



FRANKLIN TEMPLETON
INVESTMENTS

Annual Report

December 31, 2017

Franklin Templeton Variable Insurance Products Trust



Franklin Templeton Variable Insurance Products Trust Annual Report

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

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

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

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

Franklin Income VIP Fund

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2017.

Class 2 Performance Summary as of December 31, 2017

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

Periods ended 12/31/17	1-Year	5-Year	10-Year
Average Annual Total Return	+9.67%	+6.74%	+5.56%

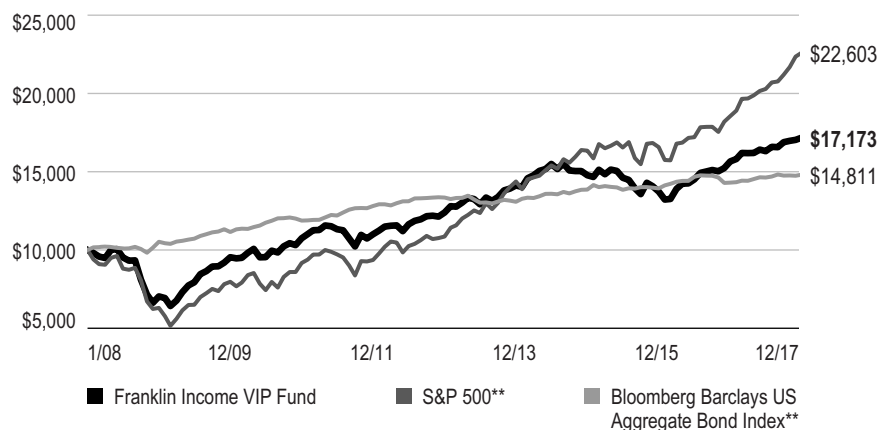
*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/18. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

*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 (1/1/08–12/31/17)

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 Bloomberg Barclays US Aggregate Bond 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.

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 both equity and debt securities.

Fund Risks

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

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's equity benchmark, the S&P 500, posted a +21.83% total return, and its fixed income benchmark, the Bloomberg Barclays US Aggregate Bond Index, produced a +3.54% total return for the same period.¹

Economic and Market Overview

The US economy grew during the 12 months under review. After strengthening in 2017's second and third quarters, the economy moderated in the fourth quarter. The economy grew faster in 2017 than in 2016, however, largely due to growth in consumer spending, business investment and exports. The manufacturing and services sectors expanded during the period. The unemployment rate declined from 4.7% in December 2016 to 4.1% at period-end.² Monthly retail sales were volatile but

Portfolio Composition

12/31/17

	% of Total Net Assets
Equity*	56.6%
Energy	9.9%
Information Technology	7.6%
Financials	7.6%
Health Care	6.6%
Industrials	5.7%
Utilities	5.4%
Materials	4.2%
Consumer Discretionary	4.1%
Consumer Staples	3.7%
Telecommunication Services	1.3%
Real Estate	0.5%
Fixed Income	36.4%
Health Care	9.1%
Energy	7.0%
Consumer Discretionary	5.3%
Financials	3.1%
Utilities	2.8%
Information Technology	2.7%
Telecommunication Services	2.1%
Industrials	1.9%
Materials	1.6%
Consumer Staples	0.4%
Real Estate	0.4%
Short-Term Investments & Other Net Assets	7.0%

*Includes convertible bonds.

positive on average during the period. Annual inflation, as measured by the Consumer Price Index, was 2.1% in December 2016, and while it varied over the 12-month period, remained unchanged at period-end.²

The US Federal Reserve (Fed) raised its target range for the federal funds rate 0.25% at its March and June 2017 meetings, amid signs of a growing US economy, strengthening labor market and improving business spending. At its December meeting, the Fed raised its target range for the federal funds rate 0.25% to 1.25%–1.50%, as widely anticipated by the market. The Fed also confirmed that the monthly balance sheet

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).

reduction would increase from \$10 billion to \$20 billion beginning in January 2018.

The 10-year Treasury yield, which moves inversely to its price, shifted throughout the period. The yield rose in June amid renewed optimism for improvement in economic growth and was supported in July by hawkish comments from key central bankers around the world. Easing concerns about Hurricane Irma's economic impact, the Fed's balance sheet normalization beginning in October and strong economic data also pushed the yield higher. However, several factors weighed on the Treasury yield at certain points during the period, including tensions between the US and North Korea; uncertainty on whether the Fed would raise rates in December 2017; and the appointment of Jerome Powell, viewed as more dovish than other contenders, as the next Fed chair. Near period-end, the Senate's approval of a budget plan and the subsequent passage of the tax bill drove the yield higher. Overall, the 10-year Treasury yield declined from 2.45% at the beginning of the period to 2.40% at period-end.

Investment Strategy

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

Manager's Discussion

During the 12 months under review, as we actively continued to manage the Fund's multi-asset strategy, our portfolio decisions were made in relation to other opportunities available to us, with a focus on individual security selection. Our view has been that the investment performance of securities within the Fund should be driven primarily by company-specific initiatives and opportunities, and secondarily by broader market or interest-rate movements. We strategically reduced our equity weighting from 59.1% to 56.6% and increased our fixed income weighting from 35.2% to 36.4%. The Fund's cash position increased from 5.7% to 7.0% of total net assets.

Top Five Equity Holdings

12/31/17

Company Sector/Industry	% of Total Net Assets
Royal Dutch Shell PLC <i>Energy</i>	3.3%
Apple Inc. <i>Information Technology</i>	2.9%
Wells Fargo & Co. <i>Financials</i>	2.5%
Chevron Corp. <i>Energy</i>	2.2%
General Electric Co. <i>Industrials</i>	2.0%

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

In the IT sector, consumer electronics company Apple, software firm Microsoft and semiconductor manufacturer Intel drove performance. Microsoft continued to show positive results as it capitalized on many companies' growing IT budgets. Apple reported robust earnings and cash flow generation from a strong product cycle, with many customers pleased with the new iPhone features. Additionally, the company's high-margin services business continues to grow. Intel benefited from investments and acquisitions in growth areas outside of its core personal computer (PC) segment, while PC data improved in the latter part of 2017. Furthermore, in our assessment, the company has a relatively inexpensive valuation, strong free cash flow generation and a greater focus on cost reduction.

In materials, DowDuPont and Rio Tinto were meaningful contributors. DowDuPont, a developer of specialty materials, chemicals and agricultural products, benefited from its plan to split the recently combined Dow Chemical and DuPont businesses into three segments, each well positioned in our view and focused on specific markets. The split is projected to occur in 2019, with the expected greater efficiency and cash flow expected to create value for shareholders. Shares of Rio Tinto, a mining and mineral processing firm, benefited from higher prices in iron ore, copper and aluminum, while cost reductions and reduced working capital demands significantly improved cash flow.

In the financials sector, large banks JPMorgan Chase, Bank of America and Wells Fargo significantly contributed to Fund performance. These companies reported accelerating earnings amid an improving economy and higher interest rates, and their

strong capital positions enabled compelling share repurchases and buybacks.

Other sectors that delivered strong results included health care and energy. The Fund's health care holdings generally benefited from positive drug pipeline results and modestly higher drug prices. The energy sector, specifically the Fund's holdings in large integrated oil companies, benefited from lower capital spending and growing oil demand, which improved their cash flow outlook and reduced many investors' prior concerns about potential dividend cuts. In the energy sector, UK-listed Royal Dutch Shell reported positive earnings results following the successful acquisition and integration of BG Group. The acquisition diversified its business and provided additional growth prospects, while efforts to reduce costs and sell non-core assets resulted in higher cash generation.

Another key individual contributor was equipment manufacturer Deere. After a multi-year decline in demand for agriculture equipment, Deere's earnings improved in 2017. Channel inventory improved and pricing became attractive as end-market demand grew. Deere also made an acquisition that could potentially provide the company with new capabilities and growth opportunities in infrastructure and roadbuilding, in our view.

In contrast, several companies detracted from the Fund's performance during the period under review. Shares of industrial conglomerate General Electric were significantly impacted by the company's weaker-than-expected free cash flow profile, which culminated in a dividend reduction in late 2017. The company's health care and aviation segments continue to perform well, while its oil and gas segment and power segment remained under pressure. Utility company PG&E's shares were negatively affected by investor concerns that the company would be required to pay damages stemming from the tragic fires in Northern California. Shares of independent oil and gas explorer and producer Anadarko Petroleum and oilfield services provider Baker Hughes were impacted by low oil prices for most of 2017, which hurt energy production and the need for oilfield services. Separately, Anadarko Petroleum was also impacted by an accident in Colorado. Israel-based generic drug manufacturer Teva Pharmaceutical Industries was negatively impacted by softer sales volume and pricing, while its heavy debt load added to investor concerns.³ Multiline retailer Target reduced its

Top Five Fixed Income Holdings and Senior Floating Rate Interests*

12/31/17

Company Sector/Industry	% of Total Net Assets
CHS/Community Health Systems Inc. <i>Health Care</i>	3.3%
Chesapeake Energy Corp. <i>Energy</i>	2.3%
Tenet Healthcare Corp. <i>Health Care</i>	1.9%
Weatherford International Ltd. <i>Energy</i>	1.8%
DISH DBS Corp. <i>Consumer Discretionary</i>	1.4%

*Does not include convertible bonds.

earnings outlook as a result of its decisions to invest more heavily in lower prices and additional e-commerce capabilities.

