

ANNUAL REPORT

# FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2021



FRANKLIN  
TEMPLETON



# Franklin Templeton Variable Insurance Products Trust Annual Report

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

<b>Not FDIC Insured</b>	<b>May Lose Value</b>	<b>No Bank Guarantee</b>
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## Important Notes to Performance Information

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

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

**SUPPLEMENT DATED FEBRUARY 4, 2022  
TO THE STATEMENT OF ADDITIONAL INFORMATION  
DATED MAY 1, 2021 FOR  
FRANKLIN ALLOCATION VIP FUND  
FRANKLIN DYNATECH VIP FUND  
FRANKLIN GLOBAL REAL ESTATE VIP FUND  
FRANKLIN GROWTH AND INCOME VIP FUND  
FRANKLIN INCOME VIP FUND  
FRANKLIN LARGE CAP GROWTH VIP FUND  
FRANKLIN MUTUAL GLOBAL DISCOVERY VIP FUND  
FRANKLIN MUTUAL SHARES VIP FUND  
FRANKLIN RISING DIVIDENDS VIP FUND  
FRANKLIN SMALL CAP VALUE VIP FUND  
FRANKLIN SMALL-MID CAP GROWTH VIP FUND  
FRANKLIN STRATEGIC INCOME VIP FUND  
FRANKLIN U.S. GOVERNMENT SECURITIES VIP FUND  
FRANKLIN VOLSMART ALLOCATION VIP FUND  
TEMPLETON DEVELOPING MARKETS VIP FUND  
TEMPLETON FOREIGN VIP FUND  
TEMPLETON GLOBAL BOND VIP FUND  
TEMPLETON GROWTH VIP FUND**

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

The statement of additional information (SAI) of each Fund is amended as follows:

I. For all Funds, the name “Franklin Templeton Distributors, Inc.” is replaced throughout the SAI with “Franklin Distributors, LLC.”

II. For Franklin Allocation VIP Fund, Templeton Developing Markets VIP Fund and Templeton Foreign VIP Fund, the following bullet is added to the list of securities in which each Fund may invest under “The Funds – Goals, Additional Strategies and Risks:”

- Chinese securities including Chinese variable interest entities

III. The following is added to the “Goals, Strategies and Risks – Glossary of Investments, Techniques, Strategies and Their Risks – Foreign securities:”

*China companies.* Investing in China, Hong Kong and Taiwan involves a high degree of risk and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include: (a) the risk of nationalization or expropriation of assets or confiscatory taxation; (b) greater social, economic and political uncertainty (including the risk of war); (c) dependency on exports and the corresponding importance of international trade; (d) the increasing competition from Asia’s other low-cost emerging economies; (e) greater price volatility and significantly smaller market capitalization of securities markets, particularly in China; (f) substantially less liquidity, particularly of certain share classes of Chinese securities; (g) currency exchange rate fluctuations and the lack of available currency hedging instruments; (h) higher rates of inflation; (i) controls on foreign investment and limitations on repatriation of invested capital and on the Fund’s ability to exchange local currencies for U.S. dollars; (j) greater governmental involvement in and control over the economy; (k) the risk that the Chinese government may decide not to continue to support the economic reform programs implemented since 1978 and could return to the prior, completely centrally planned, economy; (l) the fact that China companies, particularly those located in China, may be smaller, less seasoned and newly-organized companies; (m) the difference in, or lack of, auditing and financial reporting standards which may result in unavailability of material information about issuers, particularly in China; (n) the fact that statistical information regarding the economy of China may be inaccurate or not comparable to statistical information regarding

the U.S. or other economies; (o) the less extensive, and still developing, regulation of the securities markets, business entities and commercial transactions; (p) the fact that the settlement period of securities transactions in foreign markets may be longer; (q) the willingness and ability of the Chinese government to support the Chinese and Hong Kong economies and markets is uncertain; (r) the risk that it may be more difficult, or impossible, to obtain and/or enforce a judgment than in other countries and that there may be significant obstacles to obtaining information necessary for investigations into or litigation against Chinese companies; and (s) the rapidity and erratic nature of growth, particularly in China, resulting in inefficiencies and dislocations; and (t) the risk that because of the degree of interconnectivity between the economies and financial markets of China, Hong Kong and Taiwan, any sizable reduction in the demand for goods from China, or an economic downturn in China, could negatively affect the economies and financial markets of Hong Kong and Taiwan, as well.

The Public Company Accounting Oversight Board (PCAOB) has warned that positions taken by Chinese authorities impair the PCAOB's ability to conduct inspections and investigations of the audits of public companies with China-based operations. The PCAOB's impaired ability to oversee PCAOB-registered audit firms in China may result in inaccurate or incomplete financial records of an issuer's operations within China, which may negatively impact the Fund's investments in such companies.

Investment in China, Hong Kong and Taiwan is subject to certain political risks. Following the establishment of the People's Republic of China by the Communist Party in 1949, the Chinese government renounced various debt obligations incurred by China's predecessor governments, which obligations remain in default, and expropriated assets without compensation. There can be no assurance that the Chinese government will not take similar action in the future. An investment in the Fund involves risk of a total loss. The political reunification of China and Taiwan is a highly problematic issue and is unlikely to be settled in the near future. This situation poses a threat to Taiwan's economy and could negatively affect its stock market.

The equity securities of China companies the Fund may invest in include securities issued by Hong Kong and Taiwan domiciled companies, as well as China H shares (shares of China-incorporated, Hong Kong-listed companies), Shanghai and Shenzhen-listed B shares (shares of China-incorporated companies that are traded in foreign currencies - U.S. Dollar for the Shanghai Stock Exchange and Hong Kong dollar for the Shenzhen Stock Exchange), and China "red chip" shares (shares of companies based in Mainland China that are incorporated outside China and listed in Hong Kong). The Fund may also invest in eligible China A shares (shares of publicly traded companies based in Mainland China) listed and traded on the Shanghai Stock Exchange ("SSE") through the Shanghai – Hong Kong Stock Connect program, as well as eligible China A shares listed and traded on the Shenzhen Stock Exchange ("SZSE") through the Shenzhen – Hong Kong Stock Connect program (both programs collectively referred to as "Stock Connect"). The Fund may also invest in China A shares through any other means permitted by applicable law or regulation.

*Chinese variable interest entities.* In China, equity ownership of companies by foreign individuals and entities is restricted or prohibited in certain sectors, such as internet, media, education and telecommunications. To circumvent these limits, starting in the early 2000s many Chinese companies, including most of the well-known Chinese Internet companies, have used a special structure known as a variable interest entity (VIE) to raise capital from foreign investors. In a typical VIE structure, a shell company is set up in an offshore jurisdiction, such as the Cayman Islands. The shell company, through a wholly foreign-owned enterprise (WFOE) based in China, enters into service and other contracts with another Chinese company known as the VIE. The VIE must be owned by Chinese nationals (and/or other Chinese companies), which often are the VIE's founders, in order to obtain the licenses and/or assets required to operate in the restricted or prohibited industry in China. The contractual arrangements entered into between the WFOE and VIE (which often include powers of attorney, loan and equity pledge agreements, call option agreements and exclusive services or business cooperation agreements) are designed to allow the shell company to exert a degree of control over, and obtain economic benefits arising from, the VIE without formal legal ownership.

The contractual arrangements are structured to require the shell company to consolidate the VIE into its financial statements, pursuant to U.S. generally accepted accounting principles, despite the absence of equity ownership. Such consolidation provides the shell company with the ability to issue shares on a foreign exchange, such as the New York

Stock Exchange or NASDAQ, often with the same name as the VIE. Accordingly, foreign investors, such as the Fund, will only own stock in the shell company rather than directly in the VIE. Further, the ability of the WFOE to easily extract profits from the VIE structure through service agreements will partially depend on the proportion of the business that can legally be conducted by the WFOE versus the VIE, which varies based on the industry.

While VIEs are a longstanding industry practice that is well known to Chinese officials and regulators, historically they have not been formally recognized under Chinese law. In late December 2021, the China Securities Regulatory Commission (CSRC) released draft rules that would permit the use of VIE structures, provided they abide by Chinese laws and register with the CSRC. The new draft rules, however, may cause Chinese companies to undergo greater scrutiny and may make the process to create VIEs more difficult and costly. Guidance or further rulemaking prohibiting or restricting these structures by the Chinese government, generally or with respect to specific industries, would likely cause impacted VIE-structured holding(s) to suffer significant, detrimental, and possibly permanent losses, and in turn, adversely affect the Fund's returns and net asset value. The future of the VIE structure generally and with respect to certain industries remains uncertain.

