



FRANKLIN TEMPLETON
INVESTMENTS

Semiannual Report

June 30, 2018

Franklin Templeton Variable Insurance Products Trust



Franklin Templeton Variable Insurance Products Trust Semiannual Report

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

Important Notes to Performance Information

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

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

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



**FRANKLIN TEMPLETON
INVESTMENTS**

**SUPPLEMENT DATED JULY 10, 2018
TO THE PROSPECTUS DATED MAY 1, 2018**

OF

**FRANKLIN FLEX CAP GROWTH VIP FUND
FRANKLIN FOUNDING FUNDS ALLOCATION VIP FUND
FRANKLIN GLOBAL REAL ESTATE VIP FUND
FRANKLIN GROWTH AND INCOME VIP FUND
FRANKLIN INCOME VIP FUND
FRANKLIN LARGE CAP GROWTH VIP FUND
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND
FRANKLIN MUTUAL SHARES VIP FUND
FRANKLIN RISING DIVIDENDS VIP FUND
FRANKLIN SMALL CAP VALUE VIP FUND
FRANKLIN SMALL-MID CAP GROWTH VIP FUND
FRANKLIN STRATEGIC INCOME VIP FUND
FRANKLIN U.S. GOVERNMENT SECURITIES VIP FUND
FRANKLIN VOLSMART ALLOCATION VIP FUND
TEMPLETON DEVELOPING MARKETS VIP FUND
TEMPLETON FOREIGN VIP FUND
TEMPLETON GLOBAL BOND VIP FUND
TEMPLETON GROWTH VIP FUND**

(each a series of Franklin Templeton Variable Insurance Products Trust)

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

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

Please keep this supplement with your prospectus for future reference.

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Franklin Mutual Global Discovery VIP Fund

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

Class 2 Performance Summary as of June 30, 2018

The Fund's Class 2 Shares had a -1.52% total return* for the six-month period ended June 30, 2018.

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

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

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

Fund Goal and Main Investments

The Fund seeks capital appreciation. Under normal market conditions, the Fund invests primarily in US and foreign equity securities that the investment manager believes are available at market prices less than their intrinsic value. The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies. The Fund may invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Fund Risks

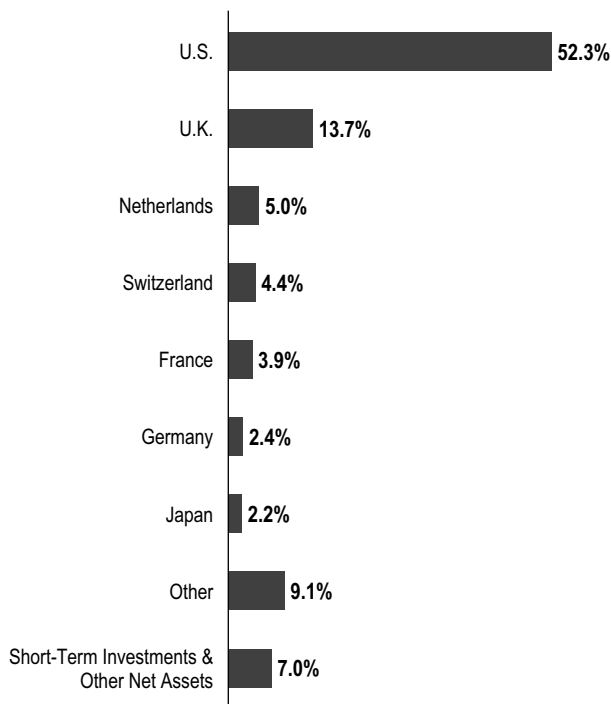
All investments involve risks, including possible loss of principal. Value securities may not increase in price as anticipated, or may decline further in value. The Fund's investments in foreign securities involve certain risks including currency fluctuations, and economic and political uncertainties. Because the Fund may invest at least a significant portion of its assets in companies in a specific region, including Europe, the Fund is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that exceeds the Fund's initial investment. The Fund's investments in companies engaged in mergers, reorganizations or liquidations also involve special risks as pending deals may not be completed on time or on favorable terms. The Fund may invest in lower rated bonds, which entail higher credit risk. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's six-month total return in the Performance Summary. In comparison, the Fund's benchmark, the MSCI World Index, posted a +0.76% total return and the

Geographic Composition*

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



*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

Standard & Poor's® 500 Index generated a +2.65% total return for the same period.¹

Economic and Market Overview

The global economy expanded during the six-month period under review amid generally upbeat economic data across regions. In this environment, global developed and emerging market stocks reached a new all-time high in January 2018, as measured by the MSCI All Country World Index (ACWI). During the period, global markets were aided by price gains in oil and other commodities, encouraging corporate earnings reports and investor optimism about global economic growth. However, global stocks had a -0.13% total return for the six-month period, as measured by the MSCI ACWI, largely due to an overall decline in emerging market stocks.¹

Global markets reflected investor concerns about tensions in the Korean peninsula and political uncertainties in the US and the European Union, as well as worries that strong economic

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

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

growth and rising inflation in some parts of the world, particularly in the US, would lead central banks to increase interest rates sooner than expected. Markets were further pressured by the Trump administration's protectionist trade policies, uncertainty surrounding the US-China trade relationship, and a broad sell-off in information technology stocks in March due to a potential for tighter regulation in the sector arising from concerns about consumer data privacy. An overall easing of tensions in the Korean peninsula and intermittent US-China trade negotiations partially offset some of these concerns. However, US trade disputes with its allies and China near period-end dampened investor sentiment.

The US economy continued to grow during the six months under review. After moderating for three consecutive quarters, the economy grew faster in 2018's second quarter, driven by consumer spending, exports, business investment and government spending. The unemployment rate declined from 4.1% in December 2017, as reported at the beginning of the six-month period, to 4.0% at period-end.² Annual inflation, as measured by the Consumer Price Index, increased from 2.1% in December 2017, as reported at the beginning of the period, to 2.9% at period-end.² The US Federal Reserve raised its target range for the federal funds rate in March and June 2018 and continued reducing its balance sheet as part of its ongoing plan to normalize monetary policy.

In Europe, the UK's quarterly economic growth moderated in 2018's first quarter amid a decline in construction output. The Bank of England kept its key policy rate unchanged during the period. The eurozone's quarterly growth moderated in 2018's first quarter due to a decline in external demand. The bloc's annual inflation rate ended the period higher than in December 2017. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. However, at its June meeting, the ECB announced it would further reduce its monthly bond purchases beginning in October 2018 and indicated it would conclude the program at the end of 2018 while continuing to keep interest rates unchanged through at least the summer of 2019.

In Asia, Japan's quarterly gross domestic product (GDP) growth in 2018's first quarter declined, the country's first contraction since 2015's fourth quarter, mainly due to a decline in private residential investment and household consumption.

The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures.

