

ANNUAL REPORT

FRANKLIN TEMPLETON VARIABLE INSURANCE PRODUCTS TRUST

December 31, 2022



FRANKLIN
TEMPLETON

Franklin Templeton Variable Insurance Products Trust Annual Report

Table of Contents

| | |
|---|--------------|
| Important Notes to Performance Information | i |
| Fund Summaries | |
| Franklin Small-Mid Cap Growth VIP Fund | FSC-1 |
| *Prospectus Supplement | FSC-7 |
| Index Descriptions | I-1 |
| Board Members and Officers | BOD-1 |
| Shareholder Information | SI-1 |

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

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

Important Notes to Performance Information

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

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

Franklin Small-Mid Cap Growth VIP Fund

This annual report for Franklin Small-Mid Cap Growth VIP Fund covers the fiscal year ended December 31, 2022.

Class 1 Performance Summary as of December 31, 2022

Average annual total return of Class 1 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 |
|-------------|-----------------------------|
| 1 | |
| 1-Year | -33.52% |
| 5-Year | +7.34% |
| 10-Year | +10.18% |

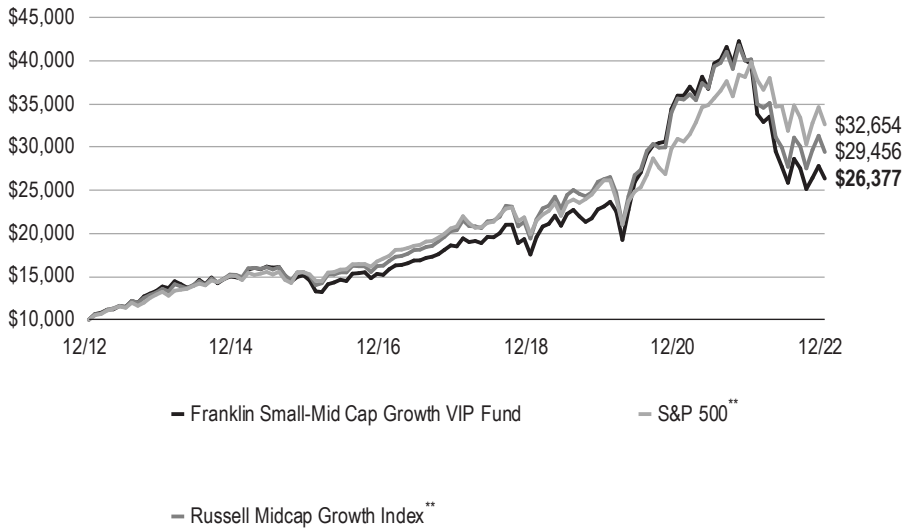
*The total annual operating expenses are as of the Fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.

*Performance reflects the Fund's Class 1 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 (12/31/12–12/31/22)

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: FactSet. 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 (small-cap) and mid-capitalization (mid-cap) 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 mid-cap companies are those within the market capitalization range of companies in the Russell Midcap® Index, at the time of purchase.¹

Fund Risks

All investments involve risks, including possible loss of principal. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. Investors should be comfortable with fluctuations in the value of their investment, as small and mid-sized company stocks can be volatile, especially over the short term. Smaller or relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. The Fund may focus on particular sectors of the market from time to time, which can carry greater risks of adverse developments in such sectors. The manager's portfolio selection strategy is not solely based on ESG considerations, and therefore the issuers in which the Fund invests may not be considered ESG-focused companies. Integrating ESG considerations into the investment process is not a guarantee that better performance will be achieved. 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.

Russia's military invasion of Ukraine in February 2022, the resulting responses by the United States and other countries, and the potential for wider conflict could increase volatility and uncertainty in the financial markets and adversely affect regional and global economies. The United States and other countries have imposed broad-ranging economic sanctions on Russia and certain Russian individuals, banking entities and corporations as a response to its invasion of Ukraine. The United States and other countries have also imposed economic sanctions on Belarus and may impose sanctions on other countries that support Russia's military invasion. These sanctions, as well as any

other economic consequences related to the invasion, such as additional sanctions, boycotts or changes in consumer or purchaser preferences or cyberattacks on governments, companies or individuals, may further decrease the value and liquidity of certain Russian securities and securities of issuers in other countries that are subject to economic sanctions related to the invasion.

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 -26.72% total return for the same period.² The Fund's broad benchmark, the Standard & Poor's® 500 Index (S&P 500®), posted a -18.11% total return.²

Portfolio Composition

12/31/22

| | % of Total Net Assets |
|--|----------------------------------|
| Software | 12.3% |
| Health Care Equipment & Supplies | 6.1% |
| Hotels, Restaurants & Leisure | 5.9% |
| Specialty Retail | 5.9% |
| Life Sciences Tools & Services | 5.8% |
| IT Services | 4.5% |
| Capital Markets | 4.5% |
| Semiconductors & Semiconductor Equipment | 4.1% |
| Electronic Equipment, Instruments & Components | 2.9% |
| Biotechnology | 2.8% |
| Equity Real Estate Investment Trusts (REITs) | 2.6% |
| Road & Rail | 2.6% |
| Textiles, Apparel & Luxury Goods | 2.6% |
| Oil, Gas & Consumable Fuels | 2.3% |
| Other* | 29.3% |
| Short-Term Investments & Other Net Assets | 5.8% |

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

Economic and Market Overview

U.S. equities, as measured by the S&P 500®, posted a -18.11% total return for the 12 months ended December 31, 2022.² High inflation, rising interest rates and geopolitical instability contributed to a sharp decline in equity prices and contracting economic growth in the first half of the reporting period. Nevertheless, consumer spending continued to

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 Schedule of Investments (SOI).

rise, but deteriorating financial conditions and investors' expectations for slower growth continued to weigh on equity markets.