Further, if a Chinese court or arbitration body chose not to enforce the contracts, the value of the shell company would significantly decline, since it derives its value from the ability to consolidate the VIE into its financials pursuant to such contracts, and in turn, adversely affect the Fund's returns and net asset value. The contractual arrangements with the VIE may not be as effective in providing operational control as direct equity ownership. The Chinese equity owner(s) of the VIE could decide to breach the contractual arrangement and may have conflicting interests and fiduciary duties as compared to investors in the shell company. Accordingly, VIEs depend heavily on executives who are Chinese nationals and own the underlying business licenses and/or assets required to operate in China. In addition to creating "key person" succession risk, the structure can restrict the ability of outside shareholders to challenge executives for poor decision-making, weak management, or equity-eroding actions. Any breach or dispute under these contracts will likely fall under Chinese jurisdiction and law.

IV. For all Funds, the following replaces Robert G. Kubilis in the section "Officers and Trustees – Interested Board Members and Officers:"

Christopher Kings (1974) Chief Financial Officer, Chief Accounting Officer and Treasurer Since January 2022 Not  
Applicable Not Applicable  
One Franklin Parkway  
San Mateo, CA 94403-1906

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

Treasurer, U.S. Fund Administration & Reporting; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

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

# Franklin Small-Mid Cap Growth VIP Fund

This annual report for Franklin Small-Mid Cap Growth VIP Fund covers the fiscal year ended December 31, 2021.

## Class 2 Performance Summary as of December 31, 2021

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

Share Class	Average Annual Total Return
<b>2</b>	
1-Year	+10.01%
5-Year	+20.84%
10-Year	+15.70%

\*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 4/30/22. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

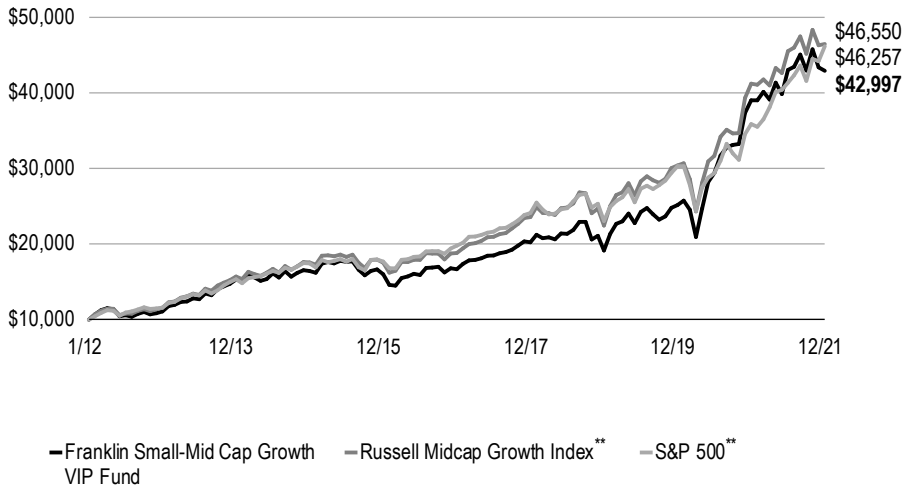
*Performance reflects the Fund's Class 2 operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values 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 (1/1/12–12/31/21)**

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



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

# Franklin Small-Mid Cap Growth VIP Fund

## Fund Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small-capitalization and mid-capitalization companies. For this Fund, small-cap companies are those within the market capitalization range of companies in the Russell 2500™ Index at the time of purchase, and midcap companies are those within the market capitalization range of companies in the Russell Midcap® Index at the time of purchase.<sup>1</sup>

## Fund Risks

All investments involve risks, including possible loss of principal. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Smaller or midsized companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger companies. Historically, these securities have experienced more price volatility than larger-company stocks, especially over the short term. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risk of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. From time to time, the trading market for a particular security or type of security in which the Fund invests may become less liquid or even illiquid. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

## Performance Overview

You can find the Fund's one-year total return in the Performance Summary. In comparison, the Fund's narrow benchmark, the Russell Midcap Growth® Index, posted a +12.73% total return, and its broad benchmark, the Standard & Poor's® 500 Index (S&P 500®), posted a +28.71% total return for the same period.<sup>2</sup>

1. Please see Index Descriptions following the Fund Summaries.

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

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

## Portfolio Composition

12/31/21

	% of Total Net Assets
Software	18.0%
IT Services	7.2%
Semiconductors & Semiconductor Equipment	6.0%
Health Care Equipment & Supplies	6.0%
Life Sciences Tools & Services	5.8%
Specialty Retail	5.5%
Hotels, Restaurants & Leisure	5.0%
Professional Services	4.5%
Capital Markets	4.3%
Textiles, Apparel & Luxury Goods	3.2%
Biotechnology	2.5%
Equity Real Estate Investment Trusts (REITs)	2.5%
Electronic Equipment, Instruments & Components	2.5%
Health Care Technology	2.0%
Other*	23.7%
Short-Term Investments & Other Net Assets	1.3%

\*Categories within the Other category are listed in full in the Fund's Statement of Investments (SOI), which can be found later in this report.

## Economic and Market Overview

U.S. equities, as measured by the S&P 500, posted a +28.71% total return for the 12 months ended December 31, 2021.<sup>2</sup> Stocks benefited from the continued economic recovery, monetary and fiscal stimulus measures, rollout of highly effective COVID-19 vaccines, implementation of vaccination programs and easing pandemic restrictions. As many businesses reopened, stimulus payments and generally high household savings contributed to increased consumer spending. A rebound in corporate earnings and the passage of a bipartisan infrastructure bill further bolstered investor sentiment, helping equities to reach new all-time price highs late in the 12-month period.

Gross domestic product growth was robust during most of the period, as the lifting of many COVID-19 restrictions and strong consumer spending continued to support the economy. Both exports and imports increased significantly in an environment of high business confidence and recovering industrial production. The continued growth of the economy led the U.S. to surpass its pre-pandemic output in 2021's second quarter.

The inflation rate was notably elevated during the 12-month period amid increased demand and supply-chain bottlenecks. U.S. consumer spending on goods remained strong, adding to pressure on the prices of many products. Consequently, the personal consumption expenditures index, a measure of inflation, surged during the period, representing the highest 12-month increase in decades. The unemployment rate declined from 6.7% in December 2020 to 3.9% in December 2021 as job openings increased, but a relative lack of available workers fueled wage growth, adding to some investors' inflation concerns.

In an effort to support the economy, the U.S. Federal Reserve (Fed) kept the federal funds target rate at a record-low range of 0.00%-0.25%. While the Fed also maintained quantitative easing measures with U.S. Treasury and mortgage bond purchasing, it began to reduce the rate of purchases beginning in November 2021 and accelerated the pace of tapering in December. The Fed also noted that it expected easing supply constraints to help reduce inflationary pressures and that further employment progress was needed before the Fed would consider raising the range for the federal funds target rate.

## Investment Strategy

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

## Manager's Discussion

During the period under review, the Fund's absolute returns were positive but lagged those of the Russell Midcap® Growth Index. Much of the Fund's underperformance was due to stock selection in the health care, information technology (IT) and industrials sectors.

## Top 10 Holdings

12/31/21

Company Industry	% of Total Net Assets
Synopsys, Inc. Software	2.8%
IDEXX Laboratories, Inc. Health Care Equipment & Supplies	2.3%
ANSYS, Inc. Software	1.8%
MSCI, Inc. Capital Markets	1.8%
MongoDB, Inc. IT Services	1.8%
CoStar Group, Inc. Professional Services	1.7%
Chipotle Mexican Grill, Inc. Hotels, Restaurants & Leisure	1.7%
Bio-Techne Corp. Life Sciences Tools & Services	1.7%
SiTime Corp. Semiconductors & Semiconductor Equipment	1.6%
Okta, Inc. IT Services	1.5%

In the health care sector, shares of cancer immunotherapy company Iovance Biotherapeutics (not held at period-end) and cardiac device maker iRhythm Technologies (not part of the index; not held at period-end) declined and hurt Fund performance. Iovance faced regulatory filing delays for a melanoma treatment it developed. While Medicare headwinds were a drag on iRhythm's stock. Conversely, an acquisition offer from a specialty pharmaceutical company boosted the shares of cannabinoid-focused drugmaker GW Pharmaceuticals (not part of the index; not held at period-end), which helped annual returns.

In the IT sector, relative detractors were concentrated in the software industry where Zendesk (not held at period-end) and Q2 Holdings (not part of the index; not held at period-end) underperformed. Zendesk is a supplier of online customer support software, and the company's pandemic recovery has been slower than that of its peers. Zendesk also announced a planned all-stock buyout of a survey software company, which further dampened its stock. The unfavorable impact from distributor inventory levels due to supply chain disruptions was a drag on Q2 Holdings, which creates software-as-a-service solutions to help banks. In contrast, chipmaker Synopsys contributed to IT sector performance. The company has seen broad based strength in chip design activity across automobiles, high-performance computing, 5G, mobile and more.