In emerging markets, Brazil's quarterly GDP accelerated in 2018's first quarter compared to the previous quarter. The country's central bank cut its benchmark interest rate twice during the period to spur economic growth. Russia's annual GDP grew in 2018's first quarter compared to the prior-year period, amid the Bank of Russia's continued policy support. China's annual GDP moderated in 2018's first quarter compared to the prior-year period. The People's Bank of China left its benchmark interest rate unchanged during the period. Overall, emerging market stocks, as measured by the MSCI Emerging Markets Index, declined during the period.³

Investment Strategy

At Franklin Mutual Advisors, we are committed to our distinctive value approach to investing. Our major investment strategy is investing in undervalued stocks. When selecting undervalued equities, we are attracted to what we believe are fundamentally strong companies with healthy balance sheets, high-quality assets, substantial free cash flow and shareholder-oriented management teams and whose stocks are trading at discounts to our assessment of the companies' intrinsic or business value. We also look for asset-rich companies whose shares may be trading at depressed levels due to concerns over short-term earnings disappointments, litigation, management strategy or other perceived negatives. While the vast majority of our undervalued equity investments are made in publicly traded companies globally, we may invest occasionally in privately held companies as well.

We complement this more traditional investment strategy with two others. One is distressed investing, which is complex and can take many forms. The most common distressed investment the Fund undertakes is the purchase of financially troubled or bankrupt companies' debt at a substantial discount to face value. After the financially distressed company is reorganized, often in bankruptcy court, the old debt is typically replaced with new securities issued by the financially stronger company.

The other piece of our investment strategy is participating in arbitrage situations, another highly specialized field. When companies announce proposed mergers or takeovers, commonly referred to as "deals," the target company may trade at a discount to the bid it ultimately accepts. One form of

2. Source: Bureau of Labor Statistics.

3. Please see Index Descriptions following the Fund Summaries.

arbitrage involves purchasing the target company's stock when it is trading below the value we believe it would receive in a deal. In keeping with our commitment to a relatively conservative investment approach, we typically focus our arbitrage efforts on announced deals, and eschew rumored deals or other situations we consider relatively risky.

In addition, it is our practice to hedge the Fund's currency exposure when we deem it advantageous for our shareholders.

What is meant by "hedge"?

To hedge an investment is to take a position intended to offset potential losses/gains that may be incurred by a companion financial instrument.

Manager's Discussion

In the first half of 2018, positive corporate fundamentals were overshadowed by political and economic concerns. Corporate profits in the US and other developed markets continued their impressive year-over-year pace of growth. In the US and other developed markets, economic activity moderated during the first quarter, but appeared to have recovered during the second quarter. Financial markets were also aided by improved industrial commodity prices, most notably crude oil. Nonetheless, investor sentiment became less upbeat and volatility returned to financial markets, after an historically calm 2017.

As investors entered 2018, overall US equity market valuations (e.g., price-to-earnings, price-to-book or price-to-sales) were elevated relative to most historical benchmarks. The uneven equity market performance during the period and the strong pace of corporate earnings growth helped to reduce valuations somewhat. At the same time, the rise in volatility provided us with select opportunities to initiate or add to positions in companies that we believed were trading at undeservedly discounted prices.

A further escalation of trade-related rhetoric and tariffs, in our view, could have important consequences for the US and abroad. We have already begun to see disruptions to global supply chains and added pressure on China's financial and credit markets. Additional tariffs imposed by the US and its trading partners could rattle business confidence, curb corporate earnings growth, undermine favorable fundamentals in specific industries, provoke further financial market volatility and raise uncertainty regarding the solid pace of synchronized global growth.

Top 10 Sectors/Industries

6/30/18

	% of Total Net Assets
Banks	12.1%
Oil, Gas & Consumable Fuels	9.3%
Pharmaceuticals	9.2%
Insurance	8.4%
Media	5.4%
Software	4.7%
Health Care Equipment & Supplies	4.6%
Tobacco	3.2%
Communications Equipment	2.7%
Automobiles	2.6%

Europe's equity market overall was still trading at an attractively lower price-to-earnings multiple and higher dividend yield than the US equity market at period-end. However, in addition to trade tensions, we are paying close attention to Brexit negotiations, Italy's new populist government, a potentially fraying relationship between Germany's two conservative parties and the future of the international nuclear deal with Iran. As of period-end, we still believe Europe's economic recovery is fairly resilient, but any of the aforementioned challenges has the potential to fuel volatility and even slow economic growth. In such an environment, we believe domestically oriented companies may fare relatively better.

In Asia, we have said for some time that China needs to address the high level of corporate leverage, and the People's Bank of China has recently mandated that much of the debt residing in the shadow banking market be brought back onto bank balance sheets. The resulting burden may impair bank earnings in the short term, which, in our view, is underappreciated by many investors and could create some investment opportunities. Meanwhile, Japan's government has proposed further amendments to its Corporate Governance Code. We believe the proposals have the potential to drive further improvements in capital allocation and operating discipline, which have long been a concern of investors. We have become more interested in finding opportunities to take advantage of this emerging trend.

Mergers and acquisitions (M&A) have remained active. In the first half of 2018, the market received some clarity regarding the regulatory environment when a federal judge ruled in favor

of AT&T and Time Warner⁴, and against the US Department of Justice (DOJ) in its antitrust lawsuit. The judge decided that the DOJ had failed to show that the merger would be anti-competitive, and the deal closed promptly after the opinion was released. In response, the shares of companies involved in several other pending deals traded higher, indicating a higher expected probability of closing. The market also saw the development of a bidding war between The Walt Disney Company and Comcast⁵ for control of Twenty-First Century Fox⁵ and Sky. As the year began, Disney had a deal to buy Fox and Fox had an offer pending to acquire the 61% of Sky it did not own. Comcast subsequently launched bids for both companies, and when Fox raised its bid for Sky, Comcast promptly raised its bid to a higher level. Comcast has indicated it will not bid further for Fox and, while Fox could raise its bid for Sky, it appears most likely that Comcast will purchase Sky. This bidding war showed the ongoing uncertainty in media, in which major media firms believe they need even more scale to compete with internet rivals that are experiencing significant growth. We expect ongoing activity in M&A markets and, with the increased regulatory clarity provided by the Time Warner decision, further opportunities in merger arbitrage.

Finding mispriced risk in credit markets remains difficult due in part to the decline in debt covenants, which include terms that restrict financial activities by the borrower or set parameters for specific financial metrics. The search is also complicated by private equity firms involved in leveraged buyout transactions using increasingly liberal interpretations of credit agreements and bond indentures to potentially shift valuable assets beyond the reach of creditors. We have directed much of our focus on out-of-favor industries in pursuit of securities with the potential to benefit most from liquidity-enhancing events, such as asset sales, the ability to issue secured debt within existing agreements, and free-cash flow that could buy time for a company to weather its financial storm.

Turning to Fund performance, top contributors included UK-based pharmaceutical company GlaxoSmithKline, Netherlands-based Koninklijke Philips and Finland-based global communications and information technology provider Nokia.