Smaller detractors from Fund performance included semiconductor manufacturer QUALCOMM,³ the IT sector's lone detractor, as well as consumer goods manufacturer Newell Brands, oilfield services provider Schlumberger³ and specialty pharmaceuticals manufacturer Allergan.

Within fixed income, energy was our strongest performing sector during the period, as the price of oil increased with a meaningful move over the last three months of the year. We added to our exposure to both Chesapeake Energy and Weatherford International, as we shifted our overall energy exposure from equities to fixed income. Both names were meaningful positions that contributed to performance. During the period, both Chesapeake and Weatherford benefited from their ability to access the capital markets to pay down debt with Chesapeake also selling some non-core assets to address near-term maturities while improving its overall credit profile during the period. Bonds for one of our top performing energy companies in the fixed income sector, Bill Barrett, rallied after the company entered a strategic combination with Fifth Creek Energy,⁴ while reducing some of its debt by converting it to equity and also tapping the equity market for additional capital to bolster its liquidity profile for potential future spending.

3. Not held at period-end.

4. Not a Fund holding.

The banking industry was also a top performer for us within fixed income.⁵ Banks benefited from strong credit quality and excess capital, as well as elevated confidence levels from their management teams that pointed to the very favorable credit environment. The Fund focused on large liquid banks that we believe would continue to benefit from the benign credit environment with a focus on securities down in the capital structure, as we continued to view the fundamental backdrop for the banking industry in a positive light. Positions in JPMorgan, Citigroup and Bank of America all continued to benefit from excess capital levels, solid credit quality, and improving net interest margins as interest rates began to move higher. Citigroup was a top contributor overall to the Fund, as the debt was undervalued during the beginning of the period and rallied.

The electric utility industry also performed well during the period, due to expectations of better pricing that might come from regulatory changes.⁶ Mergers and acquisitions, as well as consolidation, also shifted sentiment during the period and seemed to give investors more confidence regarding valuations and the longer term outlook.

Consumer non-cyclicals were also a contributor to performance due to meaningful exposure to both Valeant Pharmaceuticals and Tenet Healthcare.⁷ Valeant's financial results were strong throughout the entire year, beating expectations in each of the four quarters. Market sentiment continued to improve as some of its core business segments, such as Salix and Bausch & Lomb, displayed stability and potential for future growth, in our view. The company also redeemed some of its bonds at premiums to par. Tenet performed well as it became clear that a large portion of the Affordable Care Act would remain in place, a positive for hospitals and other health care facilities. It also took steps toward becoming the premier operator of surgery centers, a sub-segment of healthcare positioned to benefit from the shift to lower cost care settings. The strong performance from both Valeant and Tenet were offset by weaker performance from CHS/Community Health Systems, which was our biggest detractor for the Fund during the period. Community Health posted two quarters of weak results while in the process of divesting hospitals to focus on a more core set of facilities. Investors also became concerned about some of the company's near-term maturities. We remained confident during the period that the company has a path to refinancing those maturities and were encouraged by the company's success in

selling facilities at robust valuations and using the proceeds to reduce debt.

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, 2017, 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.

5. Banking holdings are in financials in the fixed income section of the SOI.

6. Electric utility holdings are in utilities in the fixed income section of the SOI.

7. Consumer non-cyclical holdings are in consumer staples and health care in the fixed income section of the SOI.

Class 2 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 7/1/17	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/17	Fund-Level Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	Ending Account Value 12/31/17	Fund-Level Expenses Paid During Period 7/1/17–12/31/17 ^{1,2}	
Class 2	\$1,000	\$1,052.70	\$3.62	\$1,021.68	\$3.57	0.70%

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

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

**SUPPLEMENT DATED JULY 18, 2017
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2017
OF
FRANKLIN INCOME VIP FUND
(A series of Franklin Templeton Variable Insurance Products Trust)**

The Statement of Additional Information is amended as follows:

The following bullet point is added as the last bullet point under the heading “The Funds – Goals, Additional Strategies and Risks – Franklin Income VIP Fund:”

- buy and sell exchange-traded options on indexes that measure stock volatility, such as the Chicago Board Options Exchange (CBOE) Volatility Index[®] (VIX[®])

Please keep this supplement with your Statement of Additional Information for future reference.

**SUPPLEMENT DATED DECEMBER 7, 2017
TO THE STATEMENT OF ADDITIONAL INFORMATION
DATED MAY 1, 2017
OF
FRANKLIN INCOME VIP FUND
(A series Franklin Templeton Variable Insurance Products Trust)**

The Statement of Additional Information (SAI) is amended as follows:

I. The following replaces the thirteenth bullet in the list of bullet points under the “The Funds – Goals, Additional Strategies and Risks – Additional Strategies – Franklin Income VIP Fund” heading in the SAI:

- invest in equity-linked notes, including up to 2% of the Fund’s assets in equity-linked notes on commodity-linked ETFs

II. The following is added to the list of bullet points under the “The Funds – Goals, Additional Strategies and Risks – Additional Strategies – Franklin Income VIP Fund” heading in the SAI:

- buy and sell ETFs and options on ETFs

III. The following is added to the “Glossary of Investments, Techniques, Strategies and Their Risks” section of the SAI:

Commodity-linked instruments Commodity-linked instruments are designed to provide exposure to the price movements of real assets that trade in the commodity markets without direct investment in physical commodities. Real assets are assets such as oil, gas, industrial and precious metals, livestock, and agricultural or meat products, or other items that have tangible properties, as compared to stocks or bonds, which are financial instruments.

Obtaining exposure to the price movements of physical commodities through commodity-linked instruments presents unique risks, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated or unrealized); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or “spot” prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity. Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity. Moreover, recent growth in industrial production and gross domestic product has made China and other developing nations oversized users of commodities and has increased the extent to which certain commodities prices are influenced by those markets.

Commodity-linked notes The value of a commodity-linked note is primarily linked to the price movements of physical commodity (such as heating oil, livestock, or agricultural products), a commodity futures or option contract, a commodity index (such as the S&P GSCI), a commodity-based ETF or some other readily measurable variable that reflects changes in the value of particular commodities or the commodities markets. The notes in which the Fund invests are typically issued by a bank or other financial institution or a commodity producer, and the Fund negotiates with the issuer to obtain specific terms and features that are tailored to the Fund’s investment needs. A typical note may have the following characteristics:

- Issuer: A bank, other financial institution or commodity producer with respect to commodity-linked notes.
- Maturity: Commodity-Linked Notes (12-18 months)
- Purchase Price: The Fund purchases a note at a specified face value, for example \$100 or \$1,000.
- Payment Characteristics: The Fund receives an interest payment at a fixed coupon rate determined at the time of purchase. With respect to commodity-linked notes, the Fund also receives a payment at maturity that is based on the price movement of the

underlying commodity, for example heating oil, a commodity index (e.g., the S&P GSCI) or commodity-linked ETF (e.g., the SPDR® Gold Shares ETF).

- “Put” and Automatic Redemption Features: The Fund typically has the right to “put” (or sell) a commodity-linked note to the issuer at any time, at a price based on the commodity-linked note’s face value as adjusted to reflect the price movement of the underlying commodity, commodity futures or option contract, commodity index, or other economic variable. A typical note also provides that the issuer will automatically repurchase the note from the Fund if the value of the note decreases to a specified level, which would occur if the price of the underlying commodity, commodity futures or option contract, or commodity index, whichever case may be, reached a level specified under the terms of the note. The Fund can negotiate with the issuer to modify any of the typical characteristics described above. For example, the Fund can negotiate to extend or shorten the maturity of a note, or to receive interest payments at a variable interest rate instead of at a fixed interest rate.

Please keep this supplement with your Statement of Additional Information for future reference.

Financial Highlights

Franklin Income VIP Fund

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

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

^bBased on average daily shares outstanding.

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

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

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

Franklin Income VIP Fund (continued)

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

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

^bBased on average daily shares outstanding.

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

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

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

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Franklin Income VIP Fund (continued)

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

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

^bBased on average daily shares outstanding.