In the industrials sector, defense electronics company Mercury Systems (not held at period-end) was a leading detractor. Concerns about budget cuts under the new Biden administration pressured defense stocks overall.

Elsewhere, electric vehicle manufacturer Lucid Group (not part of the index; not held at period-end) was an individual contributor in the consumer discretionary sector. Its stock rallied as the company began production of its luxury sedan that will directly compete with Tesla (not a Fund holding). Lucid announced it expects to produce 20,000 Lucid Air sedans in 2022.

Thank you for your participation in Franklin Small-Mid Cap Growth 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, 2021, 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 7/1/21	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/21	Fund-Level Expenses Paid During Period 7/1/21–12/31/21 <sup>1,2</sup>	Ending Account Value 12/31/21	Fund-Level Expenses Paid During Period 7/1/21–12/31/21 <sup>1,2</sup>	
2	\$1,000	\$997.30	\$5.43	\$1,019.77	\$5.49	1.08%

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

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

## Financial Highlights

### Franklin Small-Mid Cap Growth VIP Fund

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b>Class 1</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$26.99	\$19.74	\$17.04	\$19.71	\$17.77
Income from investment operations <sup>a</sup> :					
Net investment (loss) <sup>b</sup> . . . . .	(0.15)	(0.07)	(0.04)	(0.05)	(0.04)
Net realized and unrealized gains (losses) . . . . .	2.79	9.96	5.31	(0.70)	3.74
Total from investment operations . . . . .	2.64	9.89	5.27	(0.75)	3.70
Less distributions from:					
Net realized gains . . . . .	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)
Net asset value, end of year . . . . .	\$26.72	\$26.99	\$19.74	\$17.04	\$19.71
Total return <sup>c</sup> . . . . .	10.25%	55.52%	31.80%	(5.15)%	21.75%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.83%	0.85%	0.84%	0.86%	0.85%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	0.82%	0.84%	0.83%	0.85%	0.84%
Net investment (loss) . . . . .	(0.55)%	(0.33)%	(0.19)%	(0.24)%	(0.24)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$79,526	\$72,039	\$43,169	\$33,518	\$36,864
Portfolio turnover rate . . . . .	43.35%	48.93%	59.07%	44.78%	40.49%

<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%.

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b>Class 2</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$23.11	\$17.29	\$15.22	\$17.83	\$16.27
Income from investment operations <sup>a</sup> :					
Net investment (loss) <sup>b</sup> . . . . .	(0.19)	(0.11)	(0.08)	(0.09)	(0.08)
Net realized and unrealized gains (losses) . . . . .	2.38	8.57	4.72	(0.60)	3.40
Total from investment operations . . . . .	2.19	8.46	4.64	(0.69)	3.32
Less distributions from:					
Net realized gains . . . . .	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)
Net asset value, end of year . . . . .	\$22.39	\$23.11	\$17.29	\$15.22	\$17.83
Total return <sup>c</sup> . . . . .	10.01%	55.09%	31.44%	(5.37)%	21.40%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.08%	1.10%	1.09%	1.11%	1.10%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	1.07%	1.09%	1.08%	1.10%	1.09%
Net investment (loss) . . . . .	(0.80)%	(0.61)%	(0.44)%	(0.49)%	(0.49)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$472,565	\$503,032	\$372,442	\$310,300	\$390,094
Portfolio turnover rate . . . . .	43.35%	48.93%	59.07%	44.78%	40.49%

<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%.

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

	Year Ended December 31,				
	2021	2020	2019	2018	2017
<b>Class 4</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$24.26	\$18.04	\$15.81	\$18.47	\$16.81
Income from investment operations <sup>a</sup> :					
Net investment (loss) <sup>b</sup> . . . . .	(0.22)	(0.14)	(0.10)	(0.11)	(0.10)
Net realized and unrealized gains (losses) . . . . .	2.49	9.00	4.90	(0.63)	3.52
Total from investment operations . . . . .	2.27	8.86	4.80	(0.74)	3.42
Less distributions from:					
Net realized gains . . . . .	(2.91)	(2.64)	(2.57)	(1.92)	(1.76)
Net asset value, end of year . . . . .	\$23.62	\$24.26	\$18.04	\$15.81	\$18.47
Total return <sup>c</sup> . . . . .	9.86%	55.01%	31.26%	(5.46)%	21.30%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.18%	1.20%	1.19%	1.21%	1.20%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	1.17%	1.19%	1.18%	1.20%	1.19%
Net investment (loss) . . . . .	(0.90)%	(0.71)%	(0.54)%	(0.59)%	(0.59)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$26,518	\$25,580	\$17,662	\$13,759	\$15,829
Portfolio turnover rate . . . . .	43.35%	48.93%	59.07%	44.78%	40.49%

<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%.



## Statement of Investments, December 31, 2021

## Franklin Small-Mid Cap Growth VIP Fund

	Country	Shares	Value
<b>Common Stocks 97.3%</b>			
<b>Aerospace &amp; Defense 1.1%</b>			
<sup>a</sup> TransDigm Group, Inc. ....	United States	10,300	\$6,553,684
<b>Airlines 0.5%</b>			
<sup>a</sup> Southwest Airlines Co. ....	United States	66,000	2,827,440
<b>Banks 0.7%</b>			
<sup>a</sup> SVB Financial Group. ....	United States	6,300	4,272,912
<b>Biotechnology 2.5%</b>			
<sup>a</sup> Alnylam Pharmaceuticals, Inc. ....	United States	16,700	2,831,986
<sup>a</sup> Horizon Therapeutics plc. ....	United States	44,400	4,784,544
<sup>a</sup> Mirati Therapeutics, Inc. ....	United States	8,000	1,173,520
<sup>a</sup> PTC Therapeutics, Inc. ....	United States	45,000	1,792,350
<sup>a</sup> Seagen, Inc. ....	United States	26,600	4,112,360
			14,694,760
<b>Building Products 1.2%</b>			
Trane Technologies plc. ....	United States	34,000	6,869,020
<b>Capital Markets 4.3%</b>			
Ares Management Corp. ....	United States	79,500	6,460,965
MarketAxess Holdings, Inc. ....	United States	11,900	4,894,113
MSCI, Inc. ....	United States	17,000	10,415,730
Tradeweb Markets, Inc., A. ....	United States	33,100	3,314,634
			25,085,442
<b>Commercial Services &amp; Supplies 1.6%</b>			
<sup>a</sup> Copart, Inc. ....	United States	29,400	4,457,628
Republic Services, Inc. ....	United States	34,700	4,838,915
			9,296,543
<b>Communications Equipment 0.9%</b>			
<sup>a</sup> Arista Networks, Inc. ....	United States	36,100	5,189,375
<b>Containers &amp; Packaging 2.0%</b>			
Avery Dennison Corp. ....	United States	20,500	4,439,685
Ball Corp. ....	United States	74,300	7,152,861
			11,592,546
<b>Electrical Equipment 1.9%</b>			
<sup>a</sup> Generac Holdings, Inc. ....	United States	10,200	3,589,584
Rockwell Automation, Inc. ....	United States	20,900	7,290,965
			10,880,549
<b>Electronic Equipment, Instruments &amp; Components 2.5%</b>			
Cognex Corp. ....	United States	49,400	3,841,344
<sup>a</sup> Keysight Technologies, Inc. ....	United States	35,150	7,258,826
<sup>a</sup> Zebra Technologies Corp., A. ....	United States	5,500	3,273,600
			14,373,770
<b>Entertainment 1.6%</b>			
<sup>a</sup> Roku, Inc. ....	United States	31,856	7,269,539
<sup>a</sup> Zynga, Inc., A. ....	United States	273,300	1,749,120
			9,018,659
<b>Equity Real Estate Investment Trusts (REITs) 2.5%</b>			
Equity LifeStyle Properties, Inc. ....	United States	27,400	2,401,884
SBA Communications Corp. ....	United States	21,657	8,425,006

