

ANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2019



FRANKLIN  
TEMPLETON

**Internet Delivery of Shareholder Reports:** Effective January 1, 2021, as permitted by regulations adopted by the SEC, you may not be receiving paper copies of the Fund's annual or semiannual shareholder reports by mail, unless you specifically request them from the insurance company that offers your variable annuity or variable life insurance contract or your financial intermediary. Instead of delivering paper copies of the report, the insurance company may choose to make the reports available on a website, and will notify you by mail each time a shareholder report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company or your financial intermediary electronically by following the instructions provided by the insurance company or by contacting your financial intermediary.

You may elect to receive all future Fund shareholder reports in paper free of charge from the insurance company. You can inform the insurance company or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by following the instructions provided by the insurance company or by contacting your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract with the insurance company.

This notice is not legally a part of the shareholder report.

# Franklin Templeton Variable Insurance Products Trust Annual Report

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

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

# Important Notes to Performance Information

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

When reviewing the index comparisons, please keep in mind that indexes have a number of inherent performance differentials over the funds. First, unlike the funds, which must hold a minimum amount of cash to maintain liquidity,

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

# Franklin Income VIP Fund

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2019.

## Class 2 Performance Summary as of December 31, 2019

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

Periods ended 12/31/19	1-Year	5-Year	10-Year
Average Annual Total Return	+16.06%	+5.24%	+7.18%

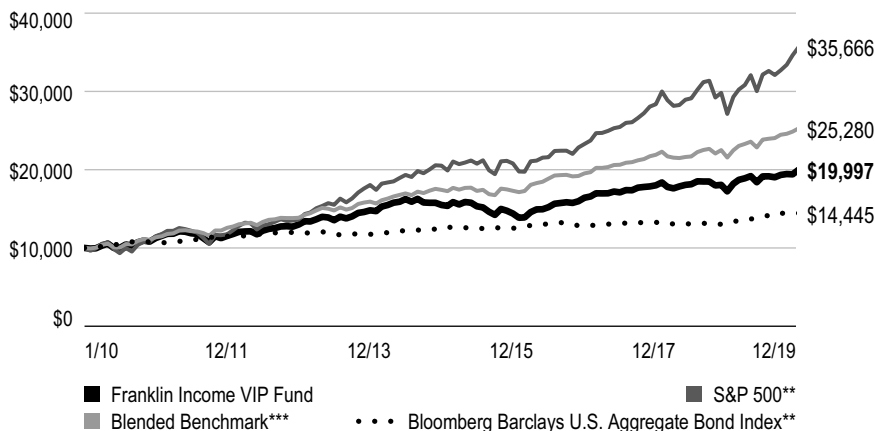
\*The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

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

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

### Total Return Index Comparison for a Hypothetical \$10,000 Investment (1/1/10–12/31/19)

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



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

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

## Fund Goal and Main Investments

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

## Fund Risks

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

## Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's primary benchmark, the S&P 500 posted a +31.49% total return.<sup>1</sup> The Fund's new secondary benchmark, the Blended Benchmark, posted a +17.28% total return.<sup>2</sup> The Fund's old secondary benchmark, the Bloomberg Barclays U.S. Aggregate Bond Index posted a +8.72% total return.<sup>1</sup> We believe the new second benchmark's composition more accurately reflects the Fund's holdings.

## Economic and Market Overview

Bond prices rose sharply during the reporting period, as interest-rate cuts and many investors' search for income

## Portfolio Composition

12/31/19

	<b>% of Total Net Assets</b>
<b>Equity</b>	<b>51.4%</b>
Financials	9.7%
Information Technology	8.4%
Health Care	7.5%
Utilities	6.4%
Energy	5.7%
Consumer Staples	3.5%
Communication Services	3.1%
Consumer Discretionary	3.0%
Materials	2.0%
Industrials	1.5%
Real Estate	0.6%
<b>Fixed Income*</b>	<b>46.4%</b>
Health Care	14.1%
Financials	14.1%
Energy	5.9%
Communication Services	4.9%
Consumer Discretionary	2.3%
Materials	1.5%
Consumer Staples	1.1%
Industrials	0.8%
Utilities	0.8%
Real Estate	0.6%
Information Technology	0.3%
<b>Short-Term Investments &amp; Other Net Assets</b>	<b>2.2%</b>

\*Includes senior floating rate interests.

pushed down yields on most bond categories. Notably, U.S. bonds, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, performed well alongside high returns from U.S. equities, as measured by the S&P 500.

The primary driver of U.S. bond performance was a shift in the U.S. Federal Reserve's (Fed's) monetary policy. After a period of tightening in 2018, the Fed shifted course, announcing in January 2019 that it would not be raising interest rates in the near future. Three interest-rate cuts

1. Source: Morningstar.

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

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

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

followed thereafter, with the Fed lowering the federal funds rate to a range of 1.50%–1.75. Falling interest rates typically increase the value of existing bonds, since their relatively higher yields become more attractive to investors.

Both long-term and short-term U.S. bonds, as measured by subindexes of the Bloomberg Barclays U.S. Aggregate Bond Index, gained during the period, with long-term bonds posting stronger returns due to their higher sensitivity to interest-rate changes. Interest rates on long-term U.S. Treasuries initially fell more than interest rates on short-term U.S. Treasuries, leading to a flattening of the yield curve, which charts the yields of U.S. Treasuries at varying maturity dates. In August 2019, the yield on 10-year U.S. Treasuries fell below the yield on two-year U.S. Treasuries. While some investors considered this inversion a sign that the economy was moving toward a recession, the two-year and 10-year U.S. Treasury yield curve steepened again shortly thereafter amid positive economic signals.

U.S. Treasury bonds, as measured by the Bloomberg Barclays U.S. Treasury Index, gained during the period, which was characterized by high levels of Treasury issuance due to the government's deficit spending. A strong U.S. dollar during most of the period and comparatively higher Treasury yields relative to sovereign debt issued by other developed market countries made Treasuries attractive to foreign investors.

Corporate bonds also posted noteworthy returns, driven by the combination of a relatively strong economy and lower interest rates. Both investment-grade and high-yield corporate bonds gained significantly, as measured by the Bloomberg Barclays U.S. Corporate Bond Index and Bloomberg Barclays U.S. Corporate High Yield Bond Index, respectively, as solid corporate profits and steady economic growth helped strengthen investors' confidence in corporate creditworthiness. The positive environment for debt extended to mortgage-backed securities, as prepayments due to homeowner refinancing declined after hitting a three-year high in August 2019.

## Investment Strategy

In analyzing debt and equity securities, we consider such factors as a company's experience and managerial strength; responsiveness to changes in interest rates and business conditions; debt maturity schedules and borrowing requirements; changing financial condition and market recognition of the change; and a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage and earnings. When choosing investments for the Fund, we apply a bottom-up,

## Top Five Equity Holdings

12/31/19

Company Sector/Industry	% of Total Net Assets
The Southern Co. <i>Utilities</i>	2.3%
JPMorgan Chase & Co. <i>Financials</i>	2.1%
Wells Fargo & Co. <i>Financials</i>	1.8%
Dominion Energy Inc. <i>Utilities</i>	1.7%
Verizon Communications Inc. <i>Communication Services</i>	1.5%

value oriented, long-term approach, focusing on the market price of a company's securities relative to the investment manager's evaluation of the company's long-term earnings, asset value and cash flow potential.

## Manager's Discussion

Following a volatile period of market performance at the end of 2018, the Federal Reserve's policy pause and ultimate pivot to reducing the federal funds rate three times during 2019 helped reverse declines and fueled both the equity and fixed income markets during the reporting period. Supportive monetary policy, the strength of the U.S. consumer and a strong domestic labor market also helped support markets and offset concerns around a slowdown in global economic growth, trade tensions and weakening corporate earnings.

During the period under review, the Fund's asset mix shifted toward modestly more defensive positioning as we have seen valuations rise and we positioned ourselves for an increased level of uncertainty going forward. Our movement toward more defensive positioning in equities and our increased exposure to higher credit quality positioning on the fixed income side has been undertaken with a keen focus on not sacrificing yield and positioning ourselves to be nimble to seek to take advantage of dislocations that could arise going forward.

