection and an overweighting in the U.K., as well as stock selection in Japan, also hurt relative results. Conversely, stock selection and a modest overweighting in Canada, as well as positioning in Israel, benefited relative performance.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended December 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's substantial investment in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2020, 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 Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	Ending Account Value 12/31/20	Fund-Level Expenses Paid During Period 7/1/20–12/31/20 ^{1,2}	
2	\$1,000	\$1,223.40	\$6.48	\$1,019.31	\$5.88	1.16%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 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 Growth VIP Fund

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.15	\$12.44	\$16.24	\$13.93	\$13.54
Income from investment operations ^a :					
Net investment income ^b	0.24 ^c	0.30	0.28	0.29	0.26
Net realized and unrealized gains (losses)	0.36	1.30	(2.42)	2.30	0.96
Total from investment operations	0.60	1.60	(2.14)	2.59	1.22
Less distributions from:					
Net investment income	(0.33)	(0.40)	(0.35)	(0.28)	(0.31)
Net realized gains	—	(2.49)	(1.31)	—	(0.52)
Total distributions	(0.33)	(2.89)	(1.66)	(0.28)	(0.83)
Net asset value, end of year	\$11.42	\$11.15	\$12.44	\$16.24	\$13.93
Total return ^d	5.99%	15.43%	(14.61)%	18.77%	9.90%
Ratios to average net assets					
Expenses ^e	0.91%	0.86%	0.83%	0.82% ^f	0.82%
Net investment income	2.42% ^c	2.52%	1.90%	1.94%	2.01%
Supplemental data					
Net assets, end of year (000's)	\$92,653	\$97,988	\$354,164	\$466,207	\$453,997
Portfolio turnover rate	63.65%	19.69%	29.25%	26.46%	22.88%

^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.

^cNet investment income per share includes approximately \$0.13 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.08%.

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

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

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

Templeton Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.90	\$12.21	\$15.97	\$13.70	\$13.32
Income from investment operations ^a :					
Net investment income ^b	0.21 ^c	0.26	0.24	0.25	0.23
Net realized and unrealized gains (losses)	0.36	1.28	(2.38)	2.26	0.94
Total from investment operations	0.57	1.54	(2.14)	2.51	1.17
Less distributions from:					
Net investment income	(0.30)	(0.36)	(0.31)	(0.24)	(0.27)
Net realized gains	—	(2.49)	(1.31)	—	(0.52)
Total distributions	(0.30)	(2.85)	(1.62)	(0.24)	(0.79)
Net asset value, end of year	\$11.17	\$10.90	\$12.21	\$15.97	\$13.70
Total return ^d	5.80%	15.15%	(14.85)%	18.50%	9.62%
Ratios to average net assets					
Expenses ^e	1.16%	1.11%	1.08%	1.07% ^f	1.07%
Net investment income	2.17% ^c	2.27%	1.65%	1.69%	1.76%
Supplemental data					
Net assets, end of year (000's)	\$603,996	\$659,412	\$625,311	\$879,521	\$876,128
Portfolio turnover rate	63.65%	19.69%	29.25%	26.46%	22.88%

^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.

^cNet investment income per share includes approximately \$0.13 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.83%.

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

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

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

Templeton Growth VIP Fund (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.07	\$12.36	\$16.13	\$13.83	\$13.44
Income from investment operations ^a :					
Net investment income ^b	0.20 ^c	0.26	0.23	0.24	0.22
Net realized and unrealized gains (losses)	0.36	1.29	(2.40)	2.28	0.94
Total from investment operations	0.56	1.55	(2.17)	2.52	1.16
Less distributions from:					
Net investment income	(0.28)	(0.35)	(0.29)	(0.22)	(0.25)
Net realized gains	—	(2.49)	(1.31)	—	(0.52)
Total distributions	(0.28)	(2.84)	(1.60)	(0.22)	(0.77)
Net asset value, end of year	\$11.35	\$11.07	\$12.36	\$16.13	\$13.83
Total return ^d	5.65%	14.97%	(14.88)%	18.38%	9.47%
Ratios to average net assets					
Expenses ^e	1.26%	1.21%	1.18%	1.17% ^f	1.17%
Net investment income	2.04% ^c	2.17%	1.55%	1.59%	1.66%
Supplemental data					
Net assets, end of year (000's)	\$23,213	\$27,330	\$28,238	\$38,798	\$43,286
Portfolio turnover rate	63.65%	19.69%	29.25%	26.46%	22.88%

^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.