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

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

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

Statement of Investments, December 31, 2017

Franklin Income VIP Fund

	Country	Shares	Value
Common Stocks 49.2%			
Consumer Discretionary 4.0%			
Ford Motor Co.	United States	7,138,995	\$ 89,166,048
General Motors Co.	United States	1,000,000	40,990,000
Newell Brands Inc.	United States	300,000	9,270,000
Target Corp.	United States	1,639,100	106,951,275
			<u>246,377,323</u>
Consumer Staples 3.7%			
^a Anheuser-Busch InBev SA/NV, ADR	Belgium	505,000	56,337,800
^a The Coca-Cola Co.	United States	1,325,000	60,791,000
PepsiCo Inc.	United States	584,000	70,033,280
Philip Morris International Inc.	United States	350,000	36,977,500
			<u>224,139,580</u>
Energy 9.4%			
Anadarko Petroleum Corp.	United States	600,000	32,184,000
Baker Hughes a GE Co., A	United States	725,000	22,939,000
BP PLC, ADR	United Kingdom	1,800,000	75,654,000
^a Chevron Corp.	United States	1,055,000	132,075,450
^b Energy XXI Gulf Coast Inc.	United States	215,000	1,234,100
Exxon Mobil Corp.	United States	300,000	25,092,000
Halliburton Co.	United States	500,000	24,435,000
Occidental Petroleum Corp.	United States	436,000	32,115,760
Royal Dutch Shell PLC, A, ADR.	United Kingdom	3,021,748	201,580,809
^b Stone Energy Corp.	United States	544,906	17,524,177
^b Weatherford International PLC	United States	2,500,000	10,425,000
			<u>575,259,296</u>
Financials 6.3%			
Bank of America Corp.	United States	800,000	23,616,000
HSBC Holdings PLC	United Kingdom	3,500,000	36,248,104
JPMorgan Chase & Co.	United States	690,100	73,799,294
MetLife Inc.	United States	1,245,108	62,952,661
U.S. Bancorp.	United States	1,000,000	53,580,000
Wells Fargo & Co.	United States	2,200,000	133,474,000
			<u>383,670,059</u>
Health Care 6.0%			
AstraZeneca PLC	United Kingdom	750,000	51,867,409
Eli Lilly & Co.	United States	300,000	25,338,000
Medtronic PLC	United States	400,000	32,300,000
Merck & Co. Inc.	United States	806,100	45,359,247
^b Mylan NV	United States	628,000	26,570,680
Pfizer Inc.	United States	2,638,975	95,583,675
Roche Holding AG.	Switzerland	136,500	34,533,022
Sanofi, ADR	France	1,208,292	51,956,556
			<u>363,508,589</u>
Industrials 4.4%			
^b CEVA Holdings LLC.	United States	13,012	5,855,517
Deere & Co.	United States	240,000	37,562,400
General Electric Co.	United States	7,100,000	123,895,000
Republic Services Inc.	United States	527,300	35,650,753
Union Pacific Corp.	United States	500,000	67,050,000
			<u>270,013,670</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Information Technology 4.6%			
^a Apple Inc.	United States	645,317	\$ 109,206,996
^a Intel Corp.	United States	1,207,000	55,715,120
Microsoft Corp.	United States	1,000,000	85,540,000
Oracle Corp.	United States	700,632	33,125,881
			283,587,997
Materials 4.2%			
BASF SE	Germany	387,500	42,651,992
DowDuPont Inc.	United States	1,700,000	121,074,000
Rio Tinto PLC, ADR	United Kingdom	1,800,000	95,274,000
			258,999,992
Real Estate 0.5%			
Host Hotels & Resorts Inc.	United States	1,500,000	29,775,000
Telecommunication Services 1.3%			
BCE Inc.	Canada	466,000	22,382,531
Verizon Communications Inc.	United States	1,075,000	56,899,750
			79,282,281
Utilities 4.8%			
Dominion Energy Inc.	United States	1,101,638	89,298,776
Duke Energy Corp.	United States	702,500	59,087,275
Great Plains Energy Inc.	United States	777,900	25,079,496
PG&E Corp.	United States	650,000	29,139,500
Sempra Energy	United States	368,300	39,378,636
The Southern Co.	United States	1,062,100	51,076,389
			293,060,072
Total Common Stocks (Cost \$2,386,400,967)			3,007,673,859
^c Equity-Linked Securities 4.2%			
Industrials 1.2%			
^d Morgan Stanley into Deere & Co., 6.00%, 144A	United States	550,000	69,023,294
Information Technology 3.0%			
^d Deutsche Bank AG/London into Apple Inc., 6.00%, 144A	United States	410,000	67,130,864
^d Goldman Sachs International into Analog Devices Inc., 6.50%, 144A	United States	570,000	49,833,286
^d Goldman Sachs International into Intel Corp., 6.00%, 144A	United States	1,700,000	67,509,674
			184,473,824
Total Equity-Linked Securities (Cost \$231,228,000)			253,497,118
Convertible Preferred Stocks 2.1%			
Financials 1.3%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	34,600	45,637,400
^b FNMA, 5.375%, cvt. pfd.	United States	475	12,824,050
Wells Fargo & Co., 7.50%, cvt. pfd., A	United States	15,000	19,649,850
			78,111,300
Health Care 0.1%			
Allergan PLC, 5.50%, cvt. pfd.	United States	9,500	5,569,375
Industrials 0.1%			
^b CEVA Holdings LLC, cvt. pfd., A-1	United States	397	242,170
^b CEVA Holdings LLC, cvt. pfd., A-2	United States	14,711	6,619,905
			6,862,075

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Shares	Value
Convertible Preferred Stocks (continued)			
Utilities 0.6%			
NextEra Energy Inc., 6.371%, cvt. pfd.	United States	500,000	\$ 34,790,000
Total Convertible Preferred Stocks (Cost \$131,976,419)			<u>125,332,750</u>
		Principal Amount*	
Convertible Bonds 1.1%			
Energy 0.5%			
^d Chesapeake Energy Corp., cvt., senior note, 144A, 5.50%, 9/15/26	United States	10,000,000	9,156,250
Weatherford International Ltd., cvt., senior note, 5.875%, 7/01/21	United States	22,000,000	23,897,500
			<u>33,053,750</u>
Health Care 0.6%			
^d Bayer Capital Corp BV, cvt., junior sub. note, 144A, 5.625%, 11/22/19	Germany	25,000,000	EUR 34,044,627
Impax Laboratories Inc., cvt., senior note, 2.00%, 6/15/22	United States	2,500,000	2,437,500
			<u>36,482,127</u>
Total Convertible Bonds (Cost \$59,917,314)			<u>69,535,877</u>
Corporate Bonds 32.7%			
Consumer Discretionary 3.9%			
^d 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22	United States	6,300,000	6,189,750
CCO Holdings LLC/CCO Holdings Capital Corp., senior bond, 5.125%, 2/15/23	United States	10,000,000	10,250,000
senior bond, 5.75%, 1/15/24	United States	9,000,000	9,292,500
^d senior bond, 144A, 5.00%, 2/01/28	United States	5,000,000	4,887,500
DISH DBS Corp., senior bond, 5.00%, 3/15/23	United States	35,000,000	33,381,250
senior note, 5.875%, 7/15/22	United States	40,000,000	40,350,000
senior note, 5.875%, 11/15/24	United States	9,400,000	9,176,750
Fiat Chrysler Automobiles NV, senior note, 5.25%, 4/15/23	United Kingdom	11,300,000	11,854,717
iHeartCommunications Inc., senior secured note, first lien, 9.00%, 12/15/19	United States	23,000,000	17,192,500
^d International Game Technology PLC, senior secured note, 144A, 6.25%, 2/15/22	United States	8,500,000	9,190,625
KB Home, senior bond, 7.50%, 9/15/22	United States	6,500,000	7,426,250
^d PetSmart Inc., senior note, 144A, 7.125%, 3/15/23	United States	3,000,000	1,792,500
^d Shea Homes LP/Shea Homes Funding Corp., senior bond, 144A, 6.125%, 4/01/25	United States	10,000,000	10,450,000
senior note, 144A, 5.875%, 4/01/23	United States	5,000,000	5,212,500
^d Sirius XM Radio Inc., senior bond, 144A, 6.00%, 7/15/24	United States	7,500,000	7,950,000
^d Tesla Inc., senior note, 144A, 5.30%, 8/15/25	United States	10,000,000	9,587,500
United Rentals North America Inc., senior bond, 5.75%, 11/15/24	United States	3,000,000	3,168,750
^d Univision Communications Inc., senior secured note, first lien, 144A, 5.125%, 5/15/23	United States	10,000,000	10,000,000
senior secured note, first lien, 144A, 5.125%, 2/15/25	United States	7,140,000	6,979,350
^d Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	7,000,000	7,210,000
^d Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp., senior bond, 144A, 5.50%, 3/01/25	United States	7,500,000	7,743,750
^d Ziggo Secured Finance BV, secured bond, 144A, 5.50%, 1/15/27	Netherlands	7,500,000	7,509,375
			<u>236,795,567</u>
Consumer Staples 0.2%			
^d JBS USA LLC/Finance Inc., senior note, 144A, 7.25%, 6/01/21	United States	12,500,000	12,765,625