Inflation increased during the first half of the period, reaching 9.1% in June 2022, the highest annual rate since 1981. Continued supply-chain disruptions, strong consumer demand, and volatile energy prices drove inflation higher. Russia's invasion of Ukraine also disrupted financial markets and led to a rise in oil and commodity prices in the first half of the reporting period. Inflation remained elevated but abated somewhat in the latter half of the period, decreasing to an annual rate of 7.1% in November 2022. The labor market remained strong amid the high level of nominal growth, which drove the U.S. unemployment rate down to 3.5% in December 2022. Wages also climbed at the fastest rate in decades, which added to some investors' inflation concerns.

U.S. gross domestic product grew in the second half of 2022 after contracting in the first half of the year. Rising interest rates translated to higher borrowing costs for individuals and businesses, which dampened economic activity, especially in the housing and financial markets. In the second half of the period, rising consumer spending and increased exports amid declining inflation led to solid economic growth.

In an effort to control inflation, the U.S. Federal Reserve (Fed) undertook a rapid shift toward restrictive monetary policy, starting in March 2022 with its first rate hike since 2018. Thereafter, the Fed raised the federal funds rate at each of its six subsequent meetings to end the period at a range of 4.25%–4.50%. Furthermore, the Fed said it would continue to reduce its bond holdings and anticipated additional interest-rate increases at future meetings to curtail inflation.

Investment Strategy

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

multiple scenarios. In assessing value, we consider whether security prices fully reflect the balance of the sustainable growth opportunities relative to business and financial risks.

Top 10 Holdings

12/31/22

| Company Industry | % of Total Net Assets |
|--|--------------------------|
| Synopsys, Inc. Software | 2.8% |
| Chipotle Mexican Grill, Inc. Hotels, Restaurants & Leisure | 2.2% |
| Dexcom, Inc. Health Care Equipment & Supplies | 2.1% |
| Old Dominion Freight Line, Inc. Road & Rail | 2.1% |
| Mettler-Toledo International, Inc. Life Sciences Tools & Services | 2.1% |
| Lululemon Athletica, Inc. Textiles, Apparel & Luxury Goods | 2.0% |
| Fanatics Holdings, Inc. Leisure Products | 1.9% |
| MSCI, Inc. Capital Markets | 1.9% |
| Fastenal Co. Trading Companies & Distributors | 1.8% |
| IDEXX Laboratories, Inc. Health Care Equipment & Supplies | 1.8% |

Manager's Discussion

For the period under review, the Fund underperformed the Russell Midcap® Growth Index during a year of punishing losses for financial markets. Elevated inflation and tighter monetary policy drove worries about economic prospects and took a toll on economic activity. Much of the Fund's underperformance was due to stock selection in the information technology (IT) sector, which was our largest sector exposure. Weakness in the sector came from our holding in SiTime, which designs and develops timing systems that have applications in various markets such as automotive, industrial, Internet of Things, mobile, consumer, and aerospace and defense. Despite reporting record-level revenue over the period, the chipmaker faced a slowdown in order growth and meaningfully reduced its outlook. Also in the semiconductor space, an underweighting in Enphase Energy, which manufactures chips for solar power, hindered relative returns. Nonetheless, semiconductors as an industry are at the heart of digital transformation that is extending across all types of businesses. While an underweighting in the energy sector dampened relative returns, our position in Coterra Energy was a top contributor for the period. The diversified energy producer benefited from historically high energy prices.

Turning to contributors, stock selection in the consumer discretionary sector and a position in licensed sports merchandiser Fanatics Holdings proved positive for relative

performance. The company's e-commerce business has been exceeding expectations and delivering outsized growth and improved profits. In the industrials sector, real estate data and analytics company CoStar Group boosted relative returns. The company saw strong growth in its rental (Apartments.com) and leasing (LoopNet) businesses. Conversely, a position in Lyft in the industrials sector detracted from relative performance. The ride-share company faced several headwinds that included an increase in driver incentives and higher gas prices.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2022, 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 1 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 7/1/22 | Actual (actual return after expenses) | | Hypothetical (5% annual return before expenses) | | Net Annualized Expense Ratio ² |
|-------------|--------------------------------|--|---|--|---|---|
| | | Ending Account Value 12/31/22 | Fund-Level Expenses Paid During Period 7/1/22–12/31/22 ^{1,2} | Ending Account Value 12/31/22 | Fund-Level Expenses Paid During Period 7/1/22–12/31/22 ^{1,2} | |
| 1 | \$1,000 | \$1,019.00 | \$3.67 | \$1,021.57 | \$3.67 | 0.72% |