The improvement in the equity markets during the period was broad-based, with every sector positively contributing to underlying Fund performance. Monetary policy accommodation led markets higher during the first half of the year and progress toward a trade deal between the U.S. and China further bolstered equity performance late in the year. At the sector level, leading contributors included information technology, financials and utilities. The Fund's leading individual contributors included holdings in the utilities sector,

such as the Southern Company and Sempra Energy, which benefited from declining interest rates. Additionally, Apple in information technology and Target in consumer discretionary were key positive contributors. Energy holdings were the only detractors on the equity side including Occidental Petroleum, Weatherford International and Chesapeake Energy. The Fund's focus on volatility management was also a detractor during the period as equity index positions detracted from returns in a period of strong equity market performance.

#### Top Five Fixed Income Holdings and Senior Floating Rate Interests

12/31/19

Company Sector/Industry	% of Total Net Assets
U.S. Treasury Note Financials	7.2%
CHS/Community Health Systems Inc. Health Care	5.5%
Tenet Healthcare Corp. Health Care	2.9%
GNMA II SF 30 Year Financials	2.3%
Chesapeake Energy Corp. Energy	2.3%

Declining credit spreads and lower interest rates throughout the year led to positive performance from fixed income markets during the period. The Fund's overweight position in relatively short duration credit exposure and generally underweight position in higher quality, longer-duration fixed income assets were the primary detractors from performance relative to the benchmark. All sectors were positive contributors in fixed income, excluding energy, which struggled during the 12-month period due to rising credit spreads. Notable outperformers were health care, communication services and financials. Holdings of U.S. Treasury securities boosted returns during the period as did hospital management companies Community Health Systems and Tenet Healthcare amid improving fundamentals and modest deleveraging. Notable detractors included oil field service and equipment company Weatherford International, which struggled due to weakening demand for their services as well as oil and gas exploration and production company Chesapeake Energy, which struggled partly due to lower expectations for commodity oil and gas prices. Additionally, specialty pharmaceutical company Mallinckrodt was a key detractor partly due to concerns around potential liabilities related to opioid settlements.

Effective February 1, 2020, Matthew Quinlan and Richard Hsu will step off the Fund as portfolio managers. Ed Perks

will continue to lead the Fund and Brendan Circle and Todd Brighton will remain as portfolio managers.

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

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*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2019, 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 7/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/19	Fund-Level Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	Ending Account Value 12/31/19	Fund-Level Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	
Class 2	\$1,000	\$1,044.60	\$3.56	\$1,021.73	\$3.52	0.69%

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

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

**SUPPLEMENT DATED JANUARY 27, 2020  
TO THE PROSPECTUSES  
DATED MAY 1, 2019  
FRANKLIN INCOME VIP FUND  
(a series of Franklin Templeton Variable Insurance Products Trust)**

The prospectuses are amended as follows:

I. The following is added to the “Portfolio Managers” section in the “Fund Summaries – Franklin Income VIP Fund” section on page FI-S5 of the prospectus:

*Effective on February 1, 2020, the portfolio managers of the Fund will be as follows:*

**Edward D. Perks, CFA** *President and Director of Advisers and portfolio manager of the Fund since 2002.*

**Brendan Circle, CFA** *Portfolio Manager of Advisers and portfolio manager of the Fund since February 2019.*

**Todd Brighton, CFA** *Portfolio Manager of Advisers and portfolio manager of the Fund since 2017.*

II. The following is added to the portfolio manager line-up under the “Fund Details – Franklin Income VIP Fund – Management” section on page FI-D9 of the prospectus:

*Effective on February 1, 2020, the portfolio managers of the Fund will be as follows:*

**Edward D. Perks, CFA**

President and Director of Advisers

Mr. Perks has been the lead portfolio manager of the Fund since 2002. He has primary responsibility for the investments of the Fund. He has final authority over all aspects of the Fund’s investment portfolio, including but not limited to, purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which he may perform these functions, and the nature of these functions, may change from time to time. He joined Franklin Templeton in 1992.

**Brendan Circle, CFA**

Portfolio Manager of Advisers

Mr. Circle has been a portfolio manager of the Fund since February 2019, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton in 2014.

**Todd Brighton, CFA**

Portfolio Manager of Advisers

Mr. Brighton has been a portfolio manager of the Fund since 2017, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. He joined Franklin Templeton in 2000.

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*Please keep this supplement with your prospectus for future reference.*

## Financial Highlights

### Franklin Income VIP Fund

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class 1</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.26	\$16.72	\$15.87	\$14.64	\$16.48
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.75	0.71	0.69	0.67	0.71
Net realized and unrealized gains (losses) . . . . .	1.68	(1.35)	0.87	1.34	(1.78)
Total from investment operations . . . . .	2.43	(0.64)	1.56	2.01	(1.07)
Less distributions from:					
Net investment income . . . . .	(0.91)	(0.82)	(0.71)	(0.78)	(0.77)
Net realized gains . . . . .	(0.26)	—	—	—	—
Total distributions . . . . .	(1.17)	(0.82)	(0.71)	(0.78)	(0.77)
Net asset value, end of year . . . . .	\$16.52	\$15.26	\$16.72	\$15.87	\$14.64
Total return <sup>c</sup> . . . . .	16.42%	(4.09)%	9.94%	14.33%	(6.84)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.46%	0.47%	0.47%	0.47%	0.46%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	0.45%	0.45%	0.45%	0.44%	0.46% <sup>e</sup>
Net investment income . . . . .	4.38%	4.33%	4.22%	4.47%	4.47%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$309,330	\$612,657	\$735,149	\$696,227	\$604,228
Portfolio turnover rate . . . . .	25.16%	43.22%	20.96%	39.03%	31.53%

<sup>a</sup>The 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Income VIP Fund** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class 2</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$14.74	\$16.17	\$15.38	\$14.20	\$16.00
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.64	0.65	0.63	0.61	0.65
Net realized and unrealized gains (losses) . . . . .	1.66	(1.30)	0.83	1.31	(1.73)
Total from investment operations . . . . .	2.30	(0.65)	1.46	1.92	(1.08)
Less distributions from:					
Net investment income . . . . .	(0.87)	(0.78)	(0.67)	(0.74)	(0.72)
Net realized gains . . . . .	(0.26)	—	—	—	—
Total distributions . . . . .	(1.13)	(0.78)	(0.67)	(0.74)	(0.72)
Net asset value, end of year . . . . .	\$15.91	\$14.74	\$16.17	\$15.38	\$14.20
Total return <sup>c</sup> . . . . .	16.06%	(4.30)%	9.67%	14.02%	(7.05)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.71%	0.72%	0.72%	0.72%	0.71%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	0.70%	0.70%	0.70%	0.69%	0.71% <sup>e</sup>
Net investment income . . . . .	4.13%	4.08%	3.97%	4.22%	4.22%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$4,318,156	\$4,086,652	\$5,041,498	\$5,088,556	\$4,907,599
Portfolio turnover rate . . . . .	25.16%	43.22%	20.96%	39.03%	31.53%

<sup>a</sup>The 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Income VIP Fund (continued)**

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Class 4</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.08	\$16.53	\$15.71	\$14.49	\$16.31
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.64	0.64	0.62	0.61	0.65
Net realized and unrealized gains (losses) . . . . .	1.71	(1.33)	0.85	1.33	(1.76)
Total from investment operations . . . . .	2.35	(0.69)	1.47	1.94	(1.11)
Less distributions from:					
Net investment income . . . . .	(0.85)	(0.76)	(0.65)	(0.72)	(0.71)
Net realized gains . . . . .	(0.26)	—	—	—	—
Total distributions . . . . .	(1.11)	(0.76)	(0.65)	(0.72)	(0.71)
Net asset value, end of year . . . . .	\$16.32	\$15.08	\$16.53	\$15.71	\$14.49
Total return <sup>c</sup> . . . . .	16.05%	(4.42)%	9.55%	13.87%	(7.15)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.81%	0.82%	0.82%	0.82%	0.81%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	0.80%	0.80%	0.80%	0.79%	0.81% <sup>e</sup>
Net investment income . . . . .	4.03%	3.98%	3.87%	4.12%	4.12%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$323,582	\$294,700	\$335,217	\$309,935	\$306,023
Portfolio turnover rate . . . . .	25.16%	43.22%	20.96%	39.03%	31.53%