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy 6.8%			
^d Ascent Resources Utica Holdings LLC/ARU Finance Corp., senior note, 144A, 10.00%, 4/01/22	United States	25,000,000	\$ 26,937,500
Bill Barrett Corp., senior bond, 7.00%, 10/15/22	United States	17,937,000	18,363,004
senior note, 8.75%, 6/15/25	United States	23,400,000	25,974,000
Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 6.50%, 4/15/21	United States	13,500,000	13,500,000
Chesapeake Energy Corp., ^d secured note, second lien, 144A, 8.00%, 12/15/22	United States	29,388,000	31,812,510
senior bond, 6.125%, 2/15/21	United States	16,000,000	16,280,000
^d senior bond, 144A, 8.00%, 6/15/27	United States	26,000,000	25,025,000
senior note, 5.375%, 6/15/21	United States	11,045,000	10,713,650
senior note, 4.875%, 4/15/22	United States	5,000,000	4,762,500
senior note, 5.75%, 3/15/23	United States	5,000,000	4,650,000
^d senior note, 144A, 8.00%, 1/15/25	United States	21,500,000	21,741,875
^e senior note, FRN, 4.609%, (3-month USD LIBOR + 3.25%), 4/15/19	United States	14,000,000	14,000,000
Ferrellgas LP/Ferrellgas Finance Corp., senior note, 6.50%, 5/01/21	United States	9,500,000	8,941,875
Kinder Morgan Inc., senior bond, 7.75%, 1/15/32	United States	22,000,000	28,465,821
^d senior secured bond, first lien, 144A, 5.625%, 11/15/23	United States	7,000,000	7,736,961
^d McDermott International Inc., secured note, second lien, 144A, 8.00%, 5/01/21	United States	17,592,000	18,169,897
^f Petroquest Energy Inc., secured note, second lien, PIK, 10.00%, 2/15/21	United States	1,582,920	1,210,934
Rex Energy Corp., second lien, 8.00%, 10/01/20	United States	5,000,000	1,950,000
Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	27,000,000	25,515,000
Stone Energy Corp., senior note, 7.50%, 5/31/22	United States	6,452,837	6,565,762
^{d,f} W&T Offshore Inc., secured note, second lien, 144A, PIK, 9.00%, 5/15/20	United States	10,885,862	10,423,213
senior secured note, third lien, 144A, PIK, 10.00%, 6/15/21	United States	9,707,248	7,542,322
Weatherford International Ltd., senior note, 5.125%, 9/15/20	United States	17,500,000	17,521,000
senior note, 7.75%, 6/15/21	United States	30,000,000	30,693,750
senior note, 4.50%, 4/15/22	United States	11,900,000	10,829,000
senior note, 8.25%, 6/15/23	United States	27,500,000	27,843,750
			417,169,324
Financials 3.1%			
^g Bank of America Corp., junior sub. bond, AA, 6.10% to 3/17/25, FRN thereafter, Perpetual	United States	8,000,000	8,790,000
junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	5,000,000	5,068,750
junior sub. bond, U, 5.20% to 6/01/23, FRN thereafter, Perpetual	United States	6,000,000	6,106,500
junior sub. bond, X, 6.25% to 9/05/24, FRN thereafter, Perpetual	United States	6,000,000	6,637,800
^g Citigroup Inc., junior sub. bond, 5.35% to 5/15/23, FRN thereafter, Perpetual	United States	10,000,000	10,237,500
junior sub. bond, 5.90% to 2/15/23, FRN thereafter, Perpetual	United States	12,500,000	13,343,750
junior sub. bond, 5.95% to 1/30/23, FRN thereafter, Perpetual	United States	4,500,000	4,792,500
junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	16,800,000	18,018,000
junior sub. bond, O, 5.875% to 3/27/20, FRN thereafter, Perpetual	United States	25,000,000	25,968,750
junior sub. bond, Q, 5.95% to 8/15/20, FRN thereafter, Perpetual	United States	10,000,000	10,468,750
^g JPMorgan Chase & Co., junior sub. bond, I, 7.90% to 4/30/19, FRN thereafter, Perpetual	United States	40,000,000	40,550,000
junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	3,200,000	3,448,160
junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	10,000,000	10,186,300

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Financials (continued)			
^g Morgan Stanley, junior sub. bond, 5.55% to 7/15/20, FRN thereafter, Perpetual . . .	United States	7,300,000	\$ 7,592,000
^d OneMain Financial Holdings Inc.,			
senior note, 144A, 6.75%, 12/15/19	United States	6,000,000	6,199,800
senior note, 144A, 7.25%, 12/15/21	United States	5,000,000	5,199,125
^g Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter,			
Perpetual	United States	7,600,000	8,139,220
			<u>190,746,905</u>
Health Care 8.7%			
CHS/Community Health Systems Inc.,			
senior note, 8.00%, 11/15/19	United States	91,695,000	78,169,987
senior note, 7.125%, 7/15/20	United States	35,000,000	26,337,500
senior note, 6.875%, 2/01/22	United States	107,900,000	62,582,000
senior secured note, 5.125%, 8/01/21	United States	3,000,000	2,715,000
senior secured note, first lien, 6.25%, 3/31/23	United States	35,000,000	31,675,000
DaVita Inc.,			
senior bond, 5.125%, 7/15/24	United States	5,000,000	5,059,375
senior bond, 5.00%, 5/01/25	United States	4,000,000	4,008,800
^d Endo DAC/Endo Finance LLC/Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25	United States	10,000,000	7,800,000
senior note, 144A, 6.00%, 7/15/23	United States	15,000,000	11,850,000
^d Endo Finance LLC, senior note, 144A, 5.75%, 1/15/22	United States	22,500,000	18,843,750
HCA Inc.,			
senior bond, 5.875%, 5/01/23	United States	7,500,000	8,025,000
senior note, 7.50%, 2/15/22	United States	25,000,000	28,187,500
senior secured note, first lien, 5.00%, 3/15/24	United States	10,400,000	10,842,000
Horizon Pharma Inc., senior note, 6.625%, 5/01/23	United States	9,000,000	9,000,000
Mallinckrodt International Finance SA, senior bond, 4.75%, 4/15/23	United States	5,000,000	3,950,000
^d Mallinckrodt International Finance SA/Mallinckrodt CB LLC,			
senior note, 144A, 5.75%, 8/01/22	United States	24,200,000	22,082,500
senior note, 144A, 5.625%, 10/15/23	United States	14,300,000	12,226,500
senior note, 144A, 5.50%, 4/15/25	United States	10,000,000	8,200,000
Tenet Healthcare Corp.,			
^d secured note, second lien, 144A, 5.125%, 5/01/25	United States	2,500,000	2,446,875
senior note, 8.125%, 4/01/22	United States	56,000,000	57,190,000
^h senior note, 6.75%, 6/15/23	United States	58,200,000	56,672,250
^d Valeant Pharmaceuticals International, senior note, 144A, 6.375%, 10/15/20 . . .	United States	4,589,000	4,646,363
^d Valeant Pharmaceuticals International Inc.,			
senior bond, 144A, 6.125%, 4/15/25	United States	9,400,000	8,636,250
senior note, 144A, 5.375%, 3/15/20	United States	23,559,000	23,706,244
senior note, 144A, 5.875%, 5/15/23	United States	12,500,000	11,609,375
senior note, 144A, 9.00%, 12/15/25	United States	5,000,000	5,223,500
senior note, first lien, 144A, 7.00%, 3/15/24	United States	4,500,000	4,826,250
senior secured note, first lien, 144A, 6.50%, 3/15/22	United States	3,000,000	3,157,500
			<u>529,669,519</u>
Industrials 1.1%			
^d Bombardier Inc., senior bond, 144A, 6.125%, 1/15/23	Canada	5,000,000	4,925,000
^{d,f} CEVA Group PLC, senior secured note, first lien, PIK, 144A, 9.00%, 9/01/20 . . .	United Kingdom	13,230,336	13,495,864
^d Cloud Crane LLC, secured note, second lien, 144A, 10.125%, 8/01/24	United States	4,400,000	4,972,000
TransDigm Inc., senior sub. note, 6.00%, 7/15/22	United States	7,200,000	7,380,000
^d West Corp., senior note, 144A, 8.50%, 10/15/25	United States	11,000,000	10,917,500