Investors reacted positively to GlaxoSmithKline's March announcements that it had pulled out of the auction for Pfizer's⁵ consumer health business and agreed to buy Novartis

Top 10 Holdings

6/30/18

Company Sector/Industry, Country	% of Total Net Assets
Medtronic PLC <i>Health Care Equipment & Supplies, U.S.</i>	2.8%
Novartis AG <i>Pharmaceuticals, Switzerland</i>	2.5%
Eli Lilly & Co. <i>Pharmaceuticals, U.S.</i>	2.4%
Royal Dutch Shell PLC <i>Oil, Gas & Consumable Fuels, U.K.</i>	2.3%
Merck & Co. Inc. <i>Pharmaceuticals, U.S.</i>	2.2%
British American Tobacco PLC <i>Tobacco, U.K.</i>	2.2%
GlaxoSmithKline PLC <i>Pharmaceuticals, U.K.</i>	2.1%
The Walt Disney Co. <i>Media, U.S.</i>	2.0%
NN Group NV <i>Insurance, Netherlands</i>	1.9%
Citizens Financial Group Inc. <i>Banks, U.S.</i>	1.9%

out of its consumer health care joint venture for \$13 billion. In our view, not purchasing the Pfizer consumer business at a high price demonstrated capital discipline and the ability to exercise restraint by not overpaying for strategically desirable assets, thus enhancing management credibility. In addition, not consummating the Pfizer consumer-asset deal eliminated concerns around a potential cut to the dividend to finance the deal, which had been a serious concern for investors. Also, investors have become more willing to give Glaxo some credit for research and development returns improving under the new management team.

Koninklijke Philips is near the end of its restructuring efforts. In line with our initial investment thesis, the company has almost fully pivoted its business model from being an industrial conglomerate to becoming a focused health care technology company. In April, Philips reported better-than-expected results, particularly strong order growth overall and sales growth within its diagnostics and treatment business. Recent positive results have increased our confidence in management's ability to deliver on its long-term strategy and targets.

Nokia announced solid fourth quarter and full-year 2017 results in February 2018, particularly better-than-expected profits for

4. Not held at period-end.

5. Not a Fund holding.

2017 and significant improvement in cash flow. Management also issued a new earnings target for 2020 that was higher than many investors had anticipated. Subsequent quarterly results issued in April 2018 were weaker than expected, but management emphasized the company's strong levels of new and existing orders and indicated that sales for full-year 2018 could exceed its previous guidance. We believe Nokia is serious about cutting costs and improving cash flow following its acquisition of Alcatel in 2016 to increase its dividend in 2018 and stay on course to reach its 2020 earnings target.

During the period under review, Fund investments that detracted from performance included British American Tobacco, US-based industrials company General Electric (GE) and US-based digital security and storage provider Symantec.

British American Tobacco's stock price faced downward pressure due to the potential for additional regulation in the US and concerns regarding next generation products. In March 2018, the US Food and Drug Administration issued an Advance Notice of Proposed Rulemaking, which started the process of examining the possibility of regulating nicotine levels in combustible cigarettes. The process may not result in regulation, but if it does, many experts believe the review could take seven to 10 years before a rule is adopted in the marketplace. Meanwhile, JUUL, produced by JUUL Labs⁵ has emerged as a popular e-cigarette in the US. JUUL's growth rate is high and its product is popular with young consumers. It is unclear to what degree JUUL is cannibalizing the combustible market, but it has hurt investor sentiment toward the industry.

In January 2018, General Electric (GE) announced a greater-than-expected \$6.2 billion after-tax charge related to its insurance subsidiary at GE Capital. Management also moved ahead with what amounts to a breakup of GE. In May 2018, the company announced the merger of its transportation operations into Wabtec⁵, and in June 2018 it announced a plan to spin off its health care division and divest its stake in oil-services firm Baker Hughes. Once completed, we believe the moves will streamline GE and enable the company to reduce debt and build up a cash buffer, as well as help management better focus on its key aviation, power and renewable energy divisions.

Shares of Symantec tumbled in May 2018 when the company disclosed an internal investigation resulting from concerns raised by a former employee that could result in a restatement of prior financials, as well as lowered earnings guidance. The stock partially recovered when Symantec's management provided more information regarding the investigation and reassured investors that financial statements would likely not need to be restated.

During the period, the Fund held currency forwards and futures seeking to hedge most of the currency risk of the portfolio's non-US dollar investments. The hedges had a positive overall impact on the Fund's performance because of the appreciation of the US dollar versus the hedged currencies.

What is a currency forward?

A currency forward is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date.

What is a future?

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

As fellow shareholders, we found recent relative and absolute performance disappointing, but it is not uncommon for our strategy to lag the equity markets at times. We remain committed to our disciplined, value investment approach as we seek to generate attractive, long-term, risk-adjusted returns for shareholders.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2018, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Class 2 Fund Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 1/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 ^{1,2}	Ending Account Value 6/30/18	Fund-Level Expenses Paid During Period 1/1/18–6/30/18 ^{1,2}	
Class 2	\$1,000	\$984.80	\$6.05	\$1,018.70	\$6.16	1.23%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

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

Financial Highlights

Franklin Mutual Global Discovery VIP Fund

	Six Months Ended June 30, 2018 (unaudited)	2017	Year Ended December 31,			
		2017	2016	2015	2014	2013
Class 1						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$20.38	\$20.22	\$19.85	\$22.61	\$23.31	\$20.55
Income from investment operations ^a :						
Net investment income ^b	0.23	0.47	0.41	0.37	0.68 ^c	0.46
Net realized and unrealized gains (losses) . . .	(0.51)	1.29	1.92	(1.17)	0.76	5.03
Total from investment operations	(0.28)	1.76	2.33	(0.80)	1.44	5.49
Less distributions from:						
Net investment income	—	(0.42)	(0.39)	(0.69)	(0.57)	(0.58)
Net realized gains	—	(1.18)	(1.57)	(1.27)	(1.57)	(2.15)
Total distributions	—	(1.60)	(1.96)	(1.96)	(2.14)	(2.73)
Net asset value, end of period	\$20.10	\$20.38	\$20.22	\$19.85	\$22.61	\$23.31
Total return ^d	(1.37)%	8.99%	12.32%	(3.39)%	5.98%	27.95%
Ratios to average net assets^e						
Expenses ^{f,g}	0.98% ^h	1.01% ^h	1.01% ^h	1.02% ^h	1.00%	0.97%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%	—% ⁱ
Net investment income	2.26%	2.29%	2.10%	1.71%	2.85% ^c	2.13%
Supplemental data						
Net assets, end of period (000's)	\$3,580	\$3,189	\$3,084	\$2,632	\$2,313	\$2,465
Portfolio turnover rate	16.69%	17.49%	17.54%	21.88%	22.18%	15.58%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.34 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.40%.

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

^eRatios are annualized for periods less than one year.

^fIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

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

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

ⁱRounds to less than 0.01%.

Franklin Mutual Global Discovery VIP Fund (continued)

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
Class 2						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$19.80	\$19.69	\$19.37	\$22.11	\$22.84	\$20.17
Income from investment operations ^a :						
Net investment income ^b	0.20	0.41	0.35	0.32	0.60 ^c	0.42
Net realized and unrealized gains (losses) . . .	(0.50)	1.25	1.87	(1.16)	0.75	4.92
Total from investment operations	(0.30)	1.66	2.22	(0.84)	1.35	5.34
Less distributions from:						
Net investment income	—	(0.37)	(0.33)	(0.63)	(0.51)	(0.52)
Net realized gains	—	(1.18)	(1.57)	(1.27)	(1.57)	(2.15)
Total distributions	—	(1.55)	(1.90)	(1.90)	(2.08)	(2.67)
Net asset value, end of period	\$19.50	\$19.80	\$19.69	\$19.37	\$22.11	\$22.84
Total return ^d	(1.52)%	8.71%	12.06%	(3.65)%	5.71%	27.61%
Ratios to average net assets^e						
Expenses ^{f,g}	1.23% ^h	1.26% ^h	1.26% ^h	1.27% ^h	1.25%	1.22%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%	—% ⁱ
Net investment income	2.01%	2.04%	1.85%	1.46%	2.60% ^c	1.88%
Supplemental data						
Net assets, end of period (000's)	\$588,113	\$631,179	\$630,397	\$629,366	\$685,711	\$684,780
Portfolio turnover rate	16.69%	17.49%	17.54%	21.88%	22.18%	15.58%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.34 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.15%.

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

^eRatios are annualized for periods less than one year.

^fIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

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

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

ⁱRounds to less than 0.01%.

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL HIGHLIGHTS

Franklin Mutual Global Discovery VIP Fund (continued)

	Six Months Ended June 30, 2018 (unaudited)	2017	2016	Year Ended December 31,		
				2015	2014	2013
Class 4						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$20.17	\$20.02	\$19.66	\$22.39	\$23.10	\$20.38
Income from investment operations ^a :						
Net investment income ^b	0.19	0.40	0.34	0.30	0.61 ^c	0.40
Net realized and unrealized gains (losses) . . .	(0.50)	1.27	1.89	(1.17)	0.73	4.97
Total from investment operations	(0.31)	1.67	2.23	(0.87)	1.34	5.37
Less distributions from:						
Net investment income	—	(0.34)	(0.30)	(0.59)	(0.48)	(0.50)
Net realized gains	—	(1.18)	(1.57)	(1.27)	(1.57)	(2.15)
Total distributions	—	(1.52)	(1.87)	(1.86)	(2.05)	(2.65)
Net asset value, end of period	\$19.86	\$20.17	\$20.02	\$19.66	\$22.39	\$23.10
Total return ^d	(1.54)%	8.61%	11.91%	(3.74)%	5.60%	27.52%
Ratios to average net assets^e						
Expenses ^{f,g}	1.33% ^h	1.36% ^h	1.36% ^h	1.37% ^h	1.35%	1.32%
Expenses incurred in connection with securities sold short	0.01%	—%	0.01%	0.02%	0.03%	—% ⁱ
Net investment income	1.91%	1.94%	1.75%	1.36%	2.50% ^c	1.78%
Supplemental data						
Net assets, end of period (000's)	\$36,558	\$41,713	\$45,262	\$49,054	\$59,961	\$70,354
Portfolio turnover rate	16.69%	17.49%	17.54%	21.88%	22.18%	15.58%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.34 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.05%.

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

^eRatios are annualized for periods less than one year.

^fIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(d).

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

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

ⁱRounds to less than 0.01%.

Statement of Investments, June 30, 2018 (unaudited)
Franklin Mutual Global Discovery VIP Fund

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests 87.8%			
Aerospace & Defense 1.0%			
BAE Systems PLC	United Kingdom	755,507	\$ 6,453,269
Auto Components 0.5%			
^{a,b,c} International Automotive Components Group Brazil LLC	Brazil	424,073	9,643
^{a,b,c} International Automotive Components Group North America LLC	United States	4,052,916	1,213,398
Toyo Tire & Rubber Co. Ltd.	Japan	136,700	2,001,813
			<u>3,224,854</u>
Automobiles 1.1%			
General Motors Co.	United States	175,900	6,930,460
Banks 12.1%			
Barclays PLC	United Kingdom	1,564,265	3,904,302
BNP Paribas SA	France	106,195	6,599,439
CIT Group Inc.	United States	136,169	6,864,279
Citigroup Inc.	United States	162,150	10,851,078
Citizens Financial Group Inc.	United States	303,023	11,787,595
First Horizon National Corp.	United States	353,473	6,305,958
HSBC Holdings PLC	United Kingdom	438,755	4,117,937
JPMorgan Chase & Co.	United States	42,286	4,406,201
Societe Generale SA	France	157,880	6,661,740
Standard Chartered PLC	United Kingdom	442,523	4,047,526
Wells Fargo & Co.	United States	192,020	10,645,589
			<u>76,191,644</u>
Building Products 0.9%			
Johnson Controls International PLC	United States	162,300	5,428,935
Capital Markets 1.2%			
Credit Suisse Group AG	Switzerland	191,359	2,888,547
Deutsche Bank AG	Germany	207,029	2,230,639
Guotai Junan Securities Co. Ltd.	China	1,275,797	2,712,230
			<u>7,831,416</u>
Communications Equipment 2.7%			
Cisco Systems Inc.	United States	169,680	7,301,330
Nokia OYJ, A	Finland	611,269	3,520,888
Nokia OYJ, ADR	Finland	1,095,886	6,301,345
			<u>17,123,563</u>
Construction Materials 0.9%			
LafargeHolcim Ltd., B.	Switzerland	121,811	5,950,339
Consumer Finance 1.3%			
Ally Financial Inc.	United States	93,416	2,454,039
Capital One Financial Corp.	United States	60,788	5,586,417
			<u>8,040,456</u>
Containers & Packaging 0.5%			
International Paper Co.	United States	63,500	3,307,080
Diversified Financial Services 0.8%			
Voya Financial Inc.	United States	101,650	4,777,550