<sup>a</sup>The 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total 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.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

## Statement of Investments, December 31, 2019

## Franklin Income VIP Fund

	Country	Shares	Value
<b>Common Stocks 38.2%</b>			
<b>Communication Services 2.2%</b>			
<sup>a</sup> Alphabet Inc., A . . . . .	United States	10,000	\$ 13,393,900
BCE Inc. . . . .	Canada	466,000	21,588,295
Verizon Communications Inc. . . . .	United States	1,200,000	73,680,000
			<u>108,662,195</u>
<b>Consumer Discretionary 1.5%</b>			
Ford Motor Co. . . . .	United States	2,500,000	23,250,000
General Motors Co. . . . .	United States	1,425,000	52,155,000
			<u>75,405,000</u>
<b>Consumer Staples 3.5%</b>			
Anheuser-Busch InBev SA/NV, ADR . . . . .	Belgium	300,000	24,612,000
The Coca-Cola Co. . . . .	United States	245,600	13,593,960
PepsiCo Inc. . . . .	United States	300,000	41,001,000
Philip Morris International Inc. . . . .	United States	350,000	29,781,500
The Procter & Gamble Co. . . . .	United States	500,000	62,450,000
			<u>171,438,460</u>
<b>Energy 5.7%</b>			
Baker Hughes Co., A . . . . .	United States	614,100	15,739,383
Chevron Corp. . . . .	United States	400,000	48,204,000
Exxon Mobil Corp. . . . .	United States	500,000	34,890,000
Halliburton Co. . . . .	United States	839,165	20,534,367
Occidental Petroleum Corp. . . . .	United States	500,000	20,605,000
Royal Dutch Shell PLC, A, ADR . . . . .	United Kingdom	900,000	53,082,000
Schlumberger Ltd. . . . .	United States	225,000	9,045,000
TC Energy Corp. . . . .	Canada	350,000	18,658,500
<sup>a</sup> Weatherford International PLC . . . . .	United States	1,153,568	32,242,226
The Williams Cos. Inc. . . . .	United States	1,200,000	28,464,000
			<u>281,464,476</u>
<b>Financials 5.2%</b>			
Bank of America Corp. . . . .	United States	365,000	12,855,300
Barclays PLC . . . . .	United Kingdom	12,500,000	29,740,524
JPMorgan Chase & Co. . . . .	United States	600,000	83,640,000
MetLife Inc. . . . .	United States	535,108	27,274,455
Morgan Stanley . . . . .	United States	250,000	12,780,000
Wells Fargo & Co. . . . .	United States	1,665,000	89,577,000
			<u>255,867,279</u>
<b>Health Care 7.0%</b>			
AstraZeneca PLC . . . . .	United Kingdom	700,000	70,525,637
Bayer AG . . . . .	Germany	311,750	25,455,253
Bristol-Myers Squibb Co. . . . .	United States	1,000,000	64,190,000
CVS Health Corp. . . . .	United States	520,000	38,630,800
Johnson & Johnson . . . . .	United States	230,000	33,550,100
Merck & Co. Inc. . . . .	United States	700,000	63,665,000
Pfizer Inc. . . . .	United States	1,300,000	50,934,000
			<u>346,950,790</u>

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Industrials 1.5%</b>			
3M Co. . . . .	United States	250,000	\$ 44,105,000
The Boeing Co. . . . .	United States	36,300	11,825,088
Cummins Inc. . . . .	United States	100,000	17,896,000
			<u>73,826,088</u>
<b>Information Technology 2.9%</b>			
Applied Materials Inc. . . . .	United States	286,000	17,457,440
Cisco Systems Inc. . . . .	United States	300,000	14,388,000
Intel Corp. . . . .	United States	414,307	24,796,274
International Business Machines Corp. . . . .	United States	109,976	14,741,183
Lam Research Corp. . . . .	United States	70,000	20,468,000
Microchip Technology Inc. . . . .	United States	150,000	15,708,000
Texas Instruments Inc. . . . .	United States	276,000	35,408,040
			<u>142,966,937</u>
<b>Materials 2.0%</b>			
BASF SE . . . . .	Germany	700,000	52,870,761
Rio Tinto PLC, ADR. . . . .	Australia	800,000	47,488,000
			<u>100,358,761</u>
<b>Real Estate 0.6%</b>			
Host Hotels & Resorts Inc. . . . .	United States	1,500,000	27,825,000
<b>Utilities 6.1%</b>			
Dominion Energy Inc. . . . .	United States	1,036,638	85,854,359
Duke Energy Corp. . . . .	United States	577,500	52,673,775
Sempra Energy. . . . .	United States	275,000	41,657,000
The Southern Co. . . . .	United States	1,560,000	99,372,000
Xcel Energy Inc. . . . .	United States	400,000	25,396,000
			<u>304,953,134</u>
<b>Total Common Stocks (Cost \$1,462,457,605)</b> . . . . .			<u>1,889,718,120</u>
<b><sup>b</sup>Equity-Linked Securities 10.4%</b>			
<b>Communication Services 0.9%</b>			
<sup>c</sup> Goldman Sachs International into Alphabet Inc., 7.00%, A, 144A . . . . .	United States	35,000	42,756,839
<b>Consumer Discretionary 1.5%</b>			
<sup>c</sup> JPMorgan Chase Bank NA into Target Corp., 9.00%, 144A . . . . .	United States	250,000	29,212,042
<sup>c</sup> JPMorgan Chase Financial Co. LLC into Amazon.com Inc., 9.00%, 144A . . . . .	United States	25,000	46,049,372
			<u>75,261,414</u>
<b>Financials 2.6%</b>			
<sup>c</sup> Barclays Bank PLC into Bank of America Corp., 8.50%, 144A . . . . .	United States	600,000	20,578,525
<sup>c</sup> Credit Suisse AG into Bank of America Corp., 7.00%, 144A . . . . .	United States	750,000	24,894,809
<sup>c</sup> Merrill Lynch International & Co. CV into Wells Fargo &Co., 8.00%, 144A . . . . .	United States	775,000	40,789,631
<sup>c</sup> UBS AG London into MetLife Inc., 7.50%, 144A . . . . .	United States	800,000	41,931,074
			<u>128,194,039</u>
<b>Health Care 0.5%</b>			
<sup>c</sup> UBS AG London into CVS Health Corp., 8.50%, 144A . . . . .	United States	400,000	26,996,955