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Industrials (continued)			
^d XPO Logistics Inc., senior note, 144A, 6.50%, 6/15/22	United States	22,980,000	\$ 24,071,550
			<u>65,761,914</u>
Information Technology 2.5%			
^d BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	16,500,000	16,685,625
^d CommScope Inc., senior bond, 144A, 5.50%, 6/15/24	United States	10,000,000	10,437,500
^d Dell International LLC/EMC Corp.,			
senior secured note, first lien, 144A, 4.42%, 6/15/21	United States	12,500,000	13,034,163
senior secured note, first lien, 144A, 5.45%, 6/15/23	United States	21,100,000	22,824,523
^d First Data Corp.,			
secured note, second lien, 144A, 5.75%, 1/15/24	United States	5,000,000	5,211,250
senior note, 144A, 7.00%, 12/01/23	United States	25,000,000	26,500,000
NCR Corp.,			
senior note, 5.00%, 7/15/22	United States	5,500,000	5,623,750
senior note, 6.375%, 12/15/23	United States	7,000,000	7,350,000
Western Digital Corp.,			
senior note, 10.50%, 4/01/24	United States	30,000,000	34,837,500
^d senior secured note, 144A, 7.375%, 4/01/23	United States	10,000,000	10,812,500
			<u>153,316,811</u>
Materials 1.6%			
^d Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A, 7.25%, 5/15/24	Luxembourg	8,300,000	9,067,750
^d BWAY Holding Co.,			
secured note, 144A, 5.50%, 4/15/24	United States	10,000,000	10,425,000
senior note, 144A, 7.25%, 4/15/25	United States	23,000,000	23,805,000
^d Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24	Mexico	14,700,000	15,569,799
^d FMG Resources (August 2006) Pty. Ltd.,			
senior note, 144A, 4.75%, 5/15/22	Australia	3,600,000	3,651,012
senior note, 144A, 5.125%, 5/15/24	Australia	6,700,000	6,855,641
senior secured note, 144A, 9.75%, 3/01/22	Australia	27,000,000	30,037,500
			<u>99,411,702</u>
Real Estate 0.4%			
Equinix Inc., senior bond, 5.375%, 5/15/27	United States	16,500,000	17,696,250
Iron Mountain Inc., senior sub. bond, 5.75%, 8/15/24	United States	3,000,000	3,052,500
iStar Inc., senior note, 5.00%, 7/01/19	United States	3,500,000	3,519,687
			<u>24,268,437</u>
Telecommunication Services 2.0%			
Sprint Capital Corp., senior note, 6.90%, 5/01/19	United States	13,500,000	14,158,125
Sprint Communications Inc.,			
senior bond, 11.50%, 11/15/21	United States	30,000,000	36,375,000
senior note, 7.00%, 8/15/20	United States	7,500,000	7,968,750
^d senior note, 144A, 9.00%, 11/15/18	United States	11,900,000	12,540,815
Sprint Corp.,			
senior bond, 7.875%, 9/15/23	United States	37,500,000	40,031,250
senior bond, 7.125%, 6/15/24	United States	8,200,000	8,364,000
			<u>119,437,940</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Utilities 2.4%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	22,000,000	\$ 20,982,500
senior note, 5.375%, 1/15/23	United States	20,000,000	19,550,000
senior note, 5.50%, 2/01/24	United States	16,375,000	15,720,000
Dynergy Inc.,			
senior note, 6.75%, 11/01/19	United States	32,494,000	33,468,820
senior note, 7.375%, 11/01/22	United States	20,000,000	21,150,000
senior note, 5.875%, 6/01/23	United States	8,000,000	8,140,000
Ferrellgas Partners LP/Ferrellgas Partners Finance Corp., senior note, 8.625%, 6/15/20	United States	6,600,000	5,659,500
^d InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	25,000,000	24,349,125
			<u>149,019,945</u>
Total Corporate Bonds (Cost \$1,945,753,606)			<u>1,998,363,689</u>
^{e,i} Senior Floating Rate Interests 3.7%			
Consumer Discretionary 1.4%			
24 Hour Fitness Worldwide Inc., Term Loan, 5.443%, (LIBOR + 3.75%), 5/28/21.	United States	4,476,804	4,483,331
Academy Ltd., Initial Term Loan, 5.495% - 5.569%, (LIBOR + 4.00%), 7/02/22 . .	United States	1,579,812	1,248,052
Belk Inc., Closing Date Term Loan, 6.099%, (LIBOR + 4.75%), 12/12/22	United States	24,545,775	20,153,112
BJ's Wholesale Club Inc.,			
Second Lien Initial Term Loans, 8.953%, (LIBOR + 7.50%), 3/24/25	United States	6,000,000	5,871,252
Tranche B Term Loans, 4.953%, (LIBOR + 3.50%), 3/27/24	United States	10,972,431	10,810,961
iHeartCommunications Inc.,			
Tranche D Term Loan, 8.443%, (LIBOR + 6.75%), 1/30/19	United States	45,864,664	34,608,695
Tranche E Term Loan, 9.193%, (LIBOR + 7.50%), 7/30/19	United States	13,142,769	9,884,453
			<u>87,059,856</u>
Consumer Staples 0.2%			
Almonde Inc., Dollar Term Loan, 4.979%, (LIBOR + 3.50%), 6/13/24	United States	14,962,500	15,021,767
Energy 0.2%			
W&T Offshore Inc., Second Lien Term Loan, 9.00%, 5/15/20	United States	11,000,000	10,752,500
Health Care 0.4%			
Community Health Systems Inc., 2021 Term H Loans, 4.479%, (LIBOR + 3.00%), 1/15/21	United States	6,570,898	6,276,574
Vizient Inc., Term B-3 Loans, 5.069%, (LIBOR + 3.50%), 5/02/24	United States	16,420,588	16,504,399
			<u>22,780,973</u>
Industrials 0.8%			
CEVA Group PLC, Pre-Funded L/C, 6.50%, (LIBOR + 5.50%), 3/19/21	United Kingdom	4,865,761	4,649,843
CEVA Intercompany BV, Dutch BV Term Loan, 6.878%, (LIBOR + 5.50%), 3/19/21	United Kingdom	4,938,748	4,719,590
CEVA Logistics Canada ULC, Canadian Term Loan, 6.878%, (LIBOR + 5.50%), 3/19/21	Canada	851,508	813,723
CEVA Logistics U.S. Holdings Inc., U.S. Term Loan, 6.878%, (LIBOR + 5.50%), 3/19/21	United Kingdom	6,812,065	6,509,780
Commercial Barge Line Co., Initial Term Loan, 10.319%, (LIBOR + 8.75%), 11/12/20	United States	9,125,000	5,218,359
Navistar Inc., Tranche B Term Loan, 4.90%, (LIBOR + 3.50%), 11/06/24	United States	1,000,000	1,005,938
Vertiv Group Corp., Term B Loans, 5.35%, (LIBOR + 4.00%), 11/30/23	United States	8,574,569	8,587,963
West Corp., Term B Loans, 5.35%, (LIBOR + 4.00%), 10/10/24	United States	17,637,669	17,724,640
			<u>49,229,836</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
^{e,i} Senior Floating Rate Interests (continued)			
Information Technology 0.2%			
MH Sub I LLC and Micro Holding Corp.,			
Amendment No. 2 Initial Term Loan, 5.338%, (LIBOR + 3.75%), 9/15/24 . . .	United States	4,987,500	\$ 5,006,647
Second Lien Initial Term Loan, 9.088%, (LIBOR + 7.50%), 9/15/25	United States	5,000,000	5,034,375
			<u>10,041,022</u>
Telecommunication Services 0.1%			
^j Securus Technologies Holdings Inc., Second Lien Initial Loan, 9.873%, (LIBOR + 8.25%), 11/01/25	United States	6,000,000	6,072,498
Utilities 0.4%			
^j Intergen NV, Term Advance, 6.07%, (LIBOR + 4.50%), 6/13/20	Netherlands	12,068,131	12,090,759
Talen Energy Supply LLC,			
Term B-1 Loans, 5.569%, (LIBOR + 4.00%), 7/15/23	United States	5,955,000	6,013,311
Tranche B-2 Term Loan, 5.569%, (LIBOR + 4.00%), 4/13/24	United States	7,928,000	7,975,077
			<u>26,079,147</u>
Total Senior Floating Rate Interests (Cost \$244,303,063)			<u>227,037,599</u>
		<u>Shares</u>	
Escrows and Litigation Trusts 0.0%			
^{b,k} Impax Laboratories Inc., Escrow Account	United States	2,500,000	—
^{b,k} Motors Liquidation Co., Escrow Account, cvt. pfd., C	United States	1,400,000	—
Total Escrows and Litigation Trusts (Cost \$62,602)			<u>—</u>
		<u>Number of Contracts</u>	<u>Notional Amount*</u>
Options Purchased (Cost \$2,247,000) 0.0%†			
Calls - Exchange-Traded			
CBOE SPX Volatility Index, February Strike Price \$15, Expires 2/14/18	10,000	1,000,000	1,100,000
Total Investments before Short Term Investments (Cost \$5,001,888,971)			<u>5,682,540,892</u>
	<u>Country</u>	<u>Shares</u>	
Short Term Investments 5.8%			
Money Market Funds (Cost \$351,784,455) 5.8%			
^{l,m} Institutional Fiduciary Trust Money Market Portfolio, 0.89%	United States	351,784,455	351,784,455
ⁿInvestments from Cash Collateral Received for Loaned Securities 0.0%†			
Money Market Funds (Cost \$1,040,000) 0.0%†			
^{l,m} Institutional Fiduciary Trust Money Market Portfolio, 0.89%	United States	1,040,000	1,040,000