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Equity Real Estate Investment Trusts (REITs)</b> (continued)			
Terreno Realty Corp.....	United States	45,050	\$3,842,315
			14,669,205
<b>Food Products 0.5%</b>			
<sup>a</sup> Freshpet, Inc.....	United States	32,300	3,077,221
<b>Health Care Equipment &amp; Supplies 6.0%</b>			
<sup>a</sup> Dexcom, Inc.....	United States	10,088	5,416,752
<sup>a,b</sup> Figs, Inc., A.....	United States	54,500	1,502,020
<sup>a</sup> IDEXX Laboratories, Inc.....	United States	20,350	13,399,661
<sup>a</sup> Inari Medical, Inc.....	United States	31,200	2,847,624
<sup>a</sup> Insulet Corp.....	United States	20,500	5,454,435
Teleflex, Inc.....	United States	18,450	6,060,456
			34,680,948
<b>Health Care Providers &amp; Services 1.0%</b>			
<sup>a</sup> Guardant Health, Inc.....	United States	39,400	3,940,788
<sup>a</sup> HealthEquity, Inc.....	United States	36,300	1,605,912
			5,546,700
<b>Health Care Technology 2.0%</b>			
<sup>a</sup> Certara, Inc.....	United States	50,100	1,423,842
<sup>a</sup> Teladoc Health, Inc.....	United States	20,466	1,879,188
<sup>a</sup> Veeva Systems, Inc., A.....	United States	32,800	8,379,744
			11,682,774
<b>Hotels, Restaurants &amp; Leisure 5.0%</b>			
<sup>a</sup> Chipotle Mexican Grill, Inc.....	United States	5,630	9,842,647
Darden Restaurants, Inc.....	United States	24,700	3,720,808
<sup>a,b</sup> DraftKings, Inc., A.....	United States	116,233	3,192,921
<sup>a</sup> Expedia Group, Inc.....	United States	9,600	1,734,912
<sup>a,b</sup> Sweetgreen, Inc., A.....	United States	6,000	192,000
Vail Resorts, Inc.....	United States	15,500	5,082,450
<sup>a</sup> Wynn Resorts Ltd.....	United States	61,100	5,195,944
			28,961,682
<b>Household Durables 0.9%</b>			
<sup>a</sup> NVR, Inc.....	United States	882	5,211,623
<b>Interactive Media &amp; Services 1.8%</b>			
<sup>a</sup> Match Group, Inc.....	United States	51,624	6,827,274
<sup>a</sup> Pinterest, Inc., A.....	United States	100,700	3,660,445
			10,487,719
<b>Internet &amp; Direct Marketing Retail 0.9%</b>			
<sup>a</sup> Etsy, Inc.....	United States	22,500	4,926,150
<b>IT Services 7.2%</b>			
<sup>a</sup> BigCommerce Holdings, Inc., 1.....	United States	67,400	2,383,938
<sup>a</sup> Cloudflare, Inc., A.....	United States	49,200	6,469,800
<sup>a</sup> EPAM Systems, Inc.....	United States	6,400	4,278,080
<sup>a</sup> Marqeta, Inc., A.....	United States	151,378	2,599,160
<sup>a</sup> MongoDB, Inc.....	United States	19,200	10,163,520
<sup>a</sup> Okta, Inc.....	United States	39,600	8,877,132
<sup>a</sup> Twilio, Inc., A.....	United States	13,400	3,528,756
<sup>a</sup> Wix.com Ltd.....	Israel	19,900	3,140,021
			41,440,407

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Leisure Products 1.1%</b>			
<sup>a,c,d</sup> Fanatics Holdings, Inc. ....	United States	94,539	\$4,026,670
<sup>a</sup> YETI Holdings, Inc. ....	United States	27,600	2,286,108
			6,312,778
<b>Life Sciences Tools &amp; Services 5.8%</b>			
<sup>a</sup> 10X Genomics, Inc., A. ....	United States	26,500	3,947,440
<sup>a</sup> Avantor, Inc. ....	United States	121,300	5,111,582
Bio-Techne Corp. ....	United States	18,625	9,635,457
<sup>a</sup> Mettler-Toledo International, Inc. ....	United States	5,080	8,621,827
West Pharmaceutical Services, Inc. ....	United States	13,400	6,284,734
			33,601,040
<b>Machinery 1.2%</b>			
IDEX Corp. ....	United States	14,350	3,391,192
<sup>a</sup> Proterra, Inc. ....	United States	54,000	476,820
Stanley Black & Decker, Inc. ....	United States	16,846	3,177,493
			7,045,505
<b>Oil, Gas &amp; Consumable Fuels 0.3%</b>			
Coterra Energy, Inc. ....	United States	101,700	1,932,300
<b>Personal Products 0.7%</b>			
<sup>a,b</sup> BellRing Brands, Inc., A. ....	United States	129,700	3,700,341
<sup>a</sup> Olaplex Holdings, Inc. ....	United States	17,100	498,123
			4,198,464
<b>Pharmaceuticals 0.6%</b>			
<sup>a</sup> Catalent, Inc. ....	United States	11,200	1,433,936
<sup>a</sup> Jazz Pharmaceuticals plc ....	United States	15,800	2,012,920
			3,446,856
<b>Professional Services 4.5%</b>			
<sup>a</sup> CoStar Group, Inc. ....	United States	125,250	9,898,507
TransUnion. ....	United States	65,300	7,743,274
Verisk Analytics, Inc. ....	United States	37,661	8,614,201
			26,255,982
<b>Road &amp; Rail 1.5%</b>			
Old Dominion Freight Line, Inc. ....	United States	23,550	8,439,849
<b>Semiconductors &amp; Semiconductor Equipment 6.0%</b>			
<sup>a</sup> Allegro MicroSystems, Inc. ....	Japan	58,900	2,131,002
Entegris, Inc. ....	United States	39,900	5,529,342
<sup>a,b</sup> GLOBALFOUNDRIES, Inc. ....	United States	18,600	1,208,442
<sup>a</sup> Lattice Semiconductor Corp. ....	United States	72,655	5,598,794
Monolithic Power Systems, Inc. ....	United States	12,750	6,289,958
<sup>a</sup> Semtech Corp. ....	United States	53,600	4,766,648
<sup>a</sup> SiTime Corp. ....	United States	31,700	9,273,518
			34,797,704
<b>Software 16.8%</b>			
<sup>a</sup> Alkami Technology, Inc. ....	United States	52,525	1,053,651
<sup>a</sup> ANSYS, Inc. ....	United States	26,100	10,469,232
<sup>a</sup> Arteris, Inc. ....	United States	91,900	1,940,009
<sup>a</sup> Avalara, Inc. ....	United States	50,100	6,468,411
<sup>a</sup> Bill.com Holdings, Inc. ....	United States	25,048	6,240,709
<sup>a</sup> Black Knight, Inc. ....	United States	81,300	6,738,957
<sup>a</sup> Coupa Software, Inc. ....	United States	29,500	4,662,475

Franklin Small-Mid Cap Growth VIP Fund (continued)

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Software (continued)</b>			
<sup>a</sup> Crowdstrike Holdings, Inc., A	United States	27,900	\$5,712,525
<sup>a</sup> Datadog, Inc., A	United States	14,200	2,529,162
<sup>a</sup> DocuSign, Inc.	United States	48,200	7,341,342
<sup>a</sup> Duck Creek Technologies, Inc.	United States	73,570	2,215,193
<sup>a</sup> Five9, Inc.	United States	25,900	3,556,588
<sup>a,b</sup> Freshworks, Inc., A	United States	29,200	766,792
<sup>a</sup> HashiCorp, Inc., A	United States	5,100	464,304
<sup>a</sup> HubSpot, Inc.	United States	11,800	7,777,970
<sup>a</sup> Lightspeed Commerce, Inc.	Canada	46,200	1,867,866
<sup>a</sup> Paylocity Holding Corp.	United States	36,050	8,513,568
<sup>a</sup> Synopsys, Inc.	United States	43,550	16,048,174
<sup>a</sup> Zscaler, Inc.	United States	9,000	2,891,970
			97,258,898
<b>Specialty Retail 5.5%</b>			
<sup>a</sup> Burlington Stores, Inc.	United States	22,500	6,558,975
<sup>a</sup> Five Below, Inc.	United States	32,150	6,651,514
<sup>a</sup> O'Reilly Automotive, Inc.	United States	10,500	7,415,415
<sup>a</sup> Petco Health & Wellness Co., Inc.	United States	126,500	2,503,435
Tractor Supply Co.	United States	36,137	8,622,288
			31,751,627
<b>Textiles, Apparel &amp; Luxury Goods 3.2%</b>			
<sup>a,b</sup> Allbirds, Inc., A	United States	91,800	1,384,344
<sup>a,c,d</sup> Allbirds, Inc., A	United States	92,392	1,330,614
Levi Strauss & Co., A	United States	84,200	2,107,526
<sup>a</sup> Lululemon Athletica, Inc.	United States	21,600	8,455,320
VF Corp.	United States	69,100	5,059,502
			18,337,306
<b>Trading Companies &amp; Distributors 1.5%</b>			
Fastenal Co.	United States	130,800	8,379,048
			8,379,048
<b>Total Common Stocks (Cost \$355,731,845)</b>			<b>563,096,486</b>
<b>Convertible Preferred Stocks 1.4%</b>			
<b>Diversified Consumer Services 0.2%</b>			
<sup>a,c,d</sup> Newsela, Inc., D	United States	48,915	987,771
<b>Software 1.2%</b>			
<sup>a,c,d</sup> Benchling, Inc., F	United States	35,200	1,150,910
<sup>a,c,d,e</sup> Blaize, Inc., D	United States	206,272	2,050,037
<sup>a,c,d</sup> Databricks, Inc., G	United States	8,626	1,943,750
<sup>a,c,d</sup> OneTrust LLC, C	United States	82,367	1,547,478
			6,692,175
<b>Total Convertible Preferred Stocks (Cost \$7,484,934)</b>			<b>7,679,946</b>
<b>Warrants</b>			
<b>Warrants 0.0%<sup>†</sup></b>			
<b>Software 0.0%<sup>†</sup></b>			
<sup>a,c,d,e</sup> Blaize, Inc., 2/28/24	United States	26,474	31,313
			31,313
<b>Total Warrants (Cost \$—)</b>			<b>31,313</b>
<b>Total Long Term Investments (Cost \$363,216,779)</b>			<b>570,807,745</b>