^cNet investment income per share includes approximately \$0.13 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.70%.

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

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

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

Statement of Investments, December 31, 2020

Templeton Growth VIP Fund

	Country	Shares	Value
Common Stocks 91.6%			
Aerospace & Defense 1.1%			
BAE Systems plc	United Kingdom	1,134,492	\$7,566,224
Air Freight & Logistics 1.2%			
United Parcel Service, Inc., B	United States	49,933	8,408,717
Airlines 2.1%			
^a International Consolidated Airlines Group SA	United Kingdom	2,045,990	4,452,397
^a Japan Airlines Co. Ltd.	Japan	302,900	5,841,218
Southwest Airlines Co.	United States	103,627	4,830,055
			15,123,670
Auto Components 1.4%			
BorgWarner, Inc.	United States	127,369	4,921,538
Lear Corp.	United States	33,796	5,374,578
			10,296,116
Automobiles 1.6%			
Honda Motor Co. Ltd.	Japan	303,704	8,569,403
Isuzu Motors Ltd.	Japan	304,100	2,894,921
			11,464,324
Banks 2.6%			
Bangkok Bank PCL.	Thailand	1,552,060	6,160,283
KB Financial Group, Inc.	South Korea	159,595	6,329,057
Sumitomo Mitsui Financial Group, Inc.	Japan	203,248	6,300,313
			18,789,653
Beverages 5.7%			
Anheuser-Busch InBev SA/NV	Belgium	235,533	16,433,044
Kirin Holdings Co. Ltd.	Japan	479,892	11,331,688
Pernod Ricard SA	France	35,070	6,735,347
Suntory Beverage & Food Ltd.	Japan	185,560	6,572,424
			41,072,503
Chemicals 1.5%			
DuPont de Nemours, Inc.	United States	148,925	10,590,057
Consumer Finance 1.1%			
American Express Co.	United States	64,909	7,848,147
Diversified Telecommunication Services 2.2%			
Verizon Communications, Inc.	United States	272,877	16,031,524
Electric Utilities 0.9%			
Southern Co. (The)	United States	102,073	6,270,344
Electrical Equipment 1.2%			
Mitsubishi Electric Corp.	Japan	565,700	8,549,793
Electronic Equipment, Instruments & Components 1.6%			
Kyocera Corp.	Japan	192,100	11,790,794
Entertainment 3.1%			
Nexon Co. Ltd.	Japan	168,055	5,185,321
^a Walt Disney Co. (The)	United States	94,602	17,139,991
			22,325,312
Food & Staples Retailing 3.3%			
Kroger Co. (The)	United States	301,469	9,574,656

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Food & Staples Retailing (continued)			
Sysco Corp.	United States	193,867	\$14,396,563
			23,971,219
Food Products 1.5%			
Danone SA	France	38,013	2,501,592
Kellogg Co.	United States	134,062	8,342,678
			10,844,270
Health Care Equipment & Supplies 2.3%			
Medtronic plc	United States	72,120	8,448,137
Zimmer Biomet Holdings, Inc.	United States	50,854	7,836,093
			16,284,230
Health Care Providers & Services 0.9%			
^a Laboratory Corp. of America Holdings	United States	32,468	6,608,861
Hotels, Restaurants & Leisure 6.1%			
Compass Group plc	United Kingdom	473,633	8,834,544
Galaxy Entertainment Group Ltd.	Macau	985,743	7,673,557
^a InterContinental Hotels Group plc	United Kingdom	105,260	6,822,932
Starbucks Corp.	United States	56,480	6,042,230
^a Whitbread plc	United Kingdom	77,440	3,280,335
Yum China Holdings, Inc.	China	193,597	11,052,453
			43,706,051
Household Durables 3.4%			
Gree Electric Appliances, Inc. of Zhuhai, A.	China	418,320	3,972,992
Panasonic Corp.	Japan	739,440	8,619,823
Sony Corp.	Japan	116,299	11,719,228
			24,312,043
Industrial Conglomerates 2.1%			
Honeywell International, Inc.	United States	31,539	6,708,345
Siemens AG	Germany	60,461	8,709,551
			15,417,896
Insurance 1.9%			
AIA Group Ltd.	Hong Kong	1,101,645	13,424,781
Internet & Direct Marketing Retail 3.2%			
^a Alibaba Group Holding Ltd.	China	347,140	10,096,404
^a Booking Holdings, Inc.	United States	5,950	13,252,256
			23,348,660
IT Services 1.9%			
^a EPAM Systems, Inc.	United States	37,826	13,554,947
Machinery 3.2%			
Komatsu Ltd.	Japan	440,500	12,157,046
Makita Corp.	Japan	141,800	7,112,281
Stanley Black & Decker, Inc.	United States	22,400	3,999,744
			23,269,071
Marine 1.2%			
AP Moller - Maersk A/S, B.	Denmark	3,925	8,734,832
Media 3.2%			
Comcast Corp., A	United States	283,862	14,874,369