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Repurchase Agreement (Cost \$260,765) 0.0%†			
° Joint Repurchase Agreement, 1.38%, 1/02/18 (Maturity Value \$260,805)			
BNP Paribas Securities Corp.			
Collateralized by U.S. Treasury Bond, 8.13%, 5/15/21; U.S. Treasury Note, 1.13%, 8/31/21; °U.S. Treasury Note, FRN, 1.51%, 7/31/19; U.S. Treasury Strip, 2/15/18 - 5/15/22 (Valued at \$265,981)			
	United States	260,765	\$ 260,765
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$1,300,765)			1,300,765
Total Investments (Cost \$5,354,974,191) 98.8%			6,035,626,112
Options Written (0.0)%†			(1,934,000)
Other Assets, less Liabilities 1.2%			78,171,602
Net Assets 100.0%			\$6,111,863,714
	Number of Contracts	Notional Amount*	
° Options Written (0.0)%†			
Calls - Exchange-Traded			
Anheuser-Busch InBev SA/NV, January Strike Price \$125, Expires 1/19/18	2,500	250,000	(7,500)
Apple Inc., January Strike Price \$190, Expires 1/19/18.	3,000	300,000	(21,000)
Chevron Corp., February Strike Price \$125, Expires 2/16/18.	2,500	250,000	(792,500)
The Coca-Cola Co., February Strike Price \$47, Expires 2/16/18	3,250	325,000	(123,500)
Intel Corp., January Strike Price \$47, Expires 1/19/18	2,000	200,000	(102,000)
			(1,046,500)
Puts - Exchange-Traded			
Anheuser-Busch InBev SA/NV, January Strike Price \$115, Expires 1/19/18	2,500	250,000	(887,500)
Cummins Inc., January Strike Price \$150, Expires 1/19/18.	1,650	165,000	—
			(887,500)
Total Options Written (Premiums received \$1,358,106)			\$ (1,934,000)

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
STATEMENT OF INVESTMENTS

Franklin Income VIP Fund (continued)

See Abbreviations on page FI-37.

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

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

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

^bNon-income producing.

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

^dSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2017, the aggregate value of these securities was \$1,010,398,896, representing 16.5% of net assets.

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

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

^gPerpetual security with no stated maturity date.

^hA portion or all of the security is on loan at December 31, 2017. See Note 1(g).

ⁱSee Note 1(h) regarding senior floating rate interests.

^jSecurity purchased on a delayed delivery basis. See Note 1(d).

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

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

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

ⁿSee Note 1(g) regarding securities on loan.

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

^pSee Note 1(e) regarding written options.

Financial Statements

Statement of Assets and Liabilities

December 31, 2017

	Franklin Income VIP Fund
Assets:	
*Investments in securities:	
Cost - Unaffiliated issuers	\$5,001,888,971
Cost - Non-controlled affiliates (Note 3e)	352,824,455
Cost - Unaffiliated repurchase agreements	260,765
Value - Unaffiliated issuers	\$5,682,540,892
Value - Non-controlled affiliates (Note 3e)	352,824,455
Value - Unaffiliated repurchase agreements	260,765
Cash	2,481,648
Receivables:	
Investment securities sold	6,246,355
Capital shares sold	2,861,235
Dividends and interest	40,485,265
Deposits with brokers for:	
Exchange traded options written	53,500,000
Other assets	708
Total assets	<u>6,141,201,323</u>
Liabilities:	
Payables:	
Investment securities purchased	18,101,882
Capital shares redeemed	2,883,631
Management fees	2,259,984
Distribution fees	2,297,686
Options written, at value (premiums received \$1,358,106)	1,934,000
Payable upon return of securities loaned	1,300,765
Accrued expenses and other liabilities	559,661
Total liabilities	<u>29,337,609</u>
Net assets, at value	<u>\$6,111,863,714</u>
Net assets consist of:	
Paid-in capital	\$5,396,834,455
Undistributed net investment income	269,525,427
Net unrealized appreciation (depreciation)	680,117,668
Accumulated net realized gain (loss)	(234,613,836)
Net assets, at value	<u>\$6,111,863,714</u>

*Includes securities loaned \$ 1,273,665

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
 FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)

December 31, 2017

	Franklin Income VIP Fund
<hr/>	
Class 1:	
Net assets, at value	\$ 735,149,204
Shares outstanding	43,973,661
Net asset value and maximum offering price per share	<u>\$16.72</u>
Class 2:	
Net assets, at value	\$5,041,497,597
Shares outstanding	311,797,041
Net asset value and maximum offering price per share	<u>\$16.17</u>
Class 4:	
Net assets, at value	\$ 335,216,913
Shares outstanding	20,274,405
Net asset value and maximum offering price per share	<u>\$16.53</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statement of Operations

for the year ended December 31, 2017

	Franklin Income VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$123,644,185
Non-controlled affiliates (Note 3e)	2,145,830
Interest:	
Unaffiliated issuers	160,153,136
Income from securities loaned (net of fees and rebates)	1,601,618
Total investment income	287,544,769
Expenses:	
Management fees (Note 3a)	27,949,823
Distribution fees: (Note 3c)	
Class 2	12,768,659
Class 4	1,126,331
Custodian fees (Note 4)	74,246
Reports to shareholders	442,696
Professional fees	327,437
Trustees' fees and expenses	26,275
Other	246,383
Total expenses	42,961,850
Expense reductions (Note 4)	(4,592)
Expenses waived/paid by affiliates (Note 3e)	(1,493,314)
Net expenses	41,463,944
Net investment income	246,080,825
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	160,238,716
Written options	803,328
Realized gain distributions from REITs	307,701
Foreign currency transactions	31,742
Net realized gain (loss)	161,381,487
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	163,439,787
Translation of other assets and liabilities denominated in foreign currencies	69,342
Written options	(575,894)
Net change in unrealized appreciation (depreciation)	162,933,235
Net realized and unrealized gain (loss)	324,314,722
Net increase (decrease) in net assets resulting from operations	\$570,395,547

*Foreign taxes withheld on dividends \$ 3,293,736

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Year Ended December 31,	
	2017	2016
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 246,080,825	\$ 247,868,765
Net realized gain (loss)	161,381,487	23,444,659
Net change in unrealized appreciation (depreciation)	162,933,235	499,690,603
Net increase (decrease) in net assets resulting from operations	570,395,547	771,004,027
Distributions to shareholders from:		
Net investment income:		
Class 1	(30,736,550)	(33,648,017)
Class 2	(212,433,443)	(243,664,392)
Class 4	(12,598,021)	(14,419,491)
Total distributions to shareholders	(255,768,014)	(291,731,900)
Capital share transactions: (Note 2)		
Class 1	1,111,670	34,616,416
Class 2	(307,051,941)	(215,782,069)
Class 4	8,458,865	(21,239,696)
Total capital share transactions	(297,481,406)	(202,405,349)
Net increase (decrease) in net assets	17,146,127	276,866,778
Net assets:		
Beginning of year	6,094,717,587	5,817,850,809
End of year	\$6,111,863,714	\$6,094,717,587
Undistributed net investment income included in net assets:		
End of year	\$ 269,525,427	\$ 258,365,808

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 as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The VC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

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

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

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

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

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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

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

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

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

b. Foreign Currency Translation

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

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

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

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

c. Joint Repurchase Agreement

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

Franklin Income VIP Fund (continued)

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 29, 2017.

d. Securities Purchased on a Delayed Delivery Basis

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

e. Derivative Financial Instruments

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

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

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

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

See Note 8 regarding other derivative information.

f. 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.

g. Securities Lending

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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

g. Securities Lending (continued)

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.

h. 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.

i. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2017, 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.

j. 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. 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

Franklin Income VIP Fund (continued)

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. 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.

k. 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.