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Diversified Telecommunication Services 2.4%			
AT&T Inc.	United States	207,839	\$ 6,673,710
Koninklijke KPN NV	Netherlands	3,049,719	8,302,115
			<u>14,975,825</u>
Electric Utilities 2.1%			
Enel SpA	Italy	1,746,880	9,708,881
PG&E Corp.	United States	79,400	3,379,264
			<u>13,088,145</u>
Energy Equipment & Services 0.9%			
Baker Hughes a GE Co., A	United States	178,964	5,911,181
Food & Staples Retailing 1.1%			
^a Rite Aid Corp.	United States	391,098	676,599
Walgreens Boots Alliance Inc.	United States	102,904	6,175,784
			<u>6,852,383</u>
Health Care Equipment & Supplies 4.6%			
Koninklijke Philips NV.	Netherlands	262,635	11,176,997
Medtronic PLC	United States	204,810	17,533,784
			<u>28,710,781</u>
Health Care Providers & Services 1.0%			
CVS Health Corp.	United States	97,591	6,279,981
Hotels, Restaurants & Leisure 2.3%			
Accor SA	France	226,617	11,125,550
Sands China Ltd.	Hong Kong	648,800	3,468,900
			<u>14,594,450</u>
Independent Power & Renewable Electricity Producers 0.8%			
^a Vistra Energy Corp.	United States	199,533	4,720,951
Industrial Conglomerates 1.8%			
General Electric Co.	United States	823,100	11,202,391
Insurance 8.4%			
Alleghany Corp.	United States	2,730	1,569,668
American International Group Inc.	United States	177,333	9,402,196
China Pacific Insurance Group Co. Ltd., H	China	1,281,108	4,955,567
Chubb Ltd.	United States	46,866	5,952,919
The Hartford Financial Services Group Inc.	United States	161,696	8,267,517
MetLife Inc.	United States	67,226	2,931,054
NN Group NV	Netherlands	294,248	11,977,457
RSA Insurance Group PLC	United Kingdom	501,149	4,496,387
T&D Holdings Inc.	Japan	199,721	3,003,167
			<u>52,555,932</u>
IT Services 1.6%			
Cognizant Technology Solutions Corp., A	United States	130,860	10,336,631
Media 5.4%			
^a Charter Communications Inc., A	United States	30,386	8,909,479
^a Cumulus Media Inc., A	United States	9,615	144,225
^a Cumulus Media Inc., B	United States	14,335	225,776
^a DISH Network Corp., A	United States	139,003	4,671,891
Sky PLC	United Kingdom	403,819	7,793,936

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

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Media (continued)			
The Walt Disney Co.	United States	118,700	\$ 12,440,947
			<u>34,186,254</u>
Metals & Mining 1.2%			
Freeport-McMoRan Inc.	United States	163,070	2,814,588
thyssenkrupp AG	Germany	159,357	3,876,366
Warrior Met Coal Inc.	United States	37,173	1,024,860
			<u>7,715,814</u>
Oil, Gas & Consumable Fuels 9.3%			
Anadarko Petroleum Corp.	United States	62,642	4,588,526
BP PLC	United Kingdom	925,213	7,065,879
Crescent Point Energy Corp.	Canada	670,900	4,931,437
JXTG Holdings Inc.	Japan	669,532	4,658,508
Kinder Morgan Inc.	United States	428,870	7,578,133
Marathon Oil Corp.	United States	268,828	5,607,752
Plains All American Pipeline LP.	United States	169,000	3,995,160
Royal Dutch Shell PLC, A (EUR Traded).	United Kingdom	237,549	8,262,377
Royal Dutch Shell PLC, A (GBP Traded).	United Kingdom	179,410	6,228,859
The Williams Cos. Inc.	United States	196,601	5,329,853
			<u>58,246,484</u>
Pharmaceuticals 9.2%			
Eli Lilly & Co.	United States	176,580	15,067,571
GlaxoSmithKline PLC.	United Kingdom	670,728	13,550,408
Merck & Co. Inc.	United States	229,318	13,919,603
Novartis AG, ADR	Switzerland	205,621	15,532,610
			<u>58,070,192</u>
Semiconductors & Semiconductor Equipment 0.6%			
^a Renesas Electronics Corp.	Japan	386,368	3,790,558
Software 4.7%			
^a Avaya Holdings Corp., wts., 12/15/22	United States	5,179	23,953
^a Check Point Software Technologies Ltd.	Israel	107,967	10,546,216
^a Dell Technologies Inc., V	United States	33,415	2,826,241
Microsoft Corp.	United States	97,236	9,588,442
Symantec Corp.	United States	305,861	6,316,030
			<u>29,300,882</u>
Specialty Retail 0.5%			
Dufry AG	Switzerland	23,184	2,958,863
Technology Hardware, Storage & Peripherals 2.5%			
Hewlett Packard Enterprise Co.	United States	298,680	4,363,715
Samsung Electronics Co. Ltd.	South Korea	267,805	11,200,559
			<u>15,564,274</u>
Tobacco 3.2%			
Altria Group Inc.	United States	107,584	6,109,696
British American Tobacco PLC	United Kingdom	188,332	9,525,640
British American Tobacco PLC, ADR	United Kingdom	83,985	4,237,043
			<u>19,872,379</u>

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

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Shares/ Units/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Wireless Telecommunication Services 1.2%			
Vodafone Group PLC	United Kingdom	3,096,235	\$ 7,516,193
Total Common Stocks and Other Equity Interests (Cost \$467,437,257)			<u>551,710,110</u>
Management Investment Companies (Cost \$3,414,383) 0.6%			
Diversified Financial Services 0.6%			
^a Altaba Inc.	United States	52,100	<u>3,814,241</u>
Preferred Stocks (Cost \$10,006,188) 1.5%			
Automobiles 1.5%			
^d Volkswagen AG, 2.784%, pfd.	Germany	54,800	<u>9,105,718</u>
		Principal Amount	
Corporate Notes and Senior Floating Rate Interests 1.4%			
^{e,f} Cumulus Media New Holdings Inc., Term Loan, 6.60%, (1-month USD LIBOR + 4.50%), 5/13/22	United States	\$ 1,864,393	1,856,236
Frontier Communications Corp., senior note, 10.50%, 9/15/22	United States	3,610,000	3,294,125
senior note, 11.00%, 9/15/25	United States	4,065,000	<u>3,271,106</u>
Total Corporate Notes and Senior Floating Rate Interests (Cost \$8,828,592)			<u>8,421,467</u>
Corporate Notes and Senior Floating Rate Interests in Reorganization 1.7%			
^{b,c,g} Broadband Ventures III LLC, secured promissory note, 5.00%, 2/01/12	United States	595	—
^g iHeartCommunications Inc., senior secured note, first lien, 9.00%, 12/15/19	United States	5,184,000	3,952,800
^{e,f} Tranche D Term Loan, 8.443%, (3-month USD LIBOR + 6.75%), 1/30/19.	United States	6,889,154	5,272,786
^{e,f} Tranche E Term Loan, 9.193%, (3-month USD LIBOR + 7.50%), 7/30/19.	United States	2,213,880	<u>1,693,873</u>
Total Corporate Notes and Senior Floating Rate Interests in Reorganization (Cost \$13,981,307)			<u>10,919,459</u>
		Shares	
Companies in Liquidation 0.0%†			
^{a,b,h} Avaya Holdings Corp., Contingent Distribution.	United States	1,270,000	—
^{a,b,h} Avaya Inc., Contingent Distribution.	United States	1,668,000	—
^{a,b} NewPage Corp., Litigation Trust	United States	4,854,000	—
^{a,b,h} Tribune Media, Litigation Trust, Contingent Distribution.	United States	57,557	—
^{a,h} Vistra Energy Corp., Litigation Trust, Contingent Distribution.	United States	11,807,264	95,934
^a Vistra Energy Corp., Litigation Trust, TRA.	United States	199,534	<u>129,697</u>
Total Companies in Liquidation (Cost \$1,209,024)			<u>225,631</u>
Total Investments before Short Term Investments (Cost \$504,876,751)			<u>584,196,626</u>