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

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

**SUPPLEMENT DATED DECEMBER 23, 2022
TO THE CURRENTLY EFFECTIVE PROSPECTUSES
OF EACH FUND LISTED BELOW**

**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 RISING DIVIDENDS VIP FUND
FRANKLIN SMALL-MID CAP GROWTH VIP FUND
FRANKLIN STRATEGIC INCOME VIP FUND
FRANKLIN U.S. GOVERNMENT SECURITIES VIP FUND
FRANKLIN VOLSMART ALLOCATION VIP FUND
TEMPLETON DEVELOPING MARKETS VIP FUND
TEMPLETON FOREIGN VIP FUND
TEMPLETON GLOBAL BOND VIP FUND
TEMPLETON GROWTH VIP FUND**

(a series of Franklin Templeton Variable Insurance Products Trust)

I. For Franklin Allocation VIP Fund, Franklin Global Real Estate VIP Fund, Franklin Income VIP Fund, Franklin Strategic Income VIP Fund and Franklin VolSmart Allocation VIP Fund, the “ESG Considerations” risk in the “Fund Details – Principal Risks” section of the prospectus is replaced with the following:

ESG Considerations

ESG considerations are one of a number of factors that the investment manager examines when considering investments for the Fund’s portfolio. In light of this, the issuers in which the Fund invests may not be considered ESG-focused issuers and may have lower or adverse ESG assessments. Consideration of ESG factors may affect the Fund’s exposure to certain issuers or industries and may not work as intended. In addition, ESG considerations assessed as part of the Fund’s investment process may vary across types of eligible investments and issuers. The investment manager does not assess every investment for ESG factors and, when it does, not every ESG factor may be identified or evaluated. The investment manager’s assessment of an issuer’s ESG factors is subjective and will likely differ from that of investors, third party service providers (e.g., ratings providers) and other funds. As a result, securities selected by the investment manager may not reflect the beliefs and values of any particular investor. The investment manager also may be dependent on the availability of timely, complete and accurate ESG data reported by issuers and/or third-party research providers, the timeliness, completeness and accuracy of which is out of the investment manager’s control. ESG factors are often not uniformly measured or defined, which could impact the investment manager’s ability to assess an issuer. While the investment manager views ESG considerations as having the potential to contribute to the Fund’s long-term performance, there is no guarantee that such results will be achieved.

II. For Franklin Dynatech VIP Fund, Franklin Growth and Income VIP Fund, Franklin Large Cap Growth VIP Fund, Franklin Rising Dividends VIP Fund, Franklin Small-Mid Cap Growth VIP Fund, Templeton Developing Markets VIP Fund, Templeton Global Bond VIP Fund, Templeton Foreign VIP Fund and Templeton Growth VIP Fund, the “ESG Considerations” risk in the “Fund Details – Principal Risks” section of the prospectus is replaced with the following:

ESG Considerations

ESG considerations are one of a number of factors that the investment manager examines when considering investments for the Fund’s portfolio. In light of this, the issuers in which the Fund invests may not be considered ESG-focused issuers and may have lower or adverse ESG assessments. Consideration of ESG factors may affect the Fund’s exposure to certain issuers or industries and may not work as intended. In addition, ESG considerations

assessed as part of the Fund's investment process may vary across types of eligible investments and issuers. In certain circumstances, there may be times when not every investment is assessed for ESG factors and, when they are, not every ESG factor may be identified or evaluated. The investment manager's assessment of an issuer's ESG factors is subjective and will likely differ from that of investors, third party service providers (e.g., ratings providers) and other funds. As a result, securities selected by the investment manager may not reflect the beliefs and values of any particular investor. The investment manager also may be dependent on the availability of timely, complete and accurate ESG data reported by issuers and/or third-party research providers, the timeliness, completeness and accuracy of which is out of the investment manager's control. ESG factors are often not uniformly measured or defined, which could impact the investment manager's ability to assess an issuer. While the investment manager views ESG considerations as having the potential to contribute to the Fund's long-term performance, there is no guarantee that such results will be achieved.

III. For Franklin U.S. Government Securities VIP Fund, the "ESG Considerations" risk in the "Fund Details – Principal Risks" section of the prospectus is replaced with the following:

Social and Governance Considerations

Social and/or governance considerations are not the only factors considered by the investment manager and may not be a determinative factor in the investment manager's selection of securities for the Fund. In addition, the investment manager may not be able to give such considerations meaningful weight if the availability of appropriate securities for the Fund's portfolio is limited. The investment manager does not assess every investment for ESG factors and, when it does, not every ESG factor may be identified or evaluated. The investment manager's assessment of certain investments may differ from that of investors, third party service providers, such as ratings providers, or other funds. While the investment manager views social and governance considerations as having the potential to contribute to the Fund's performance, there is no guarantee that such results will be achieved.

Please keep this supplement with your prospectus for future reference.