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**Short Term Investments 2.9%**

	Country	Shares	Value
<b>Money Market Funds 1.4%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	United States	8,439,570	\$8,439,570
<b>Total Money Market Funds (Cost \$8,439,570)</b> . . . . .			<b>8,439,570</b>
<b><sup>h</sup>Investments from Cash Collateral Received for Loaned Securities 1.5%</b>			
<b>Money Market Funds 1.5%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0.01% . . . . .	United States	8,496,850	8,496,850
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$8,496,850)</b> . . . . .			<b>8,496,850</b>
<b>Total Short Term Investments (Cost \$16,936,420)</b> . . . . .			<b>16,936,420</b>
<b>Total Investments (Cost \$380,153,199) 101.6%</b> . . . . .			<b>\$587,744,165</b>
<b>Other Assets, less Liabilities (1.6)%</b> . . . . .			<b>(9,136,044)</b>
<b>Net Assets 100.0%</b> . . . . .			<b>\$578,608,121</b>

<sup>1</sup> Rounds to less than 0.1% of net assets.

<sup>a</sup> Non-income producing.

<sup>b</sup> A portion or all of the security is on loan at December 31, 2021. See Note 1(c).

<sup>c</sup> Fair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

<sup>d</sup> See Note 7 regarding restricted securities.

<sup>e</sup> See Note 8 regarding holdings of 5% voting securities.

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

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

<sup>h</sup> See Note 1(c) regarding securities on loan.

## Statement of Assets and Liabilities

December 31, 2021

**Franklin Small-  
Mid Cap Growth  
VIP Fund**

Assets:

Investments in securities:

Cost - Unaffiliated issuers . . . . .	\$361,062,779
Cost - Non-controlled affiliates (Note 3e and 8) . . . . .	19,090,420
Value - Unaffiliated issuers (Includes securities loaned of \$8,128,798) . . . . .	\$568,726,395
Value - Non-controlled affiliates (Note 3e and 8) . . . . .	19,017,770
Cash . . . . .	19,954

Receivables:

Capital shares sold . . . . .	66,022
Dividends and interest . . . . .	73,399
Total assets . . . . .	587,903,540

Liabilities:

Payables:

Capital shares redeemed . . . . .	96,842
Management fees . . . . .	384,610
Distribution fees . . . . .	108,117
Payable upon return of securities loaned (Note 1c) . . . . .	8,496,850
Accrued expenses and other liabilities . . . . .	209,000
Total liabilities . . . . .	9,295,419
Net assets, at value . . . . .	\$578,608,121

Net assets consist of:

Paid-in capital . . . . .	\$265,294,250
Total distributable earnings (losses) . . . . .	313,313,871
Net assets, at value . . . . .	\$578,608,121

**Franklin Small-  
Mid Cap Growth  
VIP Fund**

**Class 1:**

Net assets, at value . . . . .	\$79,525,998
Shares outstanding . . . . .	2,976,293
Net asset value and maximum offering price per share . . . . .	\$26.72

**Class 2:**

Net assets, at value . . . . .	\$472,564,618
Shares outstanding . . . . .	21,109,916
Net asset value and maximum offering price per share . . . . .	\$22.39

**Class 4:**

Net assets, at value . . . . .	\$26,517,505
Shares outstanding . . . . .	1,122,612
Net asset value and maximum offering price per share . . . . .	\$23.62

**Statement of Operations**  
for the year ended December 31, 2021

	<b>Franklin Small- Mid Cap Growth VIP Fund</b>
Investment income:	
Dividends:	
Unaffiliated issuers . . . . .	\$1,580,582
Non-controlled affiliates (Note 3e and 8) . . . . .	1,511
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	95,735
Non-controlled affiliates (Note 3e) . . . . .	741
Total investment income . . . . .	<u>1,678,569</u>
Expenses:	
Management fees (Note 3a) . . . . .	4,727,524
Distribution fees: (Note 3c)	
Class 2 . . . . .	1,249,751
Class 4 . . . . .	95,672
Custodian fees (Note 4) . . . . .	4,280
Reports to shareholders fees . . . . .	130,232
Professional fees . . . . .	95,387
Trustees' fees and expenses . . . . .	6,257
Other . . . . .	38,421
Total expenses . . . . .	<u>6,347,524</u>
Expense reductions (Note 4) . . . . .	(5)
Expenses waived/paid by affiliates (Note 3e) . . . . .	<u>(17,063)</u>
Net expenses . . . . .	6,330,456
Net investment income (loss) . . . . .	<u>(4,651,887)</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	110,269,401
Foreign currency transactions . . . . .	<u>(1,499)</u>
Net realized gain (loss) . . . . .	<u>110,267,902</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	(47,948,092)
Non-controlled affiliates (Note 3e and 8) . . . . .	<u>(72,650)</u>
Net change in unrealized appreciation (depreciation) . . . . .	<u>(48,020,742)</u>
Net realized and unrealized gain (loss) . . . . .	<u>62,247,160</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$57,595,273</u>

## Statements of Changes in Net Assets

	Franklin Small-Mid Cap Growth VIP Fund	
	Year Ended December 31, 2021	Year Ended December 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss) . . . . .	\$(4,651,887)	\$(2,771,523)
Net realized gain (loss) . . . . .	110,267,902	72,207,047
Net change in unrealized appreciation (depreciation) . . . . .	(48,020,742)	144,395,647
Net increase (decrease) in net assets resulting from operations . . . . .	57,595,273	213,831,171
Distributions to shareholders:		
Class 1 . . . . .	(7,430,783)	(5,568,768)
Class 2 . . . . .	(58,482,161)	(53,710,860)
Class 4 . . . . .	(3,098,704)	(2,461,041)
Total distributions to shareholders . . . . .	(69,011,648)	(61,740,669)
Capital share transactions: (Note 2)		
Class 1 . . . . .	7,817,577	11,218,927
Class 2 . . . . .	(19,844,931)	2,617,481
Class 4 . . . . .	1,399,650	1,452,781
Total capital share transactions . . . . .	(10,627,704)	15,289,189
Net increase (decrease) in net assets . . . . .	(22,044,079)	167,379,691
Net assets:		
Beginning of year . . . . .	600,652,200	433,272,509
End of year . . . . .	\$578,608,121	\$600,652,200



# Notes to Financial Statements

## Franklin Small-Mid Cap Growth VIP Fund

### 1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Small-Mid Cap Growth VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. At December 31, 2021, 40.1% of the Fund's shares were held through one insurance company. Investment activities of these insurance company separate accounts could have a material impact on the Fund. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

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

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

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2021, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

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

**Franklin Small-Mid Cap Growth VIP Fund** (continued)**1. Organization and Significant Accounting Policies**

(continued)

**a. Financial Instrument Valuation** (continued)

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

**b. Foreign Currency Translation**

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

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

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

**c. Securities Lending**

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

**d. Income and Deferred Taxes**

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

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

## Franklin Small-Mid Cap Growth VIP Fund (continued)

### 1. Organization and Significant Accounting Policies

(continued)

#### d. Income and Deferred Taxes (continued)

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2021, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

#### e. Security Transactions, Investment Income, Expenses and Distributions

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

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

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

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

#### f. Accounting Estimates

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

#### g. Guarantees and Indemnifications

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

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**2. Shares of Beneficial Interest**