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b><sup>b</sup> Equity-Linked Securities (continued)</b>			
<b>Information Technology 4.9%</b>			
<sup>c</sup> Credit Suisse AG London into Analog Devices Inc., 7.50%, 144A . . . . .	United States	260,000	\$ 29,858,291
<sup>c</sup> JPMorgan Chase Bank NA into Apple Inc., 7.00% , 144A . . . . .	United States	450,000	102,439,065
<sup>c</sup> Royal Bank of Canada into Intel Corp., 8.00%, 144A . . . . .	United States	1,100,000	58,465,881
<sup>c</sup> UBS AG London into Texas Instruments Inc., 8.50%, 144A . . . . .	United States	400,000	52,106,747
			<u>242,869,984</u>
<b>Total Equity-Linked Securities (Cost \$467,531,300)</b> . . . . .			<u>516,079,231</u>
<b>Convertible Preferred Stocks 2.3%</b>			
<b>Financials 1.4%</b>			
Bank of America Corp., 7.25%, cvt. pfd., L . . . . .	United States	34,600	50,135,400
<sup>a</sup> FNMA, 5.375%, cvt. pfd. . . . .	United States	475	19,118,199
			<u>69,253,599</u>
<b>Information Technology 0.6%</b>			
Broadcom Inc., 8.00%, cvt. pfd., A . . . . .	United States	25,000	29,449,250
<b>Utilities 0.3%</b>			
The Southern Co., 6.75%, cvt. pfd. . . . .	United States	280,000	15,092,000
<b>Total Convertible Preferred Stocks (Cost \$104,397,102)</b> . . . . .			<u>113,794,849</u>
<b>Preferred Stocks (Cost \$15,000,000) 0.3%</b>			
<b>Financials 0.3%</b>			
JPMorgan Chase & Co., 6.00%, pfd., EE . . . . .	United States	600,000	16,884,000
			<u>Principal Amount*</u>
<b>Corporate Bonds 35.3%</b>			
<b>Communication Services 4.9%</b>			
AMC Entertainment Holdings Inc., senior sub. note, 5.875%, 11/15/26 . . . . .	United States	\$ 5,600,000	5,060,006
AT&T Inc., senior bond, 4.125%, 2/17/26 . . . . .	United States	12,000,000	13,004,642
CCO Holdings LLC/CCO Holdings Capital Corp.,			
senior bond, 5.125%, 2/15/23 . . . . .	United States	10,000,000	10,124,900
senior bond, 5.75%, 1/15/24 . . . . .	United States	1,352,000	1,379,601
<sup>c</sup> senior bond, 144A, 5.50%, 5/01/26 . . . . .	United States	10,000,000	10,560,725
DISH DBS Corp.,			
senior bond, 5.875%, 7/15/22 . . . . .	United States	27,000,000	28,668,060
senior bond, 5.00%, 3/15/23 . . . . .	United States	21,000,000	21,595,140
senior note, 5.875%, 11/15/24 . . . . .	United States	9,400,000	9,625,224
Netflix Inc., senior bond, 4.875%, 4/15/28 . . . . .	United States	22,000,000	22,906,950
Sprint Communications Inc.,			
senior bond, 11.50%, 11/15/21 . . . . .	United States	30,000,000	34,329,600
senior note, 7.00%, 8/15/20 . . . . .	United States	7,500,000	7,668,000
senior note, 6.00%, 11/15/22 . . . . .	United States	6,300,000	6,618,339
Sprint Corp.,			
senior bond, 7.875%, 9/15/23 . . . . .	United States	12,500,000	13,817,688
senior bond, 7.125%, 6/15/24 . . . . .	United States	8,200,000	8,862,847
senior note, 7.625%, 3/01/26 . . . . .	United States	7,500,000	8,284,875



Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Communication Services</b> (continued)			
° Sprint Spectrum Co. LLC, senior secured bond, first lien, 144A, 5.152%, 9/20/29 . . . .	United States	\$ 16,000,000	\$ 17,485,560
° Univision Communications Inc.,			
senior secured note, first lien, 144A, 5.125%, 5/15/23 . . . . .	United States	15,000,000	15,000,000
senior secured note, first lien, 144A, 5.125%, 2/15/25 . . . . .	United States	7,140,000	7,077,525
			<u>242,069,682</u>
<b>Consumer Discretionary 1.8%</b>			
° 24 Hour Holdings III LLC, senior note, 144A, 8.00%, 6/01/22 . . . . .	United States	10,000,000	4,628,120
Ford Motor Co., senior note, 4.346%, 12/08/26 . . . . .	United States	18,500,000	19,112,730
General Motors Co., senior bond, 5.15%, 4/01/38 . . . . .	United States	16,000,000	16,359,553
° Golden Nugget Inc., senior note, 144A, 6.75%, 10/15/24 . . . . .	United States	5,000,000	5,187,450
° Shea Homes LP/Shea Homes Funding Corp.,			
senior bond, 144A, 6.125%, 4/01/25 . . . . .	United States	10,000,000	10,379,150
senior note, 144A, 5.875%, 4/01/23 . . . . .	United States	10,000,000	10,216,650
° Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp.,			
senior bond, 144A, 5.50%, 3/01/25 . . . . .	United States	13,200,000	14,173,368
senior bond, 144A, 5.25%, 5/15/27 . . . . .	United States	10,000,000	10,637,500
			<u>90,694,521</u>
<b>Consumer Staples 1.1%</b>			
BAT Capital Corp.,			
senior note, 3.222%, 8/15/24 . . . . .	United Kingdom	10,000,000	10,226,546
senior note, 3.557%, 8/15/27 . . . . .	United Kingdom	20,000,000	20,413,687
Kraft Heinz Foods Co., senior bond, 4.625%, 1/30/29 . . . . .	United States	13,000,000	14,295,442
° Post Holdings Inc.,			
senior bond, 144A, 5.00%, 8/15/26 . . . . .	United States	7,500,000	7,935,750
senior bond, 144A, 5.625%, 1/15/28 . . . . .	United States	2,500,000	2,698,375
			<u>55,569,800</u>
<b>Energy 5.5%</b>			
° Ascent Resources Utica Holdings LLC/ARU Finance Corp., senior note, 144A, 10.00%, 4/01/22 . . . . .	United States	3,000,000	2,991,371
Calumet Specialty Products Partners LP/Calumet Finance Corp.,			
<sup>d</sup> senior note, 7.625%, 1/15/22 . . . . .	United States	8,000,000	8,022,496
<sup>d</sup> senior note, 7.75%, 4/15/23 . . . . .	United States	2,000,000	2,000,830
<sup>c</sup> senior note, 144A, 11.00%, 4/15/25 . . . . .	United States	28,500,000	31,064,715
Chesapeake Energy Corp.,			
<sup>c</sup> second lien, 144A, 11.50%, 1/01/25 . . . . .	United States	81,444,000	77,168,190
senior note, 7.00%, 10/01/24 . . . . .	United States	21,000,000	12,704,790
° CNX Resources Corp., senior note, 144A, 7.25%, 3/14/27 . . . . .	United States	8,000,000	7,017,800
HighPoint Operating Corp.,			
senior bond, 7.00%, 10/15/22 . . . . .	United States	17,937,000	17,090,589
senior note, 8.75%, 6/15/25 . . . . .	United States	26,600,000	24,339,000
Kinder Morgan Inc.,			
senior bond, 7.75%, 1/15/32 . . . . .	United States	22,000,000	30,253,383
<sup>c</sup> senior secured bond, first lien, 144A, 5.625%, 11/15/23 . . . . .	United States	6,400,000	7,082,146
° Weatherford International Ltd., senior note, 144A, 11.00%, 12/01/24 . . . . .	United States	49,344,000	53,476,560
			<u>273,211,870</u>