Franklin Mutual Global Discovery VIP Fund (continued)

	Country	Principal Amount	Value
Short Term Investments 6.6%			
U.S. Government and Agency Securities 6.6%			
[†] FHLB, 7/02/18.	United States	\$15,800,000	\$ 15,800,000
[†] U.S. Treasury Bill,			
[†] 11/15/18	United States	3,000,000	2,977,390
7/05/18 - 12/20/18.	United States	23,000,000	<u>22,901,181</u>
Total U.S. Government and Agency Securities (Cost \$41,672,768)			<u>41,678,571</u>
Total Investments (Cost \$546,549,519) 99.6%			625,875,197
Securities Sold Short (0.6)%			(3,479,801)
Other Assets, less Liabilities 1.0%			<u>5,855,302</u>
Net Assets 100.0%			<u>\$628,250,698</u>
		Shares	
[‡] Securities Sold Short (Proceeds \$3,292,003) (0.6)%			
Common Stocks (0.6)%			
Internet Software & Services (0.6)%			
Alibaba Group Holding Ltd., ADR	China	18,756	<u>(3,479,801)</u>

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

^aNon-income producing.

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

^cSee Note 8 regarding restricted securities.

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

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

^fSee Note 1(f) regarding senior floating rate interests.

^gSee Note 7 regarding credit risk and defaulted securities.

^hContingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company. Shares represent total underlying principal of debt securities.

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

^jA portion or all of the security has been segregated as collateral for securities sold short. At June 30, 2018, the value of this security pledged amounted to \$1,905,529, representing 0.3% of net assets.

^kSee Note 1(d) regarding securities sold short.

Franklin Mutual Global Discovery VIP Fund (continued)

At June 30, 2018, the Fund had the following futures contracts outstanding. See Note 1(c).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
Currency Contracts					
EUR/USD	Short	208	\$30,514,900	9/17/18	\$312,029
GBP/USD	Short	232	19,192,200	9/17/18	292,484
Total Futures Contracts					\$604,513

*As of period end.

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

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Swiss Franc	BONY	Buy	40,459	\$ 40,724	7/09/18	\$ 162	\$ —
Swiss Franc	UBSW	Buy	115,441	117,519	7/09/18	—	(859)
Swiss Franc	UBSW	Buy	125,008	126,121	7/09/18	208	—
Swiss Franc	UBSW	Sell	3,135,375	3,153,571	7/09/18	—	(14,931)
South Korean Won	HSBK	Buy	842,189,044	772,672	7/13/18	—	(17,331)
South Korean Won	HSBK	Sell	13,428,910,227	12,381,489	7/13/18	337,408	—
British Pound	HSBK	Sell	18,370,701	24,391,240	8/14/18	79,139	—
Euro	BOFA	Buy	955,931	1,114,289	8/20/18	7,041	—
Euro	BONY	Buy	69,519	80,568	8/20/18	980	—
Euro	HSBK	Buy	1,824,794	2,122,779	8/20/18	17,749	—
Euro	HSBK	Sell	2,921,872	3,419,359	8/20/18	—	(8,069)
Euro	SSBT	Buy	173,797	202,357	8/20/18	1,511	—
Euro	UBSW	Sell	57,020,253	66,711,415	8/20/18	—	(174,752)
Japanese Yen	HSBK	Sell	342,621,375	3,115,179	8/20/18	8,656	—
Japanese Yen	UBSW	Buy	2,296,792	20,809	8/20/18	16	—
Japanese Yen	UBSW	Buy	7,888,979	72,123	8/20/18	—	(594)
Total Forward Exchange Contracts						\$ 452,870	\$ (216,536)
Net unrealized appreciation (depreciation)						\$ 236,334	

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

See Note 9 regarding other derivative information.

See Abbreviations on page MGD-31.

Financial Statements

Statement of Assets and Liabilities

June 30, 2018 (unaudited)

	Franklin Mutual Global Discovery VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$546,549,519
Value - Unaffiliated issuers	625,875,197
Cash	167,863
Foreign currency, at value (cost \$486,892)	490,011
Receivables:	
Investment securities sold	1,417,692
Capital shares sold	72,291
Dividends and interest	1,984,889
European Union tax reclaims	276,406
Deposits with brokers for:	
Securities sold short	3,667,277
Futures contracts	939,220
Unrealized appreciation on OTC forward exchange contracts	452,870
Other assets	97,205
Total assets	635,440,921
Liabilities:	
Payables:	
Investment securities purchased	1,730,530
Capital shares redeemed	379,114
Management fees	459,688
Distribution fees	274,829
Variation margin on futures contracts	472,150
Securities sold short, at value (proceeds \$3,292,003)	3,479,801
Unrealized depreciation on OTC forward exchange contracts	216,536
Accrued expenses and other liabilities	177,575
Total liabilities	7,190,223
Net assets, at value	\$628,250,698
Net assets consist of:	
Paid-in capital	\$476,517,314
Undistributed net investment income	20,638,004
Net unrealized appreciation (depreciation)	79,956,558
Accumulated net realized gain (loss)	51,138,822
Net assets, at value	\$628,250,698

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
 FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)
 June 30, 2018 (unaudited)

	Franklin Mutual Global Discovery VIP Fund
Class 1:	
Net assets, at value	\$ 3,579,943
Shares outstanding	178,148
Net asset value and maximum offering price per share	\$20.10
Class 2:	
Net assets, at value	\$588,112,670
Shares outstanding	30,157,648
Net asset value and maximum offering price per share	\$19.50
Class 4:	
Net assets, at value	\$ 36,558,085
Shares outstanding	1,841,161
Net asset value and maximum offering price per share	\$19.86

Statement of Operations

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

	Franklin Mutual Global Discovery VIP Fund
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ 9,631,953
Interest:	
Unaffiliated issuers	857,831
Income from securities loaned (net of fees and rebates)	96,221
Total investment income	10,586,005
Expenses:	
Management fees (Note 3a)	3,005,223
Distribution fees: (Note 3c)	
Class 2	765,046
Class 4	68,221
Custodian fees (Note 4)	12,690
Reports to shareholders	77,979
Professional fees	72,769
Trustees' fees and expenses	1,697
Dividends on securities sold short	24,066
Other	18,666
Total expenses	4,046,357
Expense reductions (Note 4)	(1,461)
Expenses waived/paid by affiliates (Note 3e)	(4,024)
Net expenses	4,040,872
Net investment income	6,545,133
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	40,448,815
Foreign currency transactions	(220,675)
Forward exchange contracts	3,072,755
Futures contracts	582,723
Securities sold short	134,695
Net realized gain (loss)	44,018,313
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(62,149,576)
Translation of other assets and liabilities denominated in foreign currencies	(45,523)
Forward exchange contracts	1,217,399
Futures contracts	1,305,791
Securities sold short	(229,748)
Net change in unrealized appreciation (depreciation)	(59,901,657)
Net realized and unrealized gain (loss)	(15,883,344)
Net increase (decrease) in net assets resulting from operations	\$ (9,338,211)