Financial Highlights

Franklin Small-Mid Cap Growth VIP Fund

| | Year Ended December 31, | | | | |
|---|-------------------------|----------|----------|----------|----------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Class 1 | | | | | |
| Per share operating performance (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$26.72 | \$26.99 | \$19.74 | \$17.04 | \$19.71 |
| Income from investment operations ^a : | | | | | |
| Net investment (loss) ^b | (0.03) | (0.15) | (0.07) | (0.04) | (0.05) |
| Net realized and unrealized gains (losses) | (9.01) | 2.79 | 9.96 | 5.31 | (0.70) |
| Total from investment operations | (9.04) | 2.64 | 9.89 | 5.27 | (0.75) |
| Less distributions from: | | | | | |
| Net realized gains | (4.26) | (2.91) | (2.64) | (2.57) | (1.92) |
| Net asset value, end of year | \$13.42 | \$26.72 | \$26.99 | \$19.74 | \$17.04 |
| Total return ^c | (33.52)% | 10.25% | 55.52% | 31.80% | (5.15)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 0.79% | 0.83% | 0.85% | 0.84% | 0.86% |
| Expenses net of waiver and payments by affiliates ^d | 0.77% | 0.82% | 0.84% | 0.83% | 0.85% |
| Net investment (loss) | (0.16)% | (0.55)% | (0.33)% | (0.19)% | (0.24)% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$60,901 | \$79,526 | \$72,039 | \$43,169 | \$33,518 |
| Portfolio turnover rate | 41.30% | 43.35% | 48.93% | 59.07% | 44.78% |

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

^bBased on average daily shares outstanding.

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

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

Franklin Small-Mid Cap Growth VIP Fund (continued)

| | Year Ended December 31, | | | | |
|--|-------------------------|-----------|-----------|-----------|-----------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Class 2 | | | | | |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$22.39 | \$23.11 | \$17.29 | \$15.22 | \$17.83 |
| Income from investment operations ^a : | | | | | |
| Net investment (loss) ^b | (0.06) | (0.19) | (0.11) | (0.08) | (0.09) |
| Net realized and unrealized gains (losses) | (7.56) | 2.38 | 8.57 | 4.72 | (0.60) |
| Total from investment operations | (7.62) | 2.19 | 8.46 | 4.64 | (0.69) |
| Less distributions from: | | | | | |
| Net realized gains | (4.26) | (2.91) | (2.64) | (2.57) | (1.92) |
| Net asset value, end of year | \$10.51 | \$22.39 | \$23.11 | \$17.29 | \$15.22 |
| Total return ^c | (33.69)% | 10.01% | 55.09% | 31.44% | (5.37)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 1.04% | 1.08% | 1.10% | 1.09% | 1.11% |
| Expenses net of waiver and payments by affiliates ^d | 1.02% | 1.07% | 1.09% | 1.08% | 1.10% |
| Net investment (loss) | (0.43)% | (0.80)% | (0.61)% | (0.44)% | (0.49)% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$293,545 | \$472,565 | \$503,032 | \$372,442 | \$310,300 |
| Portfolio turnover rate | 41.30% | 43.35% | 48.93% | 59.07% | 44.78% |

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

^bBased on average daily shares outstanding.

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

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

Franklin Small-Mid Cap Growth VIP Fund (continued)

| | Year Ended December 31, | | | | |
|--|-------------------------|----------|----------|----------|----------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Class 4 | | | | | |
| Per share operating performance | | | | | |
| (for a share outstanding throughout the year) | | | | | |
| Net asset value, beginning of year | \$23.62 | \$24.26 | \$18.04 | \$15.81 | \$18.47 |
| Income from investment operations ^a : | | | | | |
| Net investment (loss) ^b | (0.07) | (0.22) | (0.14) | (0.10) | (0.11) |
| Net realized and unrealized gains (losses) | (7.98) | 2.49 | 9.00 | 4.90 | (0.63) |
| Total from investment operations | (8.05) | 2.27 | 8.86 | 4.80 | (0.74) |
| Less distributions from: | | | | | |
| Net realized gains | (4.26) | (2.91) | (2.64) | (2.57) | (1.92) |
| Net asset value, end of year | \$11.31 | \$23.62 | \$24.26 | \$18.04 | \$15.81 |
| Total return ^c | (33.76)% | 9.86% | 55.01% | 31.26% | (5.46)% |
| Ratios to average net assets | | | | | |
| Expenses before waiver and payments by affiliates | 1.14% | 1.18% | 1.20% | 1.19% | 1.21% |
| Expenses net of waiver and payments by affiliates ^d | 1.12% | 1.17% | 1.19% | 1.18% | 1.20% |
| Net investment (loss) | (0.52)% | (0.90)% | (0.71)% | (0.54)% | (0.59)% |
| Supplemental data | | | | | |
| Net assets, end of year (000's) | \$17,786 | \$26,518 | \$25,580 | \$17,662 | \$13,759 |
| Portfolio turnover rate | 41.30% | 43.35% | 48.93% | 59.07% | 44.78% |

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

^bBased on average daily shares outstanding.