**Franklin Income VIP Fund** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Financials 3.9%</b>			
Bank of America Corp.,			
<sup>e</sup> junior sub. bond, AA, 6.10% to 3/17/25, FRN thereafter, Perpetual . . . . .	United States	\$ 8,000,000	\$ 8,916,120
<sup>e</sup> junior sub. bond, X, 6.25% to 9/05/24, FRN thereafter, Perpetual . . . . .	United States	6,000,000	6,671,790
senior bond, 3.419% to 12/20/27, FRN thereafter, 12/20/28 . . . . .	United States	10,000,000	10,495,330
Capital One Financial Corp., senior sub. note, 4.20%, 10/29/25 . . . . .	United States	15,500,000	16,727,689
Citigroup Inc.,			
<sup>e</sup> junior sub. bond, O, 5.875% to 3/27/20, FRN thereafter, Perpetual . . . . .	United States	25,000,000	25,133,625
sub. bond, 4.125%, 7/25/28 . . . . .	United States	18,500,000	20,181,935
The Goldman Sachs Group Inc., senior note, 3.272% to 9/29/24, FRN thereafter, 9/29/25. . . . .	United States	15,500,000	16,043,206
HSBC Holdings PLC, senior note, 4.292% to 9/12/25, FRN thereafter, 9/12/26 . . . . .	United Kingdom	28,500,000	30,811,762
<sup>e</sup> JPMorgan Chase & Co.,			
<sup>f</sup> junior sub. bond, FRN, 5.406%, (3-month USD LIBOR + 3.47%), Perpetual . . . . .	United States	19,559,000	19,764,761
junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual . . . . .	United States	3,200,000	3,438,288
<sup>e</sup> Morgan Stanley, junior sub. bond, 5.55% to 7/15/20, FRN thereafter, Perpetual . . . . .	United States	7,300,000	7,446,511
Prudential Financial Inc., junior sub. bond, 5.70% to 9/15/28, FRN thereafter, 9/15/48 . . . . .	United States	17,000,000	19,448,340
<sup>e</sup> Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter, Perpetual . . . . .	United States	6,600,000	7,190,931
			192,270,288
<b>Health Care 14.1%</b>			
Allergan Funding SCS, senior bond, 3.80%, 3/15/25 . . . . .	United States	17,000,000	17,830,059
<sup>e</sup> Bausch Health Cos. Inc.,			
senior bond, 144A, 6.125%, 4/15/25 . . . . .	United States	9,400,000	9,731,961
senior note, 144A, 5.50%, 3/01/23 . . . . .	United States	15,000,000	15,118,725
senior note, 144A, 5.875%, 5/15/23 . . . . .	United States	13,564,000	13,691,162
senior note, 144A, 9.00%, 12/15/25 . . . . .	United States	5,000,000	5,698,500
senior note, first lien, 144A, 7.00%, 3/15/24 . . . . .	United States	4,500,000	4,689,383
senior secured note, first lien, 144A, 6.50%, 3/15/22 . . . . .	United States	3,000,000	3,071,250
senior secured note, first lien, 144A, 5.50%, 11/01/25 . . . . .	United States	35,000,000	36,647,975
<sup>e</sup> Bayer U.S. Finance II LLC, senior note, 144A, 4.25%, 12/15/25 . . . . .	Germany	15,000,000	16,183,515
<sup>e</sup> Bristol-Myers Squibb Co.,			
senior bond, 144A, 3.40%, 7/26/29 . . . . .	United States	8,000,000	8,556,359
senior bond, 144A, 4.25%, 10/26/49 . . . . .	United States	8,000,000	9,480,790
CHS/Community Health Systems Inc.,			
<sup>e</sup> senior note, 144A, 9.875%, 6/30/23 . . . . .	United States	101,596,000	88,684,672
<sup>e</sup> senior note, 144A, 8.125%, 6/30/24 . . . . .	United States	42,388,000	34,863,706
<sup>e</sup> senior note, 144A, 8.00%, 12/15/27 . . . . .	United States	38,674,000	39,157,425
<sup>e</sup> senior note, 144A, 6.875%, 4/01/28 . . . . .	United States	92,000,000	52,783,160
<sup>e</sup> senior secured note, 144A, 8.00%, 3/15/26 . . . . .	United States	15,500,000	15,994,047
senior secured note, first lien, 6.25%, 3/31/23 . . . . .	United States	39,000,000	39,682,500
Cigna Corp., senior note, 3.75%, 7/15/23 . . . . .	United States	20,000,000	20,978,484
CVS Health Corp.,			
senior bond, 4.30%, 3/25/28 . . . . .	United States	8,000,000	8,737,004
senior bond, 5.05%, 3/25/48 . . . . .	United States	3,900,000	4,615,118
senior note, 4.10%, 3/25/25 . . . . .	United States	5,100,000	5,473,858

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Health Care</b> (continued)			
DaVita Inc.,			
senior bond, 5.125%, 7/15/24 . . . . .	United States	\$ 5,000,000	\$ 5,135,425
senior bond, 5.00%, 5/01/25 . . . . .	United States	4,000,000	4,123,340
° Endo DAC/Endo Finance LLC/Endo Finco Inc.,			
senior bond, 144A, 6.00%, 2/01/25 . . . . .	United States	6,300,000	4,266,297
senior note, 144A, 6.00%, 7/15/23 . . . . .	United States	10,000,000	7,249,900
HCA Inc.,			
senior bond, 5.875%, 5/01/23 . . . . .	United States	7,500,000	8,304,338
senior note, 7.50%, 2/15/22 . . . . .	United States	25,000,000	27,669,500
senior secured note, first lien, 5.00%, 3/15/24 . . . . .	United States	10,400,000	11,370,760
° Mallinckrodt International Finance SA/Mallinckrodt CB LLC,			
senior note, 144A, 4.875%, 4/15/20 . . . . .	United States	5,800,000	4,484,514
senior note, 144A, 5.75%, 8/01/22 . . . . .	United States	12,100,000	5,142,500
senior note, 144A, 5.625%, 10/15/23 . . . . .	United States	11,800,000	4,518,397
senior note, 144A, 5.50%, 4/15/25 . . . . .	United States	10,000,000	3,575,000
Mylan NV, senior note, 3.95%, 6/15/26 . . . . .	United States	10,000,000	10,433,821
° Par Pharmaceutical Inc., senior secured note, 144A, 7.50%, 4/01/27 . . . . .	United States	8,500,000	8,478,962
Tenet Healthcare Corp.,			
secured note, second lien, 5.125%, 5/01/25 . . . . .	United States	2,500,000	2,581,250
senior note, 8.125%, 4/01/22 . . . . .	United States	27,600,000	30,581,628
senior note, 6.75%, 6/15/23 . . . . .	United States	58,200,000	64,066,269
senior note, 7.00%, 8/01/25 . . . . .	United States	12,175,000	12,867,514
° senior note, second lien, 144A, 6.25%, 2/01/27 . . . . .	United States	29,000,000	31,247,500
			<u>697,766,568</u>
<b>Industrials 0.8%</b>			
° Ashtead Capital Inc., second lien, 144A, 4.25%, 11/01/29 . . . . .	United Kingdom	4,500,000	4,606,875
United Rentals North America Inc., senior bond, 4.875%, 1/15/28 . . . . .	United States	20,000,000	20,861,600
United Technologies Corp., senior note, 3.95%, 8/16/25 . . . . .	United States	15,000,000	16,362,088
			<u>41,830,563</u>
<b>Information Technology 0.3%</b>			
° CommScope Inc., senior bond, 144A, 5.50%, 6/15/24 . . . . .	United States	10,000,000	10,150,100
NCR Corp., senior note, 6.375%, 12/15/23 . . . . .	United States	4,212,000	4,326,082
			<u>14,476,182</u>
<b>Materials 1.5%</b>			
° Cemex Finance LLC, senior secured note, first lien, 144A, 6.00%, 4/01/24 . . . . .	Mexico	9,665,000	9,959,782
DuPont de Nemours Inc., senior note, 4.493%, 11/15/25 . . . . .	United States	10,500,000	11,560,614
° FMG Resources (August 2006) Pty. Ltd., senior note, 144A, 5.125%, 5/15/24 . . . . .	Australia	6,700,000	7,168,799
° Mauser Packaging Solutions Holding Co.,			
secured note, 144A, 5.50%, 4/15/24 . . . . .	United States	10,000,000	10,325,900
senior note, 144A, 7.25%, 4/15/25 . . . . .	United States	23,000,000	22,769,770
° Syngenta Finance NV, senior note, 144A, 4.441%, 4/24/23 . . . . .	Switzerland	10,000,000	10,443,243
			<u>72,228,108</u>