Templeton Growth VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Media (continued)			
SES SA, FDR	Luxembourg	881,520	\$8,273,574
			23,147,943
Metals & Mining 4.5%			
^a ArcelorMittal SA	Luxembourg	437,880	10,014,705
Freeport-McMoRan, Inc.	United States	373,795	9,726,146
Wheaton Precious Metals Corp.	Brazil	305,786	12,778,542
			32,519,393
Multiline Retail 2.1%			
^a Dollar Tree, Inc.	United States	138,131	14,923,673
Multi-Utilities 1.9%			
E.ON SE	Germany	1,201,307	13,302,907
Oil, Gas & Consumable Fuels 2.7%			
BP plc.	United Kingdom	1,941,401	6,699,765
Marathon Petroleum Corp.	United States	205,827	8,513,005
Royal Dutch Shell plc, B	Netherlands	257,095	4,357,747
			19,570,517
Pharmaceuticals 6.8%			
Bayer AG	Germany	150,406	8,860,960
Roche Holding AG	Switzerland	46,662	16,252,308
Sanofi	France	189,625	18,379,778
Takeda Pharmaceutical Co. Ltd.	Japan	156,896	5,677,968
			49,171,014
Road & Rail 0.7%			
East Japan Railway Co.	Japan	31,800	2,121,549
Keisei Electric Railway Co. Ltd.	Japan	80,000	2,707,996
			4,829,545
Semiconductors & Semiconductor Equipment 2.0%			
Infineon Technologies AG	Germany	155,086	5,922,763
NXP Semiconductors NV	Netherlands	55,236	8,783,076
			14,705,839
Specialty Retail 3.0%			
Ross Stores, Inc.	United States	91,046	11,181,359
TJX Cos., Inc. (The)	United States	151,643	10,355,701
			21,537,060
Technology Hardware, Storage & Peripherals 3.9%			
Samsung Electronics Co. Ltd.	South Korea	373,630	27,858,828
Textiles, Apparel & Luxury Goods 1.9%			
^a adidas AG	Germany	14,503	5,276,479
^a Burberry Group plc	United Kingdom	339,141	8,282,463
			13,558,942
Wireless Telecommunication Services 0.6%			
^a T-Mobile US, Inc.	United States	34,074	4,594,879
Total Common Stocks (Cost \$505,801,221)			659,324,579

Templeton Growth VIP Fund (continued)

Short Term Investments 2.0%

	Country	Principal Amount [*]	Value
U.S. Government and Agency Securities 0.1%			
^b FFCB, 1/04/21	United States	600,000	\$600,000
Total U.S. Government and Agency Securities (Cost \$599,999)			600,000
Time Deposits 1.9%			
Royal Bank of Canada, 0.06%, 1/04/21	Canada	14,000,000	14,000,000
Total Time Deposits (Cost \$14,000,000)			14,000,000
Total Short Term Investments (Cost \$14,599,999)			14,600,000
Total Investments (Cost \$520,401,220) 93.6%			\$673,924,579
Other Assets, less Liabilities 6.4%			45,937,031
Net Assets 100.0%			\$719,861,610

See Abbreviations on page TG-26.

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

^aNon-income producing.