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

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

Schedule of Investments, December 31, 2022

Franklin Small-Mid Cap Growth VIP Fund

| | Country | Shares | Value |
|--|---------------|---------|-------------|
| Common Stocks 93.0% | | | |
| Aerospace & Defense 1.6% | | | |
| TransDigm Group, Inc. | United States | 9,400 | \$5,918,710 |
| Airlines 1.4% | | | |
| ^a Delta Air Lines, Inc. | United States | 157,700 | 5,182,022 |
| Auto Components 0.1% | | | |
| ^{a,b} Mobileye Global, Inc., A. | Israel | 6,200 | 217,372 |
| Banks 1.1% | | | |
| First Republic Bank. | United States | 12,400 | 1,511,436 |
| ^a SVB Financial Group. | United States | 11,300 | 2,600,582 |
| | | | 4,112,018 |
| Beverages 0.6% | | | |
| Brown-Forman Corp., B. | United States | 36,200 | 2,377,616 |
| Biotechnology 2.8% | | | |
| ^a Alnylam Pharmaceuticals, Inc. | United States | 14,700 | 3,493,455 |
| ^a Incyte Corp. | United States | 17,400 | 1,397,568 |
| ^a Neurocrine Biosciences, Inc. | United States | 12,600 | 1,504,944 |
| ^a PTC Therapeutics, Inc. | United States | 51,100 | 1,950,487 |
| ^a Seagen, Inc. | United States | 16,300 | 2,094,713 |
| | | | 10,441,167 |
| Building Products 1.5% | | | |
| Trane Technologies plc. | United States | 33,600 | 5,647,824 |
| Capital Markets 4.5% | | | |
| Ares Management Corp. | United States | 68,500 | 4,688,140 |
| LPL Financial Holdings, Inc. | United States | 10,700 | 2,313,019 |
| MSCI, Inc. | United States | 15,400 | 7,163,618 |
| Tradeweb Markets, Inc., A. | United States | 38,400 | 2,493,312 |
| | | | 16,658,089 |
| Chemicals 0.3% | | | |
| Albemarle Corp. | United States | 4,700 | 1,019,242 |
| Commercial Services & Supplies 1.3% | | | |
| Republic Services, Inc. | United States | 37,500 | 4,837,125 |
| Communications Equipment 1.7% | | | |
| ^a Arista Networks, Inc. | United States | 50,800 | 6,164,580 |
| Containers & Packaging 1.4% | | | |
| Avery Dennison Corp. | United States | 28,700 | 5,194,700 |
| Electrical Equipment 2.0% | | | |
| AMETEK, Inc. | United States | 10,600 | 1,481,032 |
| Rockwell Automation, Inc. | United States | 23,800 | 6,130,166 |
| | | | 7,611,198 |
| Electronic Equipment, Instruments & Components 2.9% | | | |
| Cognex Corp. | United States | 47,500 | 2,237,725 |
| ^a Keysight Technologies, Inc. | United States | 29,750 | 5,089,332 |
| ^a Zebra Technologies Corp., A. | United States | 13,900 | 3,564,099 |
| | | | 10,891,156 |
| Entertainment 0.4% | | | |
| ^a ROBLOX Corp., A. | United States | 50,300 | 1,431,538 |

Franklin Small-Mid Cap Growth VIP Fund (continued)

| | Country | Shares | Value |
|--|---------------|---------|-------------|
| Common Stocks (continued) | | | |
| Equity Real Estate Investment Trusts (REITs) 2.6% | | | |
| Equity LifeStyle Properties, Inc. | United States | 49,800 | \$3,217,080 |
| SBA Communications Corp. | United States | 13,157 | 3,688,039 |
| Terreno Realty Corp. | United States | 48,750 | 2,772,412 |
| | | | 9,677,531 |
| Food Products 0.4% | | | |
| ^a Freshpet, Inc. | United States | 25,200 | 1,329,804 |
| Health Care Equipment & Supplies 6.1% | | | |
| ^a Dexcom, Inc. | United States | 70,252 | 7,955,336 |
| ^a IDEXX Laboratories, Inc. | United States | 16,250 | 6,629,350 |
| ^a Inari Medical, Inc. | United States | 30,200 | 1,919,512 |
| ^a Insulet Corp. | United States | 18,100 | 5,328,459 |
| ^a Penumbra, Inc. | United States | 4,000 | 889,840 |
| | | | 22,722,497 |
| Health Care Providers & Services 0.6% | | | |
| ^a HealthEquity, Inc. | United States | 38,300 | 2,360,812 |
| Health Care Technology 1.8% | | | |
| ^a Certara, Inc. | United States | 82,900 | 1,332,203 |
| ^a Veeva Systems, Inc., A | United States | 32,700 | 5,277,126 |
| | | | 6,609,329 |
| Hotels, Restaurants & Leisure 5.9% | | | |
| ^a Chipotle Mexican Grill, Inc. | United States | 5,830 | 8,089,067 |
| Darden Restaurants, Inc. | United States | 33,100 | 4,578,723 |
| ^a Expedia Group, Inc. | United States | 42,600 | 3,731,760 |
| Vail Resorts, Inc. | United States | 13,300 | 3,170,055 |
| ^a Wynn Resorts Ltd. | United States | 29,600 | 2,441,112 |
| | | | 22,010,717 |
| Household Durables 1.5% | | | |
| ^a NVR, Inc. | United States | 1,182 | 5,452,070 |
| Interactive Media & Services 1.7% | | | |
| ^a Match Group, Inc. | United States | 79,024 | 3,278,706 |
| ^a Pinterest, Inc., A | United States | 130,200 | 3,161,256 |
| | | | 6,439,962 |
| IT Services 4.5% | | | |
| ^{a,c} Adyen NV, 144A, Reg S | Netherlands | 1,700 | 2,359,914 |
| ^a Cloudflare, Inc., A | United States | 71,300 | 3,223,473 |
| ^a MongoDB, Inc. | United States | 18,200 | 3,582,488 |
| Paychex, Inc. | United States | 49,200 | 5,685,552 |
| ^a Shopify, Inc., A | Canada | 59,000 | 2,047,890 |
| | | | 16,899,317 |
| Leisure Products 1.9% | | | |
| ^{a,d,e} Fanatics Holdings, Inc. | United States | 94,539 | 7,201,036 |
| Life Sciences Tools & Services 5.8% | | | |
| ^a 10X Genomics, Inc., A. | United States | 47,900 | 1,745,476 |
| Agilent Technologies, Inc. | United States | 19,800 | 2,963,070 |
| Bio-Techne Corp. | United States | 62,900 | 5,213,152 |
| ^a Mettler-Toledo International, Inc. | United States | 5,280 | 7,631,976 |
| West Pharmaceutical Services, Inc. | United States | 17,800 | 4,189,230 |
| | | | 21,742,904 |