**Franklin Income VIP Fund** (continued)

	Country	Principal Amount*	Value
<b>Corporate Bonds</b> (continued)			
<b>Real Estate 0.6%</b>			
Equinix Inc., senior bond, 5.375%, 5/15/27 . . . . .	United States	\$ 11,000,000	\$ 11,966,680
Iron Mountain Inc., senior sub. bond, 5.75%, 8/15/24 . . . . .	United States	18,000,000	18,247,320
			30,214,000
<b>Utilities 0.8%</b>			
Calpine Corp.,			
senior note, 5.375%, 1/15/23 . . . . .	United States	20,000,000	20,276,023
senior note, 5.50%, 2/01/24 . . . . .	United States	16,375,000	16,661,399
			36,937,422
<b>Total Corporate Bonds (Cost \$1,825,007,981)</b> . . . . .			1,747,269,004
<b>Senior Floating Rate Interests 0.9%</b>			
<b>Consumer Discretionary 0.5%</b>			
24 Hour Fitness Worldwide Inc., Term Loan, 5.299%, (1-month USD LIBOR + 3.50%), 5/30/25 . . . . .	United States	13,790,000	10,512,407
Belk Inc., Extended Term Loan B, 8.803%, (3-month USD LIBOR + 6.75%), 7/31/25 . . . . .	United States	18,499,734	13,088,562
			23,600,969
<b>Energy 0.4%</b>			
Chesapeake Energy Corp., Class A Loan, 9.928%, (3-month USD LIBOR + 8.00%), 6/23/24 . . . . .	United States	19,000,000	19,629,375
<b>Total Senior Floating Rate Interests (Cost \$49,677,378)</b> . . . . .			43,230,344
<b>U.S. Government and Agency Securities 7.2%</b>			
U.S. Treasury Note,			
2.25%, 3/31/20 . . . . .	United States	50,000,000	50,071,532
2.50%, 5/31/20 . . . . .	United States	75,000,000	75,260,499
2.50%, 6/30/20 . . . . .	United States	50,000,000	50,213,401
2.375%, 3/15/21 . . . . .	United States	75,000,000	75,652,883
2.75%, 4/30/23 . . . . .	United States	25,000,000	25,893,723
2.75%, 5/31/23 . . . . .	United States	50,000,000	51,821,556
2.875%, 5/31/25 . . . . .	United States	25,000,000	26,460,558
<b>Total U.S. Government and Agency Securities (Cost \$349,769,660)</b> . . . . .			355,374,152
<b>Mortgage-Backed Securities 3.0%</b>			
<b>Federal Home Loan Mortgage Corp. (FHLMC) Fixed Rate 0.1%</b>			
FHLMC 30 Year, 4.00%, 9/01/49 - 10/01/49 . . . . .	United States	3,931,050	4,096,606
<b>Federal National Mortgage Association (FNMA) Fixed Rate 0.7%</b>			
FNMA 30 Year, 4.00%, 8/01/49 - 1/01/50 . . . . .	United States	30,186,659	31,617,466
<b>Government National Mortgage Association (GNMA) Fixed Rate 2.2%</b>			
GNMA II SF 30 Year, 3.50%, 9/20/49 - 11/20/49 . . . . .	United States	47,550,789	49,247,092
GNMA II SF 30 Year, 3.50%, 12/20/49 . . . . .	United States	23,600,000	24,453,659
GNMA II SF 30 Year, 4.00%, 9/20/49 - 12/20/49 . . . . .	United States	35,508,216	37,041,828
<b>Total Mortgage-Backed Securities (Cost \$146,694,857)</b> . . . . .			146,456,651

Franklin Income VIP Fund (continued)

	Country	Shares	Value
<b>Escrows and Litigation Trusts (Cost \$62,602) 0.0%</b>			
<sup>a,h</sup> Motors Liquidation Co., Escrow Account, cvt. pfd., C. . . . .	United States	1,400,000	\$ —
	<b>Number of Contracts</b>	<b>Notional Amount</b>	
<b>Options Purchased 0.2%</b>			
<b>Puts - Exchange-Traded</b>			
S&P 500 Index, March Strike Price \$2,900.00, Expires 3/20/20. . . . .	1,000	100,000	1,750,000
S&P 500 Index, September Strike Price \$3,000.00, Expires 9/18/20 . . . . .	1,000	100,000	9,520,000
<b>Total Options Purchased (Cost \$34,004,076) . . . . .</b>			<u>11,270,000</u>
<b>Total Investments before Short Term Investments (Cost \$4,454,602,561) . . . . .</b>			<u>4,840,076,351</u>
	<b>Country</b>	<b>Shares</b>	
<b>Short Term Investments 1.7%</b>			
<b>Money Market Funds (Cost \$83,971,136) 1.7%</b>			
<sup>i,j</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	United States	83,971,136	83,971,136
<b><sup>k</sup> Investments from Cash Collateral Received for Loaned Securities 0.0%<sup>†</sup></b>			
<b>Money Market Funds (Cost \$747,000) 0.0%<sup>†</sup></b>			
<sup>i,j</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	United States	747,000	747,000
		<b>Principal Amount*</b>	
<b>Repurchase Agreement (Cost \$187,657) 0.0%<sup>†</sup></b>			
<sup>l</sup> Joint Repurchase Agreement, 1.55%, 1/02/20 (Maturity Value \$187,673) BofA Securities Inc. Collateralized by U.S. Treasury Notes, 1.75% - 2.00%, 6/15/22 - 6/30/24 (valued at \$191,274) . . . . .			
	United States	\$ 187,657	187,657
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$934,657) . . . . .</b>			<u>934,657</u>
<b>Total Investments (Cost \$4,539,508,354) 99.5% . . . . .</b>			4,924,982,144
<b>Other Assets, less Liabilities 0.5% . . . . .</b>			<u>26,084,987</u>
<b>Net Assets 100.0% . . . . .</b>			<u>\$4,951,067,131</u>

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST  
STATEMENT OF INVESTMENTS

**Franklin Income VIP Fund** (continued)

See Abbreviations on page FI-31.

<sup>†</sup>Rounds to less than 0.1% of net assets.

<sup>\*</sup>The principal amount is stated in U.S. dollars unless otherwise indicated.

<sup>‡</sup>Non-income producing.

<sup>‡</sup>See Note 1(e) regarding equity-linked securities.

<sup>‡</sup>Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. At December 31, 2019, the aggregate value of these securities was \$1,309,600,355, representing 26.5% of net assets.

<sup>‡</sup>A portion or all of the security is on loan at December 31, 2019. See Note 1(f).

<sup>‡</sup>Perpetual security with no stated maturity date.

<sup>†</sup>The coupon rate shown represents the rate at period end.

<sup>‡</sup>See Note 1(g) regarding senior floating rate interests.

<sup>‡</sup>Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

<sup>‡</sup>See Note 3(e) regarding investments in affiliated management investment companies.

<sup>‡</sup>The rate shown is the annualized seven-day effective yield at period end.

<sup>‡</sup>See Note 1(f) regarding securities on loan.

<sup>‡</sup>See Note 1(c) regarding repurchase agreement.

## Statement of Assets and Liabilities

December 31, 2019

	<b>Franklin Income VIP Fund</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$4,454,602,561
Cost - Non-controlled affiliates (Note 3e) . . . . .	84,718,136
Cost - Unaffiliated repurchase agreements . . . . .	187,657
Value - Unaffiliated issuers <sup>†</sup> . . . . .	\$4,840,076,351
Value - Non-controlled affiliates (Note 3e) . . . . .	84,718,136
Value - Unaffiliated repurchase agreements . . . . .	187,657
Cash . . . . .	198,633
Receivables:	
Investment securities sold . . . . .	2,535,000
Capital shares sold . . . . .	2,977,767
Dividends and interest . . . . .	27,454,974
Other assets . . . . .	633
Total assets . . . . .	<u>4,958,149,151</u>
<b>Liabilities:</b>	
Payables:	
Capital shares redeemed . . . . .	2,750,725
Management fees . . . . .	1,878,619
Distribution fees . . . . .	1,001,502
Payable upon return of securities loaned . . . . .	934,657
Accrued expenses and other liabilities . . . . .	516,517
Total liabilities . . . . .	<u>7,082,020</u>
Net assets, at value . . . . .	<u>\$4,951,067,131</u>
Net assets consist of:	
Paid-in capital . . . . .	\$4,318,916,349
Total distributable earnings (losses) . . . . .	632,150,782
Net assets, at value . . . . .	<u>\$4,951,067,131</u>
<b>Class 1:</b>	
Net assets, at value . . . . .	<u>\$ 309,329,668</u>
Shares outstanding . . . . .	<u>18,719,960</u>
Net asset value and maximum offering price per share . . . . .	<u>\$16.52</u>
<b>Class 2:</b>	
Net assets, at value . . . . .	<u>\$4,318,155,959</u>
Shares outstanding . . . . .	<u>271,348,136</u>
Net asset value and maximum offering price per share . . . . .	<u>\$15.91</u>
<b>Class 4:</b>	
Net assets, at value . . . . .	<u>\$ 323,581,504</u>
Shares outstanding . . . . .	<u>19,831,473</u>
Net asset value and maximum offering price per share . . . . .	<u>\$16.32</u>