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

Statement of Assets and Liabilities

December 31, 2020

	Templeton Growth VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$520,401,220
Value - Unaffiliated issuers	\$673,924,579
Cash	807,467
Foreign currency, at value (cost \$34,509,513)	35,548,865
Receivables:	
Capital shares sold	55,835
Dividends and interest	1,446,438
European Union tax reclaims (Note 1d)	9,309,878
Other assets	90
Total assets	<u>721,093,152</u>
Liabilities:	
Payables:	
Capital shares redeemed	282,671
Management fees	504,914
Distribution fees	133,933
Reports to shareholders	91,422
Accrued contingent fees	90,131
Accrued expenses and other liabilities	128,471
Total liabilities	<u>1,231,542</u>
Net assets, at value	<u>\$719,861,610</u>
Net assets consist of:	
Paid-in capital	\$633,083,488
Total distributable earnings (losses)	86,778,122
Net assets, at value	<u>\$719,861,610</u>
	Templeton Growth VIP Fund
Class 1:	
Net assets, at value	\$92,653,108
Shares outstanding	8,110,910
Net asset value and maximum offering price per share	<u>\$11.42</u>
Class 2:	
Net assets, at value	\$603,995,905
Shares outstanding	54,096,505
Net asset value and maximum offering price per share	<u>\$11.17</u>
Class 4:	
Net assets, at value	\$23,212,597
Shares outstanding	2,045,491
Net asset value and maximum offering price per share	<u>\$11.35</u>

Statement of Operations

for the year ended December 31, 2020

	Templeton Growth VIP Fund
Investment income:	
Dividends: (net of foreign taxes of \$1,416,989)	
Unaffiliated issuers	\$12,909,452
Interest:	
Unaffiliated issuers	147,585
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	19,585
Non-controlled affiliates (Note 3e)	1,765
Other income (Note 1d)	8,848,969
Total investment income	<u>21,927,356</u>
Expenses:	
Management fees (Note 3a)	5,550,784
Distribution fees: (Note 3c)	
Class 2	1,384,369
Class 4	79,528
Custodian fees (Note 4)	86,248
Reports to shareholders	136,743
Professional fees	127,673
Trustees' fees and expenses	3,960
Other	82,486
Total expenses	<u>7,451,791</u>
Expenses waived/paid by affiliates (Note 3e)	<u>(5,723)</u>
Net expenses	7,446,068
Net investment income	<u>14,481,288</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$523,662)	
Unaffiliated issuers	(64,476,322)
Foreign currency transactions	289,094
Net realized gain (loss)	<u>(64,187,228)</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	77,670,255
Translation of other assets and liabilities denominated in foreign currencies	1,454,312
Change in deferred taxes on unrealized appreciation	388,289
Net change in unrealized appreciation (depreciation)	<u>79,512,856</u>
Net realized and unrealized gain (loss)	<u>15,325,628</u>
Net increase (decrease) in net assets resulting from operations	<u>\$29,806,916</u>

Statements of Changes in Net Assets

	Templeton Growth VIP Fund	
	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$14,481,288	\$19,938,552
Net realized gain (loss)	(64,187,228)	(13,584,687)
Net change in unrealized appreciation (depreciation)	79,512,856	128,174,019
Net increase (decrease) in net assets resulting from operations	29,806,916	134,527,884
Distributions to shareholders:		
Class 1	(2,680,578)	(20,901,613)
Class 2	(16,492,099)	(139,418,589)
Class 4	(659,619)	(6,044,047)
Total distributions to shareholders	(19,832,296)	(166,364,249)
Capital share transactions: (Note 2)		
Class 1	(7,082,982)	(275,115,440)
Class 2	(63,376,754)	82,734,600
Class 4	(4,382,946)	1,233,451
Total capital share transactions	(74,842,682)	(191,147,389)
Net increase (decrease) in net assets	(64,868,062)	(222,983,754)
Net assets:		
Beginning of year	784,729,672	1,007,713,426
End of year	\$719,861,610	\$784,729,672

Notes to Financial Statements

Templeton Growth 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 Growth VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at

Templeton Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

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

c. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2020, the Fund had no securities on loan.

d. 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

Templeton Growth VIP Fund (continued)**1. Organization and Significant Accounting Policies**
(continued)**d. Income and Deferred Taxes** (continued)

taxable income and net realized gains to relieve it from federal income and if applicable, excise taxes. As a result, no provision for U.S. federal income taxes is required.

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, 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.

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

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

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

f. 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.

Templeton Growth VIP Fund (continued)

1. Organization and Significant Accounting Policies
(continued)

g. 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 Trust.