Franklin Small-Mid Cap Growth VIP Fund (continued)

| | Country | Shares | Value |
|--|---------------|---------|-------------|
| Common Stocks (continued) | | | |
| Machinery 1.4% | | | |
| IDEX Corp. | United States | 18,450 | \$4,212,689 |
| ^a Proterra, Inc. | United States | 256,300 | 966,251 |
| | | | 5,178,940 |
| Oil, Gas & Consumable Fuels 2.3% | | | |
| Cheniere Energy, Inc. | United States | 10,700 | 1,604,572 |
| Coterra Energy, Inc. | United States | 85,300 | 2,095,821 |
| Hess Corp. | United States | 21,300 | 3,020,766 |
| Targa Resources Corp. | United States | 25,200 | 1,852,200 |
| | | | 8,573,359 |
| Personal Products 0.9% | | | |
| ^a BellRing Brands, Inc. | United States | 129,300 | 3,315,252 |
| Pharmaceuticals 1.4% | | | |
| ^a Catalent, Inc. | United States | 50,200 | 2,259,502 |
| ^a Jazz Pharmaceuticals plc | United States | 18,400 | 2,931,304 |
| | | | 5,190,806 |
| Professional Services 2.3% | | | |
| ^a CoStar Group, Inc. | United States | 77,950 | 6,023,976 |
| TransUnion | United States | 44,700 | 2,536,725 |
| | | | 8,560,701 |
| Road & Rail 2.6% | | | |
| ^a Lyft, Inc., A | United States | 178,700 | 1,969,274 |
| Old Dominion Freight Line, Inc. | United States | 26,950 | 7,647,871 |
| | | | 9,617,145 |
| Semiconductors & Semiconductor Equipment 4.1% | | | |
| ^a Enphase Energy, Inc. | United States | 7,900 | 2,093,184 |
| KLA Corp. | United States | 1,400 | 527,842 |
| ^a Lattice Semiconductor Corp. | United States | 78,155 | 5,070,696 |
| Monolithic Power Systems, Inc. | United States | 11,450 | 4,048,835 |
| ^a SiTime Corp. | United States | 30,200 | 3,068,924 |
| ^a Wolfspeed, Inc. | United States | 7,500 | 517,800 |
| | | | 15,327,281 |
| Software 11.3% | | | |
| ^a Alkami Technology, Inc. | United States | 108,925 | 1,589,216 |
| ^a ANSYS, Inc. | United States | 22,900 | 5,532,411 |
| ^a Arteris, Inc. | United States | 124,800 | 536,640 |
| ^a Atlassian Corp., A | United States | 17,000 | 2,187,560 |
| ^a Bill.com Holdings, Inc. | United States | 23,648 | 2,576,686 |
| ^a CrowdStrike Holdings, Inc., A | United States | 44,300 | 4,664,347 |
| ^a Datadog, Inc., A | United States | 15,600 | 1,146,600 |
| ^a Monday.com Ltd. | United States | 23,500 | 2,867,000 |
| ^a Palo Alto Networks, Inc. | United States | 22,100 | 3,083,834 |
| ^a Paylocity Holding Corp. | United States | 22,150 | 4,302,859 |
| ^a Synopsys, Inc. | United States | 33,050 | 10,552,534 |
| ^a Zscaler, Inc. | United States | 28,000 | 3,133,200 |
| | | | 42,172,887 |
| Specialty Retail 5.9% | | | |
| ^a AutoZone, Inc. | United States | 2,100 | 5,178,978 |
| ^a Burlington Stores, Inc. | United States | 24,600 | 4,987,896 |
| ^a Five Below, Inc. | United States | 21,650 | 3,829,235 |
| ^a Petco Health & Wellness Co., Inc. | United States | 137,900 | 1,307,292 |