At December 31, 2021, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2021		Year Ended December 31, 2020	
	Shares	Amount	Shares	Amount
<b>Class 1 Shares:</b>				
Shares sold	576,234	\$15,810,750	706,229	\$16,500,714
Shares issued in reinvestment of distributions	290,492	7,430,783	289,889	5,568,768
Shares redeemed	(559,560)	(15,423,956)	(514,114)	(10,850,555)
Net increase (decrease)	307,166	\$7,817,577	482,004	\$11,218,927
<b>Class 2 Shares:</b>				
Shares sold	815,205	\$18,971,660	2,526,425	\$47,366,200
Shares issued in reinvestment of distributions	2,725,170	58,482,161	3,261,133	53,710,860
Shares redeemed	(4,194,907)	(97,298,752)	(5,564,626)	(98,459,579)
Net increase (decrease)	(654,532)	\$(19,844,931)	222,932	\$2,617,481
<b>Class 4 Shares:</b>				
Shares sold	227,811	\$5,628,165	319,307	\$6,396,773
Shares issued in reinvestment of distributions	136,748	3,098,704	142,257	2,461,041
Shares redeemed	(296,435)	(7,327,219)	(385,938)	(7,405,033)
Net increase (decrease)	68,124	\$1,399,650	75,626	\$1,452,781

**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 Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

## Franklin Small-Mid Cap Growth VIP Fund (continued)

### 3. Transactions with Affiliates (continued)

#### a. Management Fees

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

Annualized Fee Rate	Net Assets
0.800%	Up to and including \$500 million
0.700%	Over \$500 million, up to and including \$1 billion
0.650%	Over \$1 billion, up to and including \$1.5 billion
0.600%	Over \$1.5 billion, up to and including \$6.5 billion
0.575%	Over \$6.5 billion, up to and including \$11.5 billion
0.550%	Over \$11.5 billion, up to and including \$16.5 billion
0.540%	Over \$16.5 billion, up to and including \$19 billion
0.530%	Over \$19 billion, up to and including \$21.5 billion
0.520%	In excess of \$21.5 billion

For the year ended December 31, 2021, the gross effective investment management fee rate was 0.782% 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. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Fund does not invest for purposes of 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, 2021, the Fund held investments in affiliated management investment companies as follows:

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

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

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

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Franklin Small-Mid Cap Growth VIP Fund</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	\$12,671,175	\$160,529,330	\$(164,760,935)	\$—	\$—	\$8,439,570	8,439,570	\$1,511
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0.01%.	8,418,420	137,741,526	(137,663,096)	—	—	8,496,850	8,496,850	741
<b>Total Affiliated Securities . . .</b>	<b>\$21,089,595</b>	<b>\$298,270,856</b>	<b>\$(302,424,031)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$16,936,420</b>		<b>\$2,252</b>

**f. Interfund Transactions**

The Fund engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. During the year ended December 31, 2021, these purchase and sale transactions aggregated \$0 and \$238,900, respectively.

**4. Expense Offset Arrangement**

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended December 31, 2021, 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, 2021 and 2020, was as follows:

	2021	2020
Distributions paid from:		
Ordinary income . . . . .	\$5,306,215	\$4,542,643
Long term capital gain . . . . .	63,705,433	57,198,026
	\$69,011,648	\$61,740,669

## Franklin Small-Mid Cap Growth VIP Fund (continued)

### 5. Income Taxes (continued)

At December 31, 2021, 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	\$380,116,741
Unrealized appreciation	\$225,065,490
Unrealized depreciation	(17,438,066)
Net unrealized appreciation (depreciation)	\$207,627,424
Distributable earnings:	
Undistributed ordinary income	\$17,727,490
Undistributed long term capital gains	87,958,956
Total distributable earnings	\$105,686,446

### 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2021, aggregated \$253,820,703 and \$333,655,985, respectively.

At December 31, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$8,496,850 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

### 7. Restricted Securities

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

At December 31, 2021, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

Shares/ Warrants	Issuer	Acquisition Date	Cost	Value
<b>Franklin Small-Mid Cap Growth VIP Fund</b>				
92,392	<sup>a</sup> Allbirds, Inc., A	9/22/20	\$1,068,276	\$1,330,614
35,200	Benchling, Inc., F	10/20/21	1,150,910	1,150,910
26,474	Blaize, Inc., 2/28/24	3/01/21 - 11/09/21	—	31,313
206,272	Blaize, Inc., D	3/02/21 - 11/09/21	2,154,000	2,050,037
8,626	Databricks, Inc., G	2/01/21	1,529,975	1,943,750
94,539	Fanatics Holdings, Inc.	8/13/20 - 3/22/21	1,669,739	4,026,670
48,915	Newsela, Inc., D	1/21/21	1,034,807	987,771
82,367	OneTrust LLC, C	4/01/21	1,615,242	1,547,478
	<b>Total Restricted Securities</b> (Value is 2.3% of Net Assets)		<b>\$10,222,949</b>	<b>\$13,068,543</b>

<sup>a</sup> The Fund also invests in unrestricted securities of the issuer, valued at \$1,384,344 as of December 31, 2021.

**Franklin Small-Mid Cap Growth VIP Fund** (continued)**8. Holdings of 5% Voting Securities of Portfolio Companies**

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Additionally, as defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated companies' outstanding shares or has the power to exercise control over management or policies of such company. During the year ended December 31, 2021, investments in "affiliated companies" were as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income	Dividends
<b>Franklin Small-Mid Cap Growth VIP Fund</b>									
<b>Non-Controlled Affiliates</b>									
Blaize, Inc., 2/28/24 . . . . .	\$—	\$—	\$—	\$—	\$31,313	\$31,313	26,474	\$—	
Blaize, Inc., D . . . . .	—	2,154,000	—	—	(103,963)	2,050,037	206,272	—	
<b>Total Affiliated Securities</b> (Value is 0.4% of Net Assets). . . . .	\$—	\$2,154,000	\$—	\$—	\$(72,650)	\$2,081,350		\$—	

**9. Novel Coronavirus Pandemic**

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

**10. 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 \$2.675 billion (Global Credit Facility) which matured on February 4, 2022. 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 4, 2022, the Borrowers renewed the Global Credit Facility for a one-year term, maturing February 3, 2023, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2021, the Fund did not use the Global Credit Facility.

**11. Fair Value Measurements**

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

- Level 1 – quoted prices in active markets for identical financial instruments



**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**11. Fair Value Measurements** (continued)

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

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

A summary of inputs used as of December 31, 2021, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Small-Mid Cap Growth VIP Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$6,553,684	\$—	\$—	\$6,553,684
Airlines	2,827,440	—	—	2,827,440
Banks	4,272,912	—	—	4,272,912
Biotechnology	14,694,760	—	—	14,694,760
Building Products	6,869,020	—	—	6,869,020
Capital Markets	25,085,442	—	—	25,085,442
Commercial Services & Supplies	9,296,543	—	—	9,296,543
Communications Equipment	5,189,375	—	—	5,189,375
Containers & Packaging	11,592,546	—	—	11,592,546
Electrical Equipment	10,880,549	—	—	10,880,549
Electronic Equipment, Instruments & Components	14,373,770	—	—	14,373,770
Entertainment	9,018,659	—	—	9,018,659
Equity Real Estate Investment Trusts (REITs)	14,669,205	—	—	14,669,205
Food Products	3,077,221	—	—	3,077,221
Health Care Equipment & Supplies	34,680,948	—	—	34,680,948
Health Care Providers & Services	5,546,700	—	—	5,546,700
Health Care Technology	11,682,774	—	—	11,682,774
Hotels, Restaurants & Leisure	28,961,682	—	—	28,961,682
Household Durables	5,211,623	—	—	5,211,623
Interactive Media & Services	10,487,719	—	—	10,487,719
Internet & Direct Marketing Retail	4,926,150	—	—	4,926,150
IT Services	41,440,407	—	—	41,440,407
Leisure Products	2,286,108	—	4,026,670	6,312,778
Life Sciences Tools & Services	33,601,040	—	—	33,601,040
Machinery	7,045,505	—	—	7,045,505
Oil, Gas & Consumable Fuels	1,932,300	—	—	1,932,300
Personal Products	4,198,464	—	—	4,198,464
Pharmaceuticals	3,446,856	—	—	3,446,856
Professional Services	26,255,982	—	—	26,255,982
Road & Rail	8,439,849	—	—	8,439,849
Semiconductors & Semiconductor Equipment	34,797,704	—	—	34,797,704
Software	97,258,898	—	—	97,258,898
Specialty Retail	31,751,627	—	—	31,751,627
Textiles, Apparel & Luxury Goods	17,006,692	—	1,330,614	18,337,306
Trading Companies & Distributors	8,379,048	—	—	8,379,048
Convertible Preferred Stocks	—	—	7,679,946	7,679,946
Warrants	—	—	31,313	31,313
Short Term Investments	16,936,420	—	—	16,936,420
<b>Total Investments in Securities</b>	<b>\$574,675,622</b>	<b>\$—</b>	<b>\$13,068,543</b>	<b>\$587,744,165</b>