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

2. Shares of Beneficial Interest

At December 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	111,654	\$1,099,154	68,873	\$790,173
Shares issued in reinvestment of distributions	287,000	2,680,578	2,083,910	20,901,613
Shares redeemed	(1,072,276)	(10,862,714)	(21,838,635)	(296,807,226)
Net increase (decrease)	(673,622)	\$(7,082,982)	(19,685,852)	\$(275,115,440)
Class 2 Shares:				
Shares sold	4,395,675	\$41,408,273	3,619,417	\$39,550,989
Shares issued in reinvestment of distributions	1,804,387	16,492,099	14,197,412	139,418,589
Shares redeemed	(12,576,995)	(121,277,126)	(8,538,686)	(96,234,978)
Net increase (decrease)	(6,376,933)	\$(63,376,754)	9,278,143	\$82,734,600
Class 4 Shares:				
Shares sold	102,362	\$966,885	148,576	\$1,690,506
Shares issued in reinvestment of distributions	71,003	659,619	605,616	6,044,047
Shares redeemed	(596,081)	(6,009,450)	(571,458)	(6,501,102)
Net increase (decrease)	(422,716)	\$(4,382,946)	182,734	\$1,233,451

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Global Advisors Limited (Global Advisors)	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

Templeton Growth VIP Fund (continued)**3. Transactions with Affiliates** (continued)**a. Management Fees**

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

Annualized Fee Rate	Net Assets
1.000%	Up to and including \$100 million
0.900%	Over \$100 million, up to and including \$250 million
0.800%	Over \$250 million, up to and including \$500 million
0.750%	Over \$500 million, up to and including \$1 billion
0.700%	Over \$1 billion, up to and including \$5 billion
0.675%	Over \$5 billion, up to and including \$10 billion
0.655%	Over \$10 billion, up to and including \$15 billion
0.635%	Over \$15 billion, up to and including \$20 billion
0.615%	In excess of \$20 billion

For the year ended December 31, 2020, the gross effective investment management fee rate was 0.841% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, the Fund held investments in affiliated management investment companies as follows:

Templeton Growth VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Templeton Growth VIP Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$50,965,751	\$(50,965,751)	\$—	\$—	\$— ^a	—	\$1,765
Total Affiliated Securities	\$—	\$50,965,751	\$(50,965,751)	\$—	\$—	\$—		\$1,765

^aAs of December 31, 2020, no longer held by the fund.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2020, there were no credits earned.

5. Income Taxes

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

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

Capital loss carryforwards not subject to expiration:

Short term	\$5,508,986
Long term	78,076,436
Total capital loss carryforwards	\$83,585,422

The tax character of distributions paid during the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$19,832,296	\$35,138,144
Long term capital gain	—	131,226,105
	\$19,832,296	\$166,364,249

At December 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$521,308,120
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Templeton Growth VIP Fund (continued)**5. Income Taxes** (continued)

Unrealized appreciation.	\$176,241,345
Unrealized depreciation.	(23,624,886)
Net unrealized appreciation (depreciation).	<u>\$152,616,459</u>
Distributable earnings:	
Undistributed ordinary income.	<u>\$7,392,894</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 wash sales, foreign currency transactions, EU reclaims and corporate actions.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, aggregated \$373,470,687 and \$440,775,172, respectively.

7. 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, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 5, 2021, the Borrowers, renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2020, the Fund did not use the Global Credit Facility.

Templeton Growth VIP Fund (continued)

10. Fair Value Measurements

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

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Templeton Growth VIP Fund (continued)