<sup>†</sup>Includes securities loaned . . . . . \$ 884,317

## Statement of Operations

for the year ended December 31, 2019

	<b>Franklin Income VIP Fund</b>
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers . . . . .	\$ 77,022,504
Non-controlled affiliates (Note 3e) . . . . .	2,711,159
Interest:	
Unaffiliated issuers . . . . .	166,530,732
Income from securities loaned:	
Unaffiliated issuers (net of fees and rebates) . . . . .	30,912
Non-controlled affiliates (Note 3e) . . . . .	27,098
Total investment income . . . . .	<u>246,322,405</u>
Expenses:	
Management fees (Note 3a) . . . . .	23,173,719
Distribution fees: (Note 3c)	
Class 2 . . . . .	10,790,993
Class 4 . . . . .	1,095,119
Custodian fees (Note 4) . . . . .	54,743
Reports to shareholders . . . . .	428,371
Professional fees <sup>a</sup> . . . . .	(226,875)
Trustees' fees and expenses . . . . .	30,668
Other . . . . .	125,030
Total expenses . . . . .	35,471,768
Expense reductions (Note 4) . . . . .	(52,296)
Expenses waived/paid by affiliates (Note 3e) . . . . .	(514,740)
Net expenses . . . . .	<u>34,904,732</u>
Net investment income . . . . .	<u>211,417,673</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	37,328,890
Written options . . . . .	2,885,179
Foreign currency transactions . . . . .	(166,248)
Net realized gain (loss) . . . . .	<u>40,047,821</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	514,968,335
Translation of other assets and liabilities denominated in foreign currencies . . . . .	504
Net change in unrealized appreciation (depreciation) . . . . .	<u>514,968,839</u>
Net realized and unrealized gain (loss) . . . . .	<u>555,016,660</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$766,434,333</u>
 *Foreign taxes withheld on dividends . . . . .	 \$ 1,410,045

<sup>a</sup>Includes unaffiliated reimbursement of legal fees incurred in connection with certain fund holdings.



## Statements of Changes in Net Assets

	<b>Franklin Income VIP Fund</b>	
	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$ 211,417,673	\$ 235,338,694
Net realized gain (loss) . . . . .	40,047,821	351,140,755
Net change in unrealized appreciation (depreciation) . . . . .	514,968,839	(809,608,127)
Net increase (decrease) in net assets resulting from operations . . . . .	766,434,333	(223,128,678)
Distributions to shareholders:		
Class 1 . . . . .	(26,604,329)	(34,377,723)
Class 2 . . . . .	(301,656,285)	(227,495,537)
Class 4 . . . . .	(21,101,452)	(14,948,805)
Total distributions to shareholders . . . . .	(349,362,066)	(276,822,065)
Capital share transactions: (Note 2)		
Class 1 . . . . .	(360,324,820)	(62,663,457)
Class 2 . . . . .	(103,843,936)	(543,422,123)
Class 4 . . . . .	4,153,985	(11,817,756)
Total capital share transactions . . . . .	(460,014,771)	(617,903,336)
Net increase (decrease) in net assets . . . . .	(42,942,504)	(1,117,854,079)
Net assets:		
Beginning of year . . . . .	4,994,009,635	6,111,863,714
End of year . . . . .	\$4,951,067,131	\$ 4,994,009,635

# Notes to Financial Statements

## Franklin Income VIP Fund

### 1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

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

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

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

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

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

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

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

**Franklin Income VIP Fund** (continued)

events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

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

**b. Foreign Currency Translation**

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

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

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

**c. Joint Repurchase Agreement**

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2019.

## Franklin Income VIP Fund (continued)

### 1. Organization and Significant Accounting Policies (continued)

#### d. Derivative Financial Instruments

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

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

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

See Note 8 regarding other derivative information.

#### e. Equity-Linked Securities

The Fund invests in equity-linked securities. Equity-linked securities are hybrid financial instruments that generally combine both debt and equity characteristics into a single

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

#### f. Securities Lending

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

#### g. 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

**Franklin Income VIP Fund** (continued)

borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced its intention to cease sustaining LIBOR after 2021. There remains uncertainty regarding the future utilization of LIBOR and the nature of any replacement rate. As such, the potential effect of a transition away from LIBOR on the Fund or the Fund's investments that use or may use a floating rate based on LIBOR cannot yet be determined.

**h. Income and Deferred Taxes**

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2019, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

**i. Security Transactions, Investment Income, Expenses and Distributions**

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income

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

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

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

**j. 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.

**k. Guarantees and Indemnifications**

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is

**Franklin Income VIP Fund** (continued)

**1. Organization and Significant Accounting Policies** (continued)

**k. Guarantees and Indemnifications** (continued)

unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

**2. Shares of Beneficial Interest**

At December 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold . . . . .	1,872,752	\$ 30,211,199	1,947,322	\$ 31,806,598
Shares issued in reinvestment of distributions . . . . .	1,709,790	26,604,329	2,128,651	34,377,723
Shares redeemed . . . . .	(25,004,206)	(417,140,348)	(7,908,010)	(128,847,778)
Net increase (decrease) . . . . .	(21,421,664)	\$(360,324,820)	(3,832,037)	\$( 62,663,457)
<b>Class 2 Shares:</b>				
Shares sold . . . . .	16,435,568	\$ 256,969,286	11,659,052	\$ 185,115,657
Shares issued in reinvestment of distributions . . . . .	20,097,021	301,656,285	14,573,705	227,495,537
Shares redeemed . . . . .	(42,487,994)	(662,469,507)	(60,726,257)	(956,033,317)
Net increase (decrease) . . . . .	(5,955,405)	\$(103,843,936)	(34,493,500)	\$(543,422,123)
<b>Class 4 Shares:</b>				
Shares sold . . . . .	2,582,430	\$ 41,387,759	2,953,880	\$ 48,028,259
Shares issued in reinvestment of distributions . . . . .	1,370,224	21,101,452	934,885	14,948,805
Shares redeemed . . . . .	(3,658,374)	(58,335,226)	(4,625,977)	(74,794,820)
Net increase (decrease) . . . . .	294,280	\$ 4,153,985	(737,212)	\$( 11,817,756)

**3. Transactions with Affiliates**

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

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

**Franklin Income VIP Fund** (continued)

**a. Management Fees**

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

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

For the year ended December 31, 2019, the gross effective investment management fee rate was 0.455% of the Fund's average daily net assets.

**b. Administrative Fees**

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

**c. Distribution Fees**

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

**d. Transfer Agent Fees**

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

**e. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2019, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Non-Controlled Affiliates</b>								Dividends
Institutional Fiduciary Trust Money								
Market Portfolio, 1.26%	\$157,193,174	\$1,445,763,458	\$(1,518,985,496)	\$ —	\$ —	\$83,971,136	83,971,136	\$2,711,159

**Franklin Income VIP Fund** (continued)

**3. Transactions with Affiliates** (continued)

**e. Investments in Affiliated Management Investment Companies** (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Non-Controlled Affiliates</b> (continued)								
								Income from securities loaned
Institutional Fiduciary Trust Money								
Market Portfolio, 1.26% . . . . .	\$ 1,099,000	\$ 82,069,000	\$ (82,421,000)	\$ —	\$ —	\$ 747,000	747,000	\$ 27,098
<b>Total Affiliated Securities</b> . . . . .	<b>\$158,292,174</b>	<b>\$1,527,832,458</b>	<b>\$(1,601,406,496)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$84,718,136</b>		<b>\$2,738,257</b>

**4. Expense Offset Arrangement**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2019, the custodian fees were reduced as noted in the Statement of Operations.