l. 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, 2017, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2017		2016	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,556,049	\$ 41,649,315	6,134,123	\$ 87,911,597
Shares issued in reinvestment of distributions	1,925,849	30,736,550	2,331,810	33,648,017
Shares redeemed	(4,368,760)	(71,274,195)	(5,877,695)	(86,943,198)
Net increase (decrease)	113,138	\$ 1,111,670	2,588,238	\$ 34,616,416
Class 2 Shares:				
Shares sold	12,063,249	\$ 190,265,472	25,914,952	\$ 378,696,453
Shares issued in reinvestment of distributions	13,740,843	212,433,443	17,417,040	243,664,392
Shares redeemed	(44,928,166)	(709,750,856)	(58,055,463)	(838,142,914)
Net increase (decrease)	(19,124,074)	\$(307,051,941)	(14,723,471)	\$(215,782,069)
Class 4 Shares:				
Shares sold	3,354,488	\$ 54,048,239	1,804,015	\$ 26,579,870
Shares issued in reinvestment of distributions	796,839	12,598,021	1,008,356	14,419,491
Shares redeemed	(3,605,896)	(58,187,395)	(4,209,003)	(62,239,057)
Net increase (decrease)	545,431	\$ 8,458,865	(1,396,632)	\$ (21,239,696)

Franklin Income VIP Fund (continued)

3. Transactions with Affiliates

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

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

a. Management Fees

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

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

For the year ended December 31, 2017, the gross effective investment management fee rate was 0.454% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

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)

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, 2017, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 0.89%	310,250,028	1,922,283,782	(1,879,709,355)	352,824,455	\$352,824,455	\$2,145,830	\$ —	\$ —

f. Other Affiliated Transactions

At December 31, 2017, Franklin Templeton Variable Insurance Products Trust - Franklin Founding Funds Allocation VIP Fund owned 5.4% of the Fund's outstanding shares.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2017, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

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

During the year ended December 31, 2017, the Fund utilized \$139,463,205 of capital loss carryforwards.

On December 31, 2017, the Fund had expired capital loss carryforwards of \$521,405,875, which were reclassified to paid-in capital.

The tax character of distributions paid during the years ended December 31, 2017 and 2016, was as follows:

	2017	2016
Distributions paid from ordinary income	\$255,768,014	\$291,731,900

Franklin Income VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2017, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	<u>\$5,367,359,984</u>
Unrealized appreciation	\$ 909,245,913
Unrealized depreciation	(242,913,785)
Net unrealized appreciation (depreciation)	<u>\$ 666,332,128</u>
Distributable earnings - undistributed ordinary income	<u>\$ 276,751,619</u>

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2017, aggregated \$1,198,386,985 and \$1,575,800,569, respectively.

At December 31, 2017, in connection with securities lending transactions, the Fund loaned corporate bonds and received \$1,300,765 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, 2017, the Fund had 34.0% of its portfolio invested in high yield, senior secured floating rate notes, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Other Derivative Information

At December 31, 2017, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity contracts	Investments in securities, at value	\$1,100,000 ^a	Options written, at value	<u>\$1,934,000</u>

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

Franklin Income VIP Fund (continued)

For the year ended December 31, 2017, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity contracts	Investments	\$(1,330,000) ^a	Investments	\$(1,147,000) ^a
	Written options	803,328	Written options	(575,894)
Totals		<u>\$ (526,672)</u>		<u>\$(1,722,894)</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, 2017, the average month end notional amount of options represented \$748,462.

See Note 1(e) 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 Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 9, 2018. 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 9, 2018, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 8, 2019, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2017, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

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

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

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

Franklin Income VIP Fund (continued)

10. Fair Value Measurements (continued)

A summary of inputs used as of December 31, 2017, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments: ^b				
Financials	\$ 448,957,309	\$ 12,824,050	\$ —	\$ 461,781,359
Industrials	264,158,153	12,717,592	—	276,875,745
All Other Equity Investments	2,394,349,505	—	—	2,394,349,505
Equity-Linked Securities	—	253,497,118	—	253,497,118
Convertible Bonds	—	69,535,877	—	69,535,877
Corporate Bonds	—	1,998,363,689	—	1,998,363,689
Senior Floating Rate Interests	—	227,037,599	—	227,037,599
Escrows and Litigation Trusts	—	—	— ^c	—
Options Purchased	1,100,000	—	—	1,100,000
Short Term Investments	352,824,455	260,765	—	353,085,220
Total Investments in Securities	\$ 3,461,389,422	\$ 2,574,236,690	\$ —	\$ 6,035,626,112
Liabilities:				
Other Financial Instruments:				
Options Written	\$ 1,934,000	\$ —	\$ —	\$ 1,934,000

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

^bIncludes common and convertible preferred stocks.

^cIncludes securities determined to have no value at December 31, 2017.

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

11. New Accounting Pronouncements

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

12. Subsequent Events

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

Franklin Income VIP Fund (continued)

Abbreviations

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

Index

SPX S&P 500 Index

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 (the "Fund") as of December 31, 2017, the related statement of operations for the year ended December 31, 2017, the statement of changes in net assets for each of the two years in the period ended December 31, 2017, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2017 (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, 2017, 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, 2017 and the financial highlights for each of the five years in the period ended December 31, 2017 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, 2017 by correspondence with the custodian, transfer agent, and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

February 15, 2018

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 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 34.16% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2017.

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Index Descriptions

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

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

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

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

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

Citigroup World Government Bond Index is a market capitalization-weighted index consisting of investment-grade world government bond markets.

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

FTSE® EPRA®/NAREIT® Developed Index is a free float-adjusted index designed to measure the performance of publicly traded real estate securities in the North American, European and Asian real estate markets.

J.P. Morgan (JPM) Global Government Bond Index (GGBI) tracks total returns for liquid, fixed-rate, domestic government bonds with maturities greater than one year issued by developed countries globally.

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including US and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/17, there were 316 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/17, there were 75 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General US Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General US Government Funds classification in the Lipper VIP underlying funds universe. Lipper General US Government Funds invest primarily in US government and agency issues. For the 12-month period ended 12/31/17, there were 56 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

MSCI Frontier Markets Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in frontier markets.

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

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

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

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

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

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

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

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

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

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

Special Meeting of Shareholders

MEETING OF SHAREHOLDERS: OCTOBER 30, 2017

(UNAUDITED)

A Special Meeting of Shareholders of Franklin Templeton Variable Insurance Products Trust was held at the offices of Franklin Templeton Investments, One Franklin Parkway, San Mateo, California on October 30, 2017. The purpose of the meeting was to elect Trustees of Franklin Templeton Variable Insurance Products Trust and to vote on the following proposals: for each of the Funds, except Franklin Founding Funds Allocation VIP Fund and Franklin VolSmart Allocation VIP Fund, to approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval; for Franklin Rising Dividends VIP Fund, to approve a new Investment Management Agreement with Franklin Advisers, Inc.; for Templeton Developing Markets VIP Fund, to approve a new Subadvisory Agreement with Franklin Templeton Investment Management Limited; and for each of the Funds, to approve an amended fundamental investment restriction regarding investments in commodities. At the meeting, (i) the following persons were elected by the shareholders to serve as Trustees of Franklin Templeton Variable Insurance Products Trust: Harris J. Ashton, Terrence J. Checki, Mary C. Choksi, Edith E. Holiday, Gregory E. Johnson, Rupert H. Johnson, Jr., J. Michael Luttig, Larry D. Thompson, and John B. Wilson; and (ii) all other proposals voted on were approved by shareholders. No other business was transacted at the meeting.