*Foreign taxes withheld on dividends. \$ 650,433

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST
FINANCIAL STATEMENTS

Statements of Changes in Net Assets

Franklin Mutual Global Discovery VIP Fund

	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 6,545,133	\$ 13,954,122
Net realized gain (loss)	44,018,313	10,878,079
Net change in unrealized appreciation (depreciation)	(59,901,657)	32,155,121
Net increase (decrease) in net assets resulting from operations	(9,338,211)	56,987,322
Distributions to shareholders from:		
Net investment income:		
Class 1	—	(66,311)
Class 2	—	(11,249,921)
Class 4	—	(685,349)
Net realized gains:		
Class 1	—	(186,112)
Class 2	—	(35,820,607)
Class 4	—	(2,371,329)
Total distributions to shareholders	—	(50,379,629)
Capital share transactions: (Note 2)		
Class 1	446,978	82,438
Class 2	(34,303,146)	(5,225,517)
Class 4	(4,636,255)	(4,126,123)
Total capital share transactions	(38,492,423)	(9,269,202)
Net increase (decrease) in net assets	(47,830,634)	(2,661,509)
Net assets:		
Beginning of period	676,081,332	678,742,841
End of period	\$628,250,698	\$676,081,332
Undistributed net investment income included in net assets:		
End of period	\$ 20,638,004	\$ 14,092,871

Notes to Financial Statements (unaudited)

Franklin Mutual Global Discovery VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Mutual Global Discovery VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At June 30, 2018, 46.6% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time.

The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

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

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the 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

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation (continued)

calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

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. 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

Franklin Mutual Global Discovery VIP Fund (continued)

Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement. At June 30, 2018, the Fund had OTC derivatives in a net liability position of \$190,912 and the aggregate value of collateral pledged for such contracts was \$0.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty the next business day, or within a few business days. Collateral pledged and/or received by the Fund

for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

At June 30, 2018, the Fund received \$931,625 in United Kingdom Treasury Bonds and U.S. Treasury Notes as collateral for derivatives.

The Fund entered into exchange traded futures contracts primarily to manage exposure to certain foreign currencies. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities.

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

See Note 9 regarding other derivative information.

d. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required

Franklin Mutual Global Discovery VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

d. Securities Sold Short (continued)

to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

e. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At June 30, 2018, the Fund had no securities on loan.

f. Senior Floating Rate Interests

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

g. Income and Deferred Taxes

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

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2018, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to

Franklin Mutual Global Discovery VIP Fund (continued)

be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

h. Security Transactions, Investment Income, Expenses and Distributions

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

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

2. Shares of Beneficial Interest

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

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	30,209	\$ 621,633	22,957	\$ 477,994
Shares issued in reinvestment of distributions	—	—	12,814	252,423
Shares redeemed	(8,579)	(174,655)	(31,768)	(647,979)
Net increase (decrease).	21,630	\$ 446,978	4,003	\$ 82,438

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

i. Accounting Estimates

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

j. Guarantees and Indemnifications

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

Franklin Mutual Global Discovery VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Six Months Ended June 30, 2018		Year Ended December 31, 2017	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	547,473	\$ 10,899,828	1,826,753	\$ 36,854,231
Shares issued in reinvestment of distributions	—	—	2,456,708	47,070,528
Shares redeemed	(2,268,545)	(45,202,974)	(4,417,680)	(89,150,276)
Net increase (decrease)	(1,721,072)	\$(34,303,146)	(134,219)	\$ (5,225,517)
Class 4 Shares:				
Shares sold	18,384	\$ 363,219	74,244	\$ 1,535,006
Shares issued in reinvestment of distributions	—	—	156,592	3,056,678
Shares redeemed	(245,361)	(4,999,474)	(423,086)	(8,717,807)
Net increase (decrease)	(226,977)	\$(4,636,255)	(192,250)	\$ (4,126,123)

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

a. Management Fees

Effective May 1, 2018, the Fund pays an investment management fee to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.875%	Up to and including \$4 billion
0.845%	Over \$4 billion, up to and including \$7 billion
0.825%	Over \$7 billion, up to and including \$10 billion
0.805%	Over \$10 billion, up to and including \$13 billion
0.785%	Over \$13 billion, up to and including \$16 billion
0.765%	Over \$16 billion, up to and including \$19 billion
0.745%	Over \$19 billion, up to and including \$22 billion
0.725%	Over \$22 billion, up to and including \$25 billion
0.705%	Over \$25 billion, up to and including \$28 billion
0.685%	In excess of \$28 billion

Franklin Mutual Global Discovery VIP Fund (continued)

Prior to May 1, 2018, the Fund paid fees to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.950%	Up to and including \$200 million
0.935%	Over \$200 million, up to and including \$700 million
0.900%	Over \$700 million, up to and including \$1.2 billion
0.875%	Over \$1.2 billion, up to and including \$4 billion
0.845%	Over \$4 billion, up to and including \$7 billion
0.825%	Over \$7 billion, up to and including \$10 billion
0.805%	In excess of \$10 billion

For the period ended June 30, 2018, the annualized gross effective investment management fee rate was 0.919% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended June 30, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 1.51%	—	32,695,000	(32,695,000)	—	\$ —	\$ —	\$ —	\$ —

Franklin Mutual Global Discovery VIP Fund (continued)

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended June 30, 2018, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

Cost of investments	<u>\$544,261,714</u>
Unrealized appreciation	\$133,124,321
Unrealized depreciation	<u>(54,148,247)</u>
Net unrealized appreciation (depreciation)	<u>\$ 78,976,074</u>

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities and securities sold short) for the period ended June 30, 2018, aggregated \$103,932,974 and \$147,388,457, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At June 30, 2018, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$10,919,459, representing 1.7% of the Fund's net assets. For information as to specific securities, see the accompanying Statement of Investments.

8. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

Franklin Mutual Global Discovery VIP Fund (continued)

At June 30, 2018, investments in restricted securities, excluding securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Principal Amount/ Shares	Issuer	Acquisition Date	Cost	Value
595	Broadband Ventures III LLC, secured promissory note, 5.00%, 2/01/12. . . .	7/01/10 - 11/30/12	\$ 595	\$ —
424,073	International Automotive Components Group Brazil LLC	4/13/06 - 12/26/08	281,629	9,643
4,052,916	International Automotive Components Group North America LLC.	1/12/06 - 3/18/13	3,247,714	1,213,398
Total Restricted Securities (Value is 0.2% of Net Assets)			\$3,529,938	\$1,223,041

9. Other Derivative Information

At June 30, 2018, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Foreign exchange contracts	Variation margin on futures contracts	\$ 604,513 ^a	Variation margin on futures contracts	\$ —
	Unrealized appreciation on OTC forward exchange contracts	452,870	Unrealized depreciation on OTC forward exchange contracts	216,536
Totals		<u>\$1,057,383</u>		<u>\$216,536</u>

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

For the period ended June 30, 2018, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Foreign exchange contracts	Forward exchange contracts	\$3,072,755	Forward exchange contracts	\$1,217,399
	Futures contracts	582,723	Futures contracts	1,305,791
Totals		<u>\$3,655,478</u>		<u>\$2,523,190</u>

For the period ended June 30, 2018, the average month end notional amount of futures contracts represented \$51,905,207. The average month end contract value of forward exchange contracts was \$133,864,413.

See Note 1(c) regarding derivative financial instruments.

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 8, 2019. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Franklin Mutual Global Discovery VIP Fund (continued)

10. Credit Facility (continued)

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

11. Fair Value Measurements

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

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

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

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

A summary of inputs used as of June 30, 2018, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments: ^b				
Auto Components	\$ 2,001,813	\$ —	\$ 1,223,041	\$ 3,224,854
Media	33,960,478	225,776	—	34,186,254
Software	29,276,929	23,953	—	29,300,882
All Other Equity Investments	497,918,079	—	—	497,918,079
Corporate Notes and Senior Floating Rate Interests	—	8,421,467	—	8,421,467
Corporate Notes and Senior Floating Rate Interests in Reorganization	—	10,919,459	— ^c	10,919,459
Companies in Liquidation	—	225,631	— ^c	225,631
Short Term Investments	25,878,571	15,800,000	—	41,678,571
Total Investments in Securities	\$ 589,035,870	\$ 35,616,286	\$ 1,223,041	\$ 625,875,197
Other Financial Instruments:				
Futures Contracts	\$ 604,513	\$ —	\$ —	\$ 604,513
Forward Exchange Contracts	—	452,870	—	452,870
Total Other Financial Instruments	\$ 604,513	\$ 452,870	\$ —	\$ 1,057,383

Franklin Mutual Global Discovery VIP Fund (continued)

	Level 1		Level 2		Level 3		Total
Liabilities:							
Other Financial Instruments:							
Securities Sold Short	\$	3,479,801	\$	—	\$	—	\$ 3,479,801
Forward Exchange Contracts		—		216,536		—	216,536
Total Other Financial Instruments	\$	3,479,801	\$	216,536	\$	—	\$ 3,696,337

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

^bIncludes common and preferred stocks, management investment companies as well as other equity investments.

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

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the period. At June 30, 2018, the reconciliation of assets is as follows:

	Balance at Beginning of Period	Purchases	Sales	Transfer Into Level 3	Transfer Out of Level 3 ^a	Cost Basis Adjustments	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Assets:										
Investments in Securities:										
Equity Investments: ^b										
Auto Components	\$2,684,499	\$—	\$—	\$—	\$—	\$—	\$—	\$(1,461,458)	\$1,223,041	\$(1,461,458)
Diversified Financial Services	4,224,121	—	(4,153,225)	—	—	—	(1,276,775)	1,205,879	—	—
Software	8,810	—	—	—	(19,836)	—	—	11,026	—	—
Companies in Liquidation	136,964 ^c	—	(1,162)	—	(118,073)	—	1,162	(18,891)	— ^c	—
Total Investments in Securities	\$7,054,394	\$—	\$(4,154,387)	\$—	\$(137,909)	\$—	\$(1,275,613)	\$ (263,444)	\$1,223,041	\$(1,461,458)

^aThe investments were transferred out of Level 3 as a result of the availability of other significant observable valuation inputs. May include amounts related to a corporate action.

^bIncludes common stocks as well as other equity investments.

^cIncludes securities determined to have no value.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Counterparty	Currency	Selected Portfolio
BOFA Bank of America Corp.	EUR Euro	ADR American Depositary Receipt
BONY The Bank of New York Mellon Corp.	GBP British Pound	FHLB Federal Home Loan Bank
HSBK HSBC Bank PLC	USD United States Dollar	LIBOR London InterBank Offered Rate
SSBT State Street Bank and Trust Co., N.A.		TRA Tax Receivable Agreement Right
UBSW UBS AG		

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Index Descriptions

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

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

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

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

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

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

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

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

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds Classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocation of assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including US and foreign governments, with a significant portion rated below investment grade. For the six-month period ended 6/30/18, there were 331 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the six-month period ended 6/30/18, there were 81 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General US Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General US Government Funds classification in the Lipper VIP underlying funds universe. Lipper General US Government Funds invest primarily in US government and agency issues. For the six-month period ended 6/30/18, there were 57 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

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

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

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

Russell 2000[®] Index is market capitalization weighted and measures performance of the 2,000 smallest companies in the Russell 3000[®] Index, which represent a small amount of the total market capitalization of the Russell 3000[®] Index.

Russell 2000[®] Value Index is market capitalization weighted and measures performance of those Russell 2000[®] Index companies with lower price-to-book ratios and lower forecasted growth values.

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

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

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

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

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

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

Shareholder Information

Board Approval of Investment Management Agreements

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

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

At an in-person meeting held on April 17, 2018 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the (i) investment management agreement between Franklin Advisers, Inc. (FAI) and the Trust, on behalf of each of Franklin Flex Cap Growth VIP Fund, Franklin Growth and Income VIP Fund, Franklin Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small Mid-Cap Growth VIP Fund, Franklin Strategic Income VIP Fund, Franklin U.S. Government Securities VIP Fund, Franklin VolSmart Allocation VIP Fund, and Templeton Global Bond VIP Fund; (ii) the investment sub-advisory agreements between FAI and each of Franklin Advisory Services, LLC and K2/D&S Management Co., LLC (each a Sub-Adviser), affiliates of FAI, on behalf of Franklin VolSmart Allocation VIP Fund; (iii) the investment management agreement between Franklin Templeton Institutional, LLC (FTIL) and the Trust, on behalf of Franklin Global Real Estate VIP Fund; (iv) the investment management agreement between Franklin Mutual Advisers, LLC (FMA) and the Trust, on behalf of each of Franklin Mutual Global Discovery VIP Fund and Franklin

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

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

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

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

Nature, Extent and Quality of Services

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

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

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

Fund Performance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Comparative Fees and Expenses

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

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

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

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

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

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

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

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

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

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

Profitability

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

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

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

Economies of Scale

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

Conclusion

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

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

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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Semiannual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

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

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin Templeton Distributors, Inc.

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

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

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