10. Fair Value Measurements (continued)

A summary of inputs used as of December 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Growth VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$7,566,224	\$—	\$7,566,224
Air Freight & Logistics	8,408,717	—	—	8,408,717
Airlines	4,830,055	10,293,615	—	15,123,670
Auto Components	10,296,116	—	—	10,296,116
Automobiles	—	11,464,324	—	11,464,324
Banks	—	18,789,653	—	18,789,653
Beverages	—	41,072,503	—	41,072,503
Chemicals	10,590,057	—	—	10,590,057
Consumer Finance	7,848,147	—	—	7,848,147
Diversified Telecommunication Services	16,031,524	—	—	16,031,524
Electric Utilities	6,270,344	—	—	6,270,344
Electrical Equipment	—	8,549,793	—	8,549,793
Electronic Equipment, Instruments & Components	—	11,790,794	—	11,790,794
Entertainment	17,139,991	5,185,321	—	22,325,312
Food & Staples Retailing	23,971,219	—	—	23,971,219
Food Products	8,342,678	2,501,592	—	10,844,270
Health Care Equipment & Supplies	16,284,230	—	—	16,284,230
Health Care Providers & Services	6,608,861	—	—	6,608,861
Hotels, Restaurants & Leisure	17,094,683	26,611,368	—	43,706,051
Household Durables	—	24,312,043	—	24,312,043
Industrial Conglomerates	6,708,345	8,709,551	—	15,417,896
Insurance	—	13,424,781	—	13,424,781
Internet & Direct Marketing Retail	13,252,256	10,096,404	—	23,348,660
IT Services	13,554,947	—	—	13,554,947
Machinery	3,999,744	19,269,327	—	23,269,071
Marine	—	8,734,832	—	8,734,832
Media	14,874,369	8,273,574	—	23,147,943
Metals & Mining	22,504,688	10,014,705	—	32,519,393
Multiline Retail	14,923,673	—	—	14,923,673
Multi-Utilities	—	13,302,907	—	13,302,907
Oil, Gas & Consumable Fuels	8,513,005	11,057,512	—	19,570,517
Pharmaceuticals	—	49,171,014	—	49,171,014
Road & Rail	—	4,829,545	—	4,829,545
Semiconductors & Semiconductor Equipment	8,783,076	5,922,763	—	14,705,839
Specialty Retail	21,537,060	—	—	21,537,060
Technology Hardware, Storage & Peripherals	—	27,858,828	—	27,858,828
Textiles, Apparel & Luxury Goods	—	13,558,942	—	13,558,942
Wireless Telecommunication Services	4,594,879	—	—	4,594,879
Short Term Investments	—	14,600,000	—	14,600,000
Total Investments in Securities	\$286,962,664	\$386,961,915	\$—	\$673,924,579

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered

Templeton Growth VIP Fund (continued)

11. New Accounting Pronouncements (continued)

based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Abbreviations

Selected Portfolio

FDR	Foreign Depositary Receipt
FFCB	Federal Farm Credit Banks Funding Corp.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Growth VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2020, the related statement of operations for the year ended December 31, 2020, the statement of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2020 and the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 19, 2021

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

Tax Information (unaudited)

Templeton Growth VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 17.68% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2020.

At December 31, 2020, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2021 distribution date, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

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

Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months.

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

Bloomberg Barclays U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below.

Bloomberg Barclays U.S. Corporate Investment Grade Index is a broad-based benchmark that measures the investment-grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays U.S. Government Index - Intermediate Index is the intermediate component of the Barclays U.S. Government Index, which includes public obligations of the U.S. Treasury with at least one year to

final maturity and publicly issued debt of U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government.

Bloomberg Barclays U.S. High Yield Very Liquid Index is a component of the U.S. Corporate High Yield Index that is designed to track a more liquid component of the U.S. dollar-denominated, high-yield fixed-rate corporate bond market.

Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity.

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

FTSE World Government Bond Index measures the performance of investment-grade world government bond markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/20, there were 351 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/20,

there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

MSCI Europe Index is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

MSCI Europe, Australasia, Far East (EAFE) Index is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

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

MSCI USA High Dividend Yield Index is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

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

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

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

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

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 relatively 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® Index is market capitalization weighted and represents the majority of the U.S. market's total capitalization.

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

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

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

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

Board Members and Officers

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

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	125	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	106	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	125	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-May 2020).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	125	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and formerly , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	125	Boeing Capital Corporation (aircraft financing) (2006-2010).
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Principal Occupation During at Least the Past 5 Years:

Private investor; and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	125	Graham Holdings Company (education and media organization) (2011-present); and formerly , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
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Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	136	None
Principal Occupation During at Least the Past 5 Years: Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and formerly , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1988	125	None
Principal Occupation During at Least the Past 5 Years: Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert G. Kubilis (1973) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since December 2020	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Treasurer, U.S. Fund Administration & Reporting and officer of 39 of the investment companies in Franklin Templeton.

Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.

Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

President and Director, Franklin Advisers, Inc.; and officer of eight of the investment companies in Franklin Templeton (since December 2018).

Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.

Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.

Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since 2019	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

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

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

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

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

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007-May 2020) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's

Interested Board Members and Officers (continued)

Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

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

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.



Annual Report
Franklin Templeton Variable Insurance Products Trust

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

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton
Distributors, Inc.