The results of the voting at the meeting are as follows:

Proposal 1. To elect a Board of Trustees:

Name	For	Withheld
Harris J. Ashton	1,483,931,005	63,700,507
Terrence J. Checki	1,487,851,289	59,780,222
Mary C. Choksi	1,487,649,087	59,982,424
Edith E. Holiday	1,487,786,345	59,845,166
Gregory E. Johnson	1,490,898,162	56,733,349
Rupert H. Johnson, Jr.	1,485,176,267	62,455,244
J. Michael Luttig	1,488,062,993	59,568,519
Larry D. Thompson	1,486,098,183	61,533,328
John B. Wilson	1,489,011,786	58,619,724

Total Trust Shares Outstanding*: 1,598,054,299

Proposal 2. To approve the use of a “manager of managers” structure whereby the Fund’s investment manager would be able to hire and replace subadvisers without shareholder approval:

Franklin Flex Cap Growth VIP Fund

	Shares
For	13,749,224
Against	879,952
Abstain	1,118,404
Total Fund Shares Voted	15,747,580
Total Fund Outstanding Shares*	15,802,049

* As of the record date.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Rising Dividends VIP Fund

	Shares
For	58,234,322
Against	5,102,328
Abstain	3,925,714
Total Fund Shares Voted	67,262,364
Total Fund Outstanding Shares*	69,031,623

Franklin Small-Mid Cap Growth VIP Fund

	Shares
For	23,115,445
Against	2,258,073
Abstain	1,396,522
Total Fund Shares Voted	26,770,040
Total Fund Outstanding Shares*	27,311,145

Franklin Small Cap Value VIP Fund

	Shares
For	53,566,894
Against	4,789,585
Abstain	3,897,280
Total Fund Shares Voted	62,253,759
Total Fund Outstanding Shares*	73,514,199

Franklin Strategic Income VIP Fund

	Shares
For	50,927,089
Against	5,281,784
Abstain	3,535,384
Total Fund Shares Voted	59,744,257
Total Fund Outstanding Shares*	60,841,388

Franklin U.S. Government Securities VIP Fund

	Shares
For	89,132,433
Against	7,353,649
Abstain	6,346,786
Total Fund Shares Voted	102,832,867
Total Fund Outstanding Shares*	109,725,751

Franklin Mutual Global Discovery VIP Fund

	Shares
For	27,411,088
Against	2,091,298
Abstain	2,391,763
Total Fund Shares Voted	31,894,149
Total Fund Outstanding Shares*	32,602,413

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Mutual Shares VIP Fund

	Shares
For	173,288,690
Against	16,123,033
Abstain	11,727,399
Total Fund Shares Voted	201,139,121
Total Fund Outstanding Shares*	201,829,901

Templeton Developing Markets VIP Fund

	Shares
For	33,445,421
Against	2,083,042
Abstain	1,602,155
Total Fund Shares Voted	37,130,617
Total Fund Outstanding Shares*	38,665,160

Templeton Foreign VIP Fund

	Shares
For	90,056,367
Against	6,884,702
Abstain	5,875,891
Total Fund Shares Voted	102,816,960
Total Fund Outstanding Shares*	113,425,059

Templeton Global Bond VIP Fund

	Shares
For	153,662,270
Against	14,159,085
Abstain	9,838,114
Total Fund Shares Voted	177,659,469
Total Fund Outstanding Shares*	188,040,251

Templeton Growth VIP Fund

	Shares
For	77,388,057
Against	7,366,622
Abstain	5,511,620
Total Fund Shares Voted	90,266,300
Total Fund Outstanding Shares*	91,604,126

Franklin Growth and Income VIP Fund

	Shares
For	6,587,641
Against	468,056
Abstain	110,295
Total Fund Shares Voted	7,165,992
Total Fund Outstanding Shares*	7,208,893

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin Income VIP Fund

	Shares
For	331,527,467
Against	31,877,033
Abstain	26,008,222
Total Fund Shares Voted	389,412,722
Total Fund Outstanding Shares*	392,023,197

Franklin Large Cap Growth VIP Fund

	Shares
For	5,389,158
Against	481,087
Abstain	485,968
Total Fund Shares Voted	6,356,213
Total Fund Outstanding Shares*	6,415,938

Franklin Global Real Estate VIP Fund

	Shares
For	10,375,756
Against	709,592
Abstain	684,561
Total Fund Shares Voted	11,769,909
Total Fund Outstanding Shares*	11,847,583

Proposal 3. To approve a new Investment Management Agreement with Franklin Advisers, Inc:

Franklin Rising Dividends VIP Fund

	Shares
For	61,230,619
Against	1,892,274
Abstain	4,139,471
Total Fund Shares Voted	67,262,364
Total Fund Shares Outstanding*	69,031,623

Proposal 4. To approve a new Subadvisory Agreement with Franklin Templeton Investment Management Limited:

Templeton Developing Markets VIP Fund

	Shares
For	34,067,321
Against	1,503,503
Abstain	1,559,793
Total Fund Shares Voted	37,130,617
Total Fund Shares Outstanding*	38,665,160

Proposal 5. To approve an amended fundamental investment restriction regarding investments in commodities:

Franklin Flex Cap Growth VIP Fund

	Shares
For	13,865,526
Against	747,561
Abstain	1,134,493
Total Fund Shares Voted	15,747,580
Total Fund Outstanding Shares*	15,802,049

Franklin Rising Dividends VIP Fund

	Shares
For	59,751,082
Against	2,758,376
Abstain	4,752,906
Total Fund Shares Voted	67,262,364
Total Fund Outstanding Shares*	69,031,623

Franklin Small-Mid Cap Growth VIP Fund

	Shares
For	23,646,532
Against	1,565,814
Abstain	1,557,694
Total Fund Shares Voted	26,770,040
Total Fund Outstanding Shares*	27,311,145

Franklin Small Cap Value VIP Fund

	Shares
For	54,478,087
Against	3,057,279
Abstain	4,718,393
Total Fund Shares Voted	62,253,759
Total Fund Outstanding Shares*	73,514,199

Franklin Strategic Income VIP Fund

	Shares
For	52,089,907
Against	3,535,016
Abstain	4,119,335
Total Fund Shares Voted	59,744,257
Total Fund Outstanding Shares*	60,841,388

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin U.S. Government Securities VIP Fund

	Shares
For	90,516,652
Against	4,962,770
Abstain	7,353,445
Total Fund Shares Voted	102,832,867
Total Fund Outstanding Shares*	109,725,751

Franklin Mutual Global Discovery VIP Fund

	Shares
For	28,033,432
Against	1,252,638
Abstain	2,608,079
Total Fund Shares Voted	31,894,149
Total Fund Outstanding Shares*	32,602,413

Franklin Mutual Shares VIP Fund

	Shares
For	177,273,923
Against	10,129,961
Abstain	13,735,237
Total Fund Shares Voted	201,139,121
Total Fund Outstanding Shares*	201,829,901

Templeton Developing Markets VIP Fund

	Shares
For	34,011,236
Against	1,427,546
Abstain	1,691,835
Total Fund Shares Voted	37,130,617
Total Fund Outstanding Shares*	38,665,160

Templeton Foreign VIP Fund

	Shares
For	91,743,616
Against	4,425,178
Abstain	6,648,165
Total Fund Shares Voted	102,816,960
Total Fund Outstanding Shares*	113,425,059

Templeton Global Bond VIP Fund

	Shares
For	157,121,313
Against	8,459,106
Abstain	12,079,050
Total Fund Shares Voted	177,659,469
Total Fund Outstanding Shares*	188,040,251

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Templeton Growth VIP Fund

	Shares
For	79,782,773
Against	4,136,520
Abstain	6,347,006
Total Fund Shares Voted	90,266,300
Total Fund Outstanding Shares*	91,604,126

Franklin Growth and Income VIP Fund

	Shares
For	6,699,033
Against	291,508
Abstain	175,451
Total Fund Shares Voted	7,165,992
Total Fund Outstanding Shares*	7,208,893

Franklin Income VIP Fund

	Shares
For	338,299,973
Against	18,075,707
Abstain	33,037,042
Total Fund Shares Voted	389,412,722
Total Fund Outstanding Shares*	392,023,197

Franklin Large Cap Growth VIP Fund

	Shares
For	5,515,296
Against	284,582
Abstain	556,334
Total Fund Shares Voted	6,356,213
Total Fund Outstanding Shares*	6,415,938

Franklin Global Real Estate VIP Fund

	Shares
For	10,531,666
Against	347,186
Abstain	891,057
Total Fund Shares Voted	11,769,909
Total Fund Outstanding Shares*	11,847,583

Franklin Founding Funds Allocation VIP Fund

	Shares
For	122,854,798
Against	4,270,018
Abstain	14,343,426
Total Fund Shares Voted	141,468,242
Total Fund Outstanding Shares*	142,224,672

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
SPECIAL MEETING OF SHAREHOLDERS

Franklin VolSmart Allocation VIP Fund

	Shares
For	13,979,495
Against	469,722
Abstain	1,491,733
Total Fund Shares Voted	15,940,951
Total Fund Outstanding Shares*	15,940,951

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 US registered portfolios overseen in the Franklin Templeton Investments fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	139	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 October 2017	113	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	139	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present)
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	139	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) (November 2016), 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	139	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company) (2006-present); and formerly , Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	139	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

Principal Occupation During at Least the Past 5 Years:

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

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	113	None
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Principal Occupation During at Least the Past 5 Years:

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

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	153	None

Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 43 of the investment companies in Franklin Templeton Investments; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	139	None
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Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

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

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of 28 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since June 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton Investments (2009-2017).				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 45 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 45 of the investment companies in Franklin Templeton Investments; and formerly , Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; and officer of 45 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 45 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 45 of the investment companies in Franklin Templeton Investments.				

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

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

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

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

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

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

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the US Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

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

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Annual Report
Franklin Templeton
Variable Insurance Products Trust

Investment Managers

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

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton Distributors, Inc.

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

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

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