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**11. Fair Value Measurements** (continued)

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the year. At December 31, 2021, the reconciliation is as follows:

	Balance at Beginning of Year	Purchases <sup>a</sup>	Sales <sup>b</sup>	Transfer Into Level 3	Transfer Out of Level 3	Net Accretion (Amortiza- tion)	Net Realized Gain (Loss)	Net Unrealized Appreciation (Depreciation)	Balance at End of Year	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Year End
<b>Franklin Small-Mid Cap Growth VIP Fund</b>										
<b>Assets:</b>										
Investments in Securities:										
Common Stocks:										
IT Services . . . . .	\$1,208,923	\$—	\$(1,077,009)	\$—	\$—	\$—	\$—	\$(131,914)	\$—	\$—
Leisure Products . . . . .	—	1,669,739	—	—	—	—	—	2,356,931	4,026,670	2,356,931
Textiles, Apparel & Luxury Goods . . . . .	—	1,068,276	—	—	—	—	—	262,338	1,330,614	262,338
Convertible Preferred Stocks:										
Diversified Consumer Services . . . . .	—	1,034,805	—	—	—	—	—	(47,034)	987,771	(47,034)
Software . . . . .	—	6,450,127	—	—	—	—	—	242,048	6,692,175	242,048
Textiles, Apparel & Luxury Goods . . . . .	1,068,276	—	(1,068,276)	—	—	—	—	—	—	—
Preferred Stocks:										
Internet & Direct Marketing Retail . . . . .	1,657,023	—	(1,600,000)	—	—	—	—	(57,023)	—	—
Software . . . . .	768,400	—	(768,400)	—	—	—	—	—	—	—
Warrants:										
Software . . . . .	—	— <sup>c</sup>	—	—	—	—	—	31,313	31,313	31,313
Total Investments in Securities . . . . .	\$4,702,622	\$10,222,947	\$(4,513,685)	\$—	\$—	\$—	\$—	\$2,656,659	\$13,068,543	\$2,845,596

<sup>a</sup> Purchases include all purchases of securities and securities received in corporate actions.

<sup>b</sup> Sales include all sales of securities, maturities, paydowns and securities tendered in corporate actions.

<sup>c</sup> Includes securities determined to have no value.

Significant unobservable valuation inputs for material Level 3 assets and/or liabilities and impact to fair value as a result of changes in unobservable valuation inputs as of December 31, 2021, are as follows:

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**11. Fair Value Measurements** (continued)

Description	Fair Value at End of Year	Valuation Technique	Unobservable Inputs	Amount / Range (Weighted Average) <sup>a</sup>	Impact to Fair Value if Input Increases <sup>b</sup>
<b>Franklin Small-Mid Cap Growth VIP Fund</b>					
<b>Assets:</b>					
Investments in Securities:					
Common Stocks					
Leisure Products . . . . .	\$4,026,670	Market comparables	EV / revenue multiple	5.3x	Increase <sup>c</sup>
			Discount for lack of marketability	14.8%	Decrease <sup>d</sup>
Textiles, Apparel & Luxury Goods.	1,330,614	Market comparables	Discount for lack of marketability	4.5%	Decrease
Convertible Preferred Stocks					
Diversified Consumer Services. . .	987,771	Discounted cash flow	Discount for lack of marketability	17.9%	Decrease <sup>d</sup>
			Weighted average cost of capital	14.8%	Decrease <sup>c</sup>
			Long-term growth rate	5.0%	Increase
Software . . . . .	5,541,265	Discounted cash flow	Discount for lack of marketability	15.6%	Decrease <sup>d</sup>
			Weighted average cost of capital	15.8%	Decrease <sup>c</sup>
			Long-term growth rate	2.5%	Increase
		Market comparables	EV / revenue multiple	12.5x - 40.6x (25.0x)	Increase <sup>d</sup>
			Discount for lack of marketability	12.0% - 12.9% (12.5)%	Decrease <sup>d</sup>
All Other Investments . . . . .	1,182,223 <sup>e</sup>				
Total	\$13,068,543				

<sup>a</sup>Weighted based on the relative fair value of the financial instruments.

<sup>b</sup>Represents the directional change in the fair value that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

<sup>c</sup>Represents a significant impact to fair value and net assets.

<sup>d</sup>Represents a significant impact to fair value but not net assets.

<sup>e</sup>Includes fair value of immaterial assets and/or liabilities developed using various valuation techniques and unobservable inputs. May also include values derived using private transaction prices or non-public third party pricing information which is unobservable.

**Abbreviations List**

EV - Enterprise value

**12. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. In January 2021, the FASB issued ASU No. 2021-01, with further amendments to Topic 848. The amendments in the ASUs provide optional temporary accounting recognition and financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021 for certain LIBOR settings and 2023 for the remainder. The ASUs are effective for certain reference

**Franklin Small-Mid Cap Growth VIP Fund** (continued)

**12. New Accounting Pronouncements** (continued)

rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of these ASUs will not have a material impact on the financial statements.

**13. Subsequent Events**

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

## Report of Independent Registered Public Accounting Firm

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

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

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Franklin Small-Mid Cap Growth VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2021, the related statement of operations for the year ended December 31, 2021, the statement of changes in net assets for each of the two years in the period ended December 31, 2021, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2021 (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, 2021, 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, 2021 and the financial highlights for each of the five years in the period ended December 31, 2021 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, 2021 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 17, 2022

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

## Tax Information (unaudited)

### Franklin Small-Mid Cap Growth VIP Fund

By mid-February, tax information related to a shareholder's proportionate share of distributions paid during the preceding calendar year will be received, if applicable. Please also refer to [www.franklintempleton.com](http://www.franklintempleton.com) for per share tax information related to any distributions paid during the preceding calendar year. Shareholders are advised to consult with their tax advisors for further information on the treatment of these amounts on their tax returns.

The following tax information for the Fund is required to be furnished to shareholders with respect to income earned and distributions paid during its fiscal year.

The Fund hereby reports the following amounts, or if subsequently determined to be different, the maximum allowable amounts, for the fiscal year ended December 31, 2021:

	<b>Pursuant to:</b>	<b>Amount Reported</b>
Long-Term Capital Gain Dividends Distributed	§852(b)(3)(C)	\$63,705,433
Income Eligible for Dividends Received Deduction (DRD)	§854(b)(1)(A)	\$1,383,811

## Index Descriptions

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid.

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 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. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

**Bloomberg U.S. Aggregate Bond Index** measures the performance of the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage pass-throughs), asset-backed securities and commercial mortgage-backed securities (agency and nonagency).

**Bloomberg U.S. Corporate Bond Index** measures the performance of 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 U.S. Corporate High Yield Bond Index** measures the performance of 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. Bonds from issuers with an emerging markets (EM) country of risk, based on Bloomberg EM country definition, are excluded.

**Bloomberg U.S. Government - Intermediate Index** is the intermediate component of the Bloomberg U.S. Government Index, which includes U.S. dollar-denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures (securities issued by U.S. government-owned or government-sponsored entities, and debt explicitly guaranteed by the U.S. government).

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

**Bloomberg U.S. Mortgage-Backed Securities (MBS) Index** tracks the performance of fixed-rate agency mortgage-backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). Effective June 1, 2017, hybrid adjustable-rate mortgages were removed from the index.

**Bloomberg U.S. Treasury Index** measures the performance of U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury with at least one year until final maturity. Treasuries, if held to maturity, offer a fixed rate of return and a fixed principal value; their interest payments and principal are guaranteed.

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

**FTSE World Government Bond Index** measures the performance of fixed-rate, local currency, investment-grade sovereign bonds and is stated in U.S. dollar terms.

**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 allocating 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 12/31/21,

there were 365 funds in this category. Lipper calculations do not include sales charges, but include reinvestment of any income or distributions. Fund performance relative to the average may have differed if these and other factors 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 12/31/21, there were 24 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

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

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

**MSCI Europe Index-NR** is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of developed markets in Europe.

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

**MSCI World ex USA Index-NR** is a free float-adjusted, market capitalization-weighted index designed to measure the equity market performance of global developed markets, excluding the U.S.

**MSCI World Growth Index-NR** measures large and midcap securities exhibiting overall growth style characteristics across 23 developed markets countries.

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

**MSCI World Value Index-NR** is a free float-adjusted, market capitalization-weighted index designed to measure the performance of stocks exhibiting overall value style characteristics in global developed markets.