**5. Income Taxes**

The tax character of distributions paid during the years ended December 31, 2019 and 2018, was as follows:

	2019	2018
Distributions paid from:		
Ordinary income . . . . .	\$268,440,004	\$ 276,822,065
Long term capital gain . . . . .	80,922,062	—
	<u>\$349,362,066</u>	<u>\$ 276,822,065</u>

At December 31, 2019, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments . . . . .	<u>\$4,539,905,082</u>
Unrealized appreciation . . . . .	\$ 748,366,284
Unrealized depreciation . . . . .	<u>(363,289,222)</u>
Net unrealized appreciation (depreciation) . . . . .	<u>\$ 385,077,062</u>
Distributable earnings:	
Undistributed ordinary income . . . . .	\$ 249,420,965
Undistributed long term capital gains . . . . .	<u>3,475,287</u>
Total distributable earnings . . . . .	<u>\$ 252,896,252</u>

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



**Franklin Income VIP Fund** (continued)

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2019, aggregated \$1,235,622,655 and \$1,795,514,964, respectively.

At December 31, 2019, in connection with securities lending transactions, the Fund loaned corporate bonds and received \$934,657 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

**7. Credit Risk**

At December 31, 2019, the Fund had 26.7% of its portfolio invested in high yield, senior secured floating rate loans, or other securities rated below investment grade and unrated securities, if any. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

**8. Other Derivative Information**

At December 31, 2019, investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Equity contracts . . . . .	Investments in securities, at value	\$11,270,000 <sup>a</sup>	Options written, at value	\$ —

<sup>a</sup>Purchased option contracts are included in investments in securities, at value in the Statement of Assets and Liabilities.

For the year ended December 31, 2019, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity contracts . . . . .	Investments	\$ —	Investments	\$(22,734,076) <sup>a</sup>
	Written options	2,885,179	Written options	—
Totals . . . . .		\$2,885,179		\$(22,734,076)

<sup>a</sup>Purchased option contracts are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Statement of Operations.

For the year ended December 31, 2019, the average month end notional amount of options represented 378,731 shares.

See Note 1(d) regarding derivative financial instruments.

**Franklin Income VIP Fund** (continued)

**9. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 7, 2020. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 7, 2020, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 5, 2021, for a total of \$2 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2019, the Fund did not use the Global Credit Facility.

**10. Fair Value Measurements**

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

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

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

**Franklin Income VIP Fund** (continued)

A summary of inputs used as of December 31, 2019, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Financials . . . . .	\$ 322,886,679	\$ 19,118,199	\$ —	\$ 342,004,878
All Other Equity Investments . . . . .	1,678,392,091	—	—	1,678,392,091
Equity-Linked Securities . . . . .	—	516,079,231	—	516,079,231
Corporate Bonds . . . . .	—	1,747,269,004	—	1,747,269,004
Senior Floating Rate Interests . . . . .	—	43,230,344	—	43,230,344
U.S. Government and Agency Securities . . . . .	—	355,374,152	—	355,374,152
Mortgage-Backed Securities . . . . .	—	146,456,651	—	146,456,651
Escrows and Litigation Trusts . . . . .	—	—	— <sup>c</sup>	—
Options Purchased . . . . .	11,270,000	—	—	11,270,000
Short Term Investments . . . . .	84,718,136	187,657	—	84,905,793
Total Investments in Securities . . . . .	\$ 2,097,266,906	\$ 2,827,715,238	\$ —	\$ 4,924,982,144

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common, preferred and convertible preferred stocks.

<sup>c</sup>Includes securities determined to have no value at December 31, 2019.

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

**11. Subsequent Events**

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

**Abbreviations**

Currency	Selected Portfolio
<b>USD</b> United States Dollar	<b>ADR</b> American Depositary Receipt
	<b>FNMA</b> Federal National Mortgage Association
	<b>FRN</b> Floating Rate Note
	<b>LIBOR</b> London InterBank Offered Rate

## Report of Independent Registered Public Accounting Firm

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

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Income VIP Fund (the "Fund") as of December 31, 2019, the related statement of operations for the year ended December 31, 2019, the statement of changes in net assets for each of the two years in the period ended December 31, 2019, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2019 and the financial highlights for each of the five years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California  
February 20, 2020

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

## Tax Information (unaudited)

### **Franklin Income VIP Fund**

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$80,922,062 as a long term capital gain dividend for the fiscal year ended December 31, 2019.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 20.62% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2019.

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## Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions (after the deduction of certain withholding taxes for the NR or Net Return Index). They do not reflect any fees, expenses or sales charges.

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

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** measures the performance of U.S. Treasury bills that have a remaining maturity of greater than or equal to one month and less than three months.

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

**Bloomberg Barclays U.S. Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg Barclays U.S. Corporate High Yield Bond Index** measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and Standard & Poor's is Ba1/BB+/BB+ or below.

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

**Bloomberg Barclays U.S. High Yield Very Liquid Index** is a component of the U.S. Corporate High Yield Index designed to track a more liquid component of the U.S. dollar-denominated, high-yield fixed-rate corporate bond market.

**Bloomberg Barclays U.S. Treasury Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity.

**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 U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/19, there were 324 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**Lipper VIP General U.S. Government Funds Classification Average** is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government

Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/19, there were 26 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

**MSCI All Country Asia Index** is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in developed and emerging markets in Asia.

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

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

**MSCI Europe, Australasia, Far East (EAFE) Index** is a free float-adjusted market capitalization-weighted index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

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

**MSCI USA High Dividend Yield Index** is based on the MSCI USA Index, its parent index, and includes large- and mid-capitalization stocks. The index is designed to reflect the performance of equities in the parent index (excluding real estate investment trusts) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

**MSCI World 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 relatively higher price-to-book ratios and higher forecasted growth rates.

**Russell 1000® Index** is market capitalization weighted and measures performance of the approximately 1,000 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 approximately 2,000 smallest companies in the Russell 3000® Index, which represent a small amount of the total market capitalization of the Russell 3000® Index.

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

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

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

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

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

**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.



## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	134	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Terrence J. Checki (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	113	Hess Corporation (exploration of oil and gas) (2014-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and <b>formerly</b> , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
<b>Mary C. Choksi (1950)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	134	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present)
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
<b>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since March 2019	134	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director or Trustee of various companies and trusts; and <b>formerly</b> , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison—United States Treasury Department (1988-1989).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>J. Michael Luttig (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	134	Boeing Capital Corporation (aircraft financing) (2006-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Vice President, Counselor and Senior Advisor to Boeing Chairman and Board of Directors, The Boeing Company (aerospace company) (2019-present); member of the Executive Council, The Boeing Company (2006-present) and <b>formerly</b> , General Counsel, The Boeing Company (2006-2019) and Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	134	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and <b>formerly</b> , Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).				

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	146	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , President, Franklin Resources, Inc. (1994-2015).				
<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, and Trustee	Chairman of the Board since 2013, and Trustee since 1988	134	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Gaston Gardey (1967)</b> One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton; and officer of 24 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Edward D. Perks (1970)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2018	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Franklin Advisers, Inc.; and officer of eight of the investment companies in Franklin Templeton (since December 2018).				
<b>Robert C. Rosselot (1960)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director, Global Compliance, Franklin Templeton; Vice President, Franklin Templeton Companies, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton; and officer of 41 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**

General Counsel, Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.

<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

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

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

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

Note 2: Effective March 12, 2019, John B. Wilson ceased to be a trustee of the Trust.

Note 3: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She currently serves as a director of Avis Budget Group, Inc. (2007-present) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

## Shareholder Information

### Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](http://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](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

### Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://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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**Variable Product Funds**

70100 Ameriprise Financial Center  
Minneapolis, MN 55474

PRSR STD  
U.S. POSTAGE  
**PAID**  
RIVERSOURCE  
LIFE INSURANCE  
COMPANY

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

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

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



**Annual Report**  
**Franklin Templeton Variable Insurance Products Trust**

**Investment Managers**

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

**Fund Administrator**

Franklin Templeton Services, LLC

**Distributor**

Franklin Templeton Distributors,  
Inc.