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

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

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



**Russell 2500™ Index** is market capitalization weighted and measures the performance of the approximately 2,500 smallest companies in the Russell 3000 Index® that represent a modest amount of the Russell 3000® Index's total market capitalization.

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

**Russell 3000® Index** is market capitalization weighted and measures the performance of the largest 3,000 U.S. companies representing the majority of the U.S. market's total capitalization.

**Russell Midcap® Growth Index** is market capitalization weighted and measures the 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 the performance of the approximately 800 smallest companies in the Russell 1000® Index that represent a modest amount of the Russell 1000® Index's total market capitalization.

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

## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton/Legg Mason 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	120	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	101	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); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); 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	121	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-2020).
<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).				

## 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>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	121	Hess Corporation (exploration of oil and gas) (1993-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA (holding company) (2019-present); and <b>formerly</b> , Canadian National Railway (railroad) (2001-2021), White Mountains Insurance Group, Ltd. (holding company) (2004-2021), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

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

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).

<b>J. Michael Luttig (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	121	Boeing Capital Corporation (aircraft financing) (2006-2010).
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**Principal Occupation During at Least the Past 5 Years:**

Counselor and Special Advisor to the CEO and Board of Directors of the Coca-Cola Company (beverage company) (2021-present); and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	121	Graham Holdings Company (education and media organization) (2011-2021); The Southern Company (energy company) (2014-2020; previously 2010-2012) and Cbeyond, Inc. (business communications provider) (2010-2012).
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**Principal Occupation During at Least the Past 5 Years:**

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President - Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

## 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>Valerie M. Williams (1956)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since May 2021	101	Omnicom Group, Inc. (advertising and marketing communications services) (2016-present), DTE Energy Co. (gas and electric utility) (2018-present), Devon Energy Corporation (exploration and production of oil and gas) (January 2021-present); and <b>formerly</b> , WPX Energy, Inc. (exploration and production of oil and gas) (2018-January 2021).

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

Director of various companies; and **formerly**, Regional Assurance Managing Partner, Ernst & Young LLP (public accounting) (2005-2016), various roles of increasing responsibility at Ernst & Young (1981-2005).

## 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	132	None

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

Executive Chairman, Chairman of the Board and Director, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex; Vice Chairman, Investment Company Institute; and **formerly**, Chief Executive Officer (2013-2020) and President (1994-2015) Franklin Resources, Inc.

<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	121	None
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**Principal Occupation During at Least the Past 5 Years:**

Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.

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

Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.

<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

## 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>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

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

Senior Associate General Counsel, Franklin Templeton; Vice President, FASA, LLC; Assistant Secretary, Franklin Distributors, LLC; and certain funds in the Franklin Templeton/Legg Mason fund complex.

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

Senior Vice President, Franklin Templeton Services, LLC; officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and formerly, Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).

<b>Susan Kerr (1949)</b> 620 Eighth Avenue New York, NY 10018	Vice President - AML Compliance	Since July 2021	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Senior Compliance Analyst, Franklin Templeton; Chief Anti-Money Laundering Compliance Officer, Legg Mason & Co., or its affiliates; Anti Money Laundering Compliance Officer; Senior Compliance Officer, LMIS; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

<b>Christopher Kings (1974)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since January 2022	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Treasurer, U.S. Fund Administration & Reporting; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

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

President and Director, Franklin Advisers, Inc.; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.

<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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**Principal Occupation During at Least the Past 5 Years:**

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of certain funds in the Franklin Templeton/Legg Mason fund complex.

## 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>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 2019	Not Applicable	Not Applicable

**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 certain funds in the Franklin Templeton/Legg Mason fund complex.

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

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

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

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

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007-2020) 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

### Board Approval of Investment Management Agreements

#### FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

##### Franklin Allocation VIP Fund (Fund)

At a meeting held on September 8, 2021 (Meeting), the Board of Trustees (Board) of Franklin Templeton Variable Insurance Products Trust (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved a new investment sub-advisory agreement between Franklin Advisers, Inc. (Manager), the Fund’s investment manager, and each of Brandywine Global Investment Management, LLC, ClearBridge Investments, LLC, Western Asset Management Company, LLC, and Western Asset Management Company Limited (each a Sub-Adviser and collectively, the Sub-Advisers), on behalf of the Fund (each a Sub-Advisory Agreement) for an initial two-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve each Sub-Advisory Agreement.

The Board reviewed and considered information provided by the Manager and the Sub-Advisers at the Meeting with respect to each Sub-Advisory Agreement. The Board also reviewed and considered the factors it deemed relevant in approving each Sub-Advisory Agreement, including, but not limited to: (i) the nature, extent, and quality of the services to be provided by each Sub-Adviser; and (ii) the costs of the services to be provided by each Sub-Adviser. The Board further reviewed and considered information provided by management showing the expected impact of hiring each Sub-Adviser on the Manager’s profitability consistent with the Order (as defined below). The Board also considered that management proposed that the Board approve each Sub-Advisory Agreement in order to provide the Fund’s portfolio management team with access to additional investment strategies that could be accessed to attain desired exposures across asset allocation portfolios and to diversify holdings in the Fund. The Board reviewed and further considered the form of Sub-Advisory Agreement and the terms of each Sub-Advisory Agreement which were discussed at the Meeting, noting that the terms and conditions of each Sub-Advisory Agreement were

substantially similar to the terms and conditions of the Fund’s other sub-advisory agreements and substantially similar to the terms and conditions of sub-advisory agreements for other Franklin Templeton (FT) mutual funds.

In approving each Sub-Advisory Agreement, the Board, including a majority of the Independent Trustees, determined that the hiring of each Sub-Adviser is in the best interests of the Fund and its shareholders and does not involve a conflict of interest from which the Manager or Sub-Adviser derives an inappropriate advantage. The Board also determined that the terms of each Sub-Advisory Agreement are fair and reasonable and that the approval of such Sub-Advisory Agreement is in the best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services to be provided by each Sub-Adviser and currently being provided by the Manager and its affiliates to the Fund and its shareholders. In doing so, the Board noted that the Fund employs a “manager of managers” structure pursuant to an exemptive order (Order) granted to the Manager by the U.S. Securities and Exchange Commission, whereby the Manager and the Fund may, without shareholder approval, enter into sub-advisory agreements with sub-advisers that are indirect or direct wholly owned subsidiaries of Franklin Resources, Inc. (FRI). In particular, with respect to each Sub-Adviser, the Board took into account that each Sub-Advisory Agreement would not affect how the Fund is managed or the Fund’s investment goal, principal investment strategies or principal risks associated with an investment in the Fund. The Board reviewed and considered information regarding the nature, quality and extent of investment sub-advisory services to be provided by each Sub-Adviser to the Fund and its shareholders under each Sub-Advisory Agreement; each Sub-Adviser’s experience as manager of other funds and accounts, including those within the FT organization; the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Sub-Adviser and each Sub-Adviser’s capabilities, as demonstrated by, among other things, its policies and procedures reasonably designed to prevent violations of the federal securities laws.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of FRI, the parent of the Manager and each Sub-Adviser, and its commitment to the mutual fund business as evidenced by its reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs, as reflected in its outsourcing of certain administrative functions, and growth opportunities, as evidenced by its acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of funds.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services to be provided by each Sub-Adviser and its affiliates to the Fund and its shareholders.

#### **Fund Performance**

The Board noted its review and consideration of the performance results of the Fund in connection with the April 2021 annual contract renewal (Annual Contract Renewal) of the Fund's investment management agreement. The Board recalled its conclusion at that time that the Fund's performance was satisfactory.

#### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding the investment sub-advisory fee to be charged by each Sub-Adviser. The Board noted that the addition of each Sub-Adviser will have no impact on the amount of management fees that are currently paid by the Fund as each Sub-Adviser will be paid by the Manager out of the management fee that the Manager receives from the Fund. The Board further noted that the allocation of the fee between the Manager and each Sub-Adviser reflected the services to be provided by each. The Board concluded that each proposed investment sub-advisory fee is reasonable.

#### **Management Profitability and Economies of Scale**

The Board noted that it reviewed and considered information showing the expected impact of retaining each Sub-Adviser on the profitability of the Manager consistent with the conditions of the Order. The Board determined that its conclusions regarding profitability and economies of scale reached in connection with the Annual Contract Renewal of the investment management agreement with the Manager had not changed as a result of the proposal to approve each Sub-Advisory Agreement.

#### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved each Sub-Advisory Agreement for an initial two-year period.

#### **Proxy Voting Policies and Procedures**

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](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 Portfolio Funds

70100 Ameriprise Financial Center  
Minneapolis, MN 55474

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.



**FRANKLIN  
TEMPLETON**

### 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 Distributors,  
LLC