Franklin Small-Mid Cap Growth VIP Fund (continued)

| | Country | Shares | Value |
|---|---------------|------------|--------------------|
| Common Stocks (continued) | | | |
| Specialty Retail (continued) | | | |
| Tractor Supply Co. | United States | 28,937 | \$6,509,957 |
| | | | <u>21,813,358</u> |
| Textiles, Apparel & Luxury Goods 2.6% | | | |
| Levi Strauss & Co., A | United States | 124,200 | 1,927,584 |
| ^a Lululemon Athletica, Inc. | United States | 23,700 | 7,593,006 |
| | | | <u>9,520,590</u> |
| Trading Companies & Distributors 1.8% | | | |
| Fastenal Co. | United States | 144,500 | 6,837,740 |
| Total Common Stocks (Cost \$298,777,844) | | | 346,258,395 |
| Convertible Preferred Stocks 1.2% | | | |
| Diversified Consumer Services 0.2% | | | |
| ^{a,d,e} Newsela, Inc., D | United States | 48,915 | 679,820 |
| Software 1.0% | | | |
| ^{a,d,e} Benchling, Inc., F | United States | 35,200 | 648,762 |
| ^{a,d,e} Blaize, Inc., D | United States | 11,970 | 38,062 |
| ^{a,d,e} Blaize, Inc., D | United States | 194,302 | 546,028 |
| ^{a,d,e} Blaize, Inc., D-2 | United States | 82,758 | 132,624 |
| ^{a,d,e} Databricks, Inc., G | United States | 25,878 | 1,263,056 |
| ^{a,d,e} OneTrust LLC, C | United States | 82,367 | 991,940 |
| | | | <u>3,620,472</u> |
| Total Convertible Preferred Stocks (Cost \$7,884,933) | | | 4,300,292 |
| Warrants | | | |
| Warrants 0.0%[†] | | | |
| Software 0.0%[†] | | | |
| ^{a,d,e} Blaize, Inc., 9/19/25 | United States | 8,275 | 815 |
| ^{a,d,e} Blaize, Inc., D, 2/28/24 | United States | 26,474 | 550 |
| | | | <u>1,365</u> |
| Total Warrants (Cost \$-) | | | 1,365 |
| Total Long Term Investments (Cost \$306,662,777) | | | 350,560,052 |
| Short Term Investments 6.4% | | | |
| Money Market Funds 6.3% | | | |
| ^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 3.782% | United States | 23,592,470 | 23,592,470 |
| Total Money Market Funds (Cost \$23,592,470) | | | 23,592,470 |

Franklin Small-Mid Cap Growth VIP Fund (continued)

Short Term Investments (continued)

| | Country | Shares | Value |
|---|---------------|---------|----------------------|
| ^hInvestments from Cash Collateral Received for Loaned Securities 0.1% | | | |
| Money Market Funds 0.1% | | | |
| ^{f,g} Institutional Fiduciary Trust - Money Market Portfolio, 3.782% | United States | 204,218 | \$204,218 |
| Total Investments from Cash Collateral Received for Loaned Securities (Cost \$204,218) | | | 204,218 |
| Total Short Term Investments (Cost \$23,796,688) | | | 23,796,688 |
| Total Investments (Cost \$330,459,465) 100.6% | | | \$374,356,740 |
| Other Assets, less Liabilities (0.6%) | | | (2,124,471) |
| Net Assets 100.0% | | | \$372,232,269 |

¹Rounds to less than 0.1% of net assets.

^aNon-income producing.

^bA portion or all of the security is on loan at December 31, 2022. See Note 1(c).

^cSecurity was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2022, the value of this security was \$2,359,914, representing 0.6% of net assets.

^dFair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

^eSee Note 7 regarding restricted securities.

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

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

^hSee Note 1(c) regarding securities on loan.

Statement of Assets and Liabilities

December 31, 2022

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

Assets:

Investments in securities:

| | |
|--|---------------|
| Cost - Unaffiliated issuers | \$306,662,777 |
| Cost - Non-controlled affiliates (Note 3e) | 23,796,688 |
| Value - Unaffiliated issuers (Includes securities loaned of \$200,158) | \$350,560,052 |
| Value - Non-controlled affiliates (Note 3e) | 23,796,688 |

| | |
|----------------|--------|
| Cash | 22,228 |
|----------------|--------|

Receivables:

| | |
|--------------------------------------|---------|
| Investment securities sold | 249,272 |
| Capital shares sold | 3,970 |
| Dividends and interest | 103,711 |

| | |
|------------------------|--------------------|
| Total assets | <u>374,735,921</u> |
|------------------------|--------------------|

Liabilities:

Payables:

| | |
|---|-----------|
| Investment securities purchased | 1,753,035 |
| Capital shares redeemed | 162,581 |
| Management fees | 250,027 |
| Distribution fees | 69,360 |
| Trustees' fees and expenses | 1,029 |

| | |
|--|---------|
| Payable upon return of securities loaned (Note 1c) | 204,218 |
|--|---------|

| | |
|--|--------|
| Accrued expenses and other liabilities | 63,402 |
|--|--------|

| | |
|-----------------------------|------------------|
| Total liabilities | <u>2,503,652</u> |
|-----------------------------|------------------|

| | |
|--------------------------------|----------------------|
| Net assets, at value | <u>\$372,232,269</u> |
|--------------------------------|----------------------|

Net assets consist of:

| | |
|---------------------------|---------------|
| Paid-in capital | \$355,690,975 |
|---------------------------|---------------|

| | |
|---|------------|
| Total distributable earnings (losses) | 16,541,294 |
|---|------------|

| | |
|--------------------------------|----------------------|
| Net assets, at value | <u>\$372,232,269</u> |
|--------------------------------|----------------------|

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

Class 1:

| | |
|--------------------------------|--------------|
| Net assets, at value | \$60,901,484 |
|--------------------------------|--------------|

| | |
|------------------------------|-----------|
| Shares outstanding | 4,537,269 |
|------------------------------|-----------|

| | |
|--|----------------|
| Net asset value and maximum offering price per share | <u>\$13.42</u> |
|--|----------------|

Class 2:

| | |
|--------------------------------|---------------|
| Net assets, at value | \$293,544,778 |
|--------------------------------|---------------|

| | |
|------------------------------|------------|
| Shares outstanding | 27,928,502 |
|------------------------------|------------|

| | |
|--|----------------|
| Net asset value and maximum offering price per share | <u>\$10.51</u> |
|--|----------------|

Class 4:

| | |
|--------------------------------|--------------|
| Net assets, at value | \$17,786,007 |
|--------------------------------|--------------|

| | |
|------------------------------|-----------|
| Shares outstanding | 1,571,976 |
|------------------------------|-----------|

| | |
|--|----------------|
| Net asset value and maximum offering price per share | <u>\$11.31</u> |
|--|----------------|

Statement of Operations

for the year ended December 31, 2022

| | Franklin Small- Mid Cap Growth VIP Fund |
|---|--|
| Investment income: | |
| Dividends: | |
| Unaffiliated issuers | \$2,165,954 |
| Non-controlled affiliates (Note 3e) | 314,449 |
| Income from securities loaned: | |
| Unaffiliated entities (net of fees and rebates) | 26,433 |
| Non-controlled affiliates (Note 3e) | 4,964 |
| Total investment income | <u>2,511,800</u> |
| Expenses: | |
| Management fees (Note 3a) | 3,341,691 |
| Distribution fees: (Note 3c) | |
| Class 2 | 836,670 |
| Class 4 | 69,499 |
| Custodian fees (Note 4) | 3,931 |
| Reports to shareholders fees | (146,154) |
| Professional fees | 69,669 |
| Trustees' fees and expenses | 5,869 |
| Other | 38,299 |
| Total expenses | <u>4,219,474</u> |
| Expense reductions (Note 4) | (66) |
| Expenses waived/paid by affiliates (Note 3e) | <u>(77,849)</u> |
| Net expenses | 4,141,559 |
| Net investment income (loss) | <u>(1,629,759)</u> |
| Realized and unrealized gains (losses): | |
| Net realized gain (loss) from: | |
| Investments: | |
| Unaffiliated issuers | (27,497,995) |
| Foreign currency transactions | (5,922) |
| Net realized gain (loss) | <u>(27,503,917)</u> |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments: | |
| Unaffiliated issuers | <u>(163,693,691)</u> |
| Net realized and unrealized gain (loss) | (191,197,608) |
| Net increase (decrease) in net assets resulting from operations | <u>\$(192,827,367)</u> |

Statements of Changes in Net Assets

| | Franklin Small-Mid Cap Growth VIP Fund | |
|---|---|---|
| | Year Ended December 31, 2022 | Year Ended December 31, 2021 |
| Increase (decrease) in net assets: | | |
| Operations: | | |
| Net investment income (loss) | \$(1,629,759) | \$(4,651,887) |
| Net realized gain (loss) | (27,503,917) | 110,267,902 |
| Net change in unrealized appreciation (depreciation) | (163,693,691) | (48,020,742) |
| Net increase (decrease) in net assets resulting from operations | (192,827,367) | 57,595,273 |
| Distributions to shareholders: | | |
| Class 1 | (13,727,212) | (7,430,783) |
| Class 2 | (86,996,421) | (58,482,161) |
| Class 4 | (4,892,046) | (3,098,704) |
| Total distributions to shareholders | (105,615,679) | (69,011,648) |
| Capital share transactions: (Note 2) | | |
| Class 1 | 22,252,629 | 7,817,577 |
| Class 2 | 64,583,757 | (19,844,931) |
| Class 4 | 5,230,808 | 1,399,650 |
| Total capital share transactions | 92,067,194 | (10,627,704) |
| Net increase (decrease) in net assets | (206,375,852) | (22,044,079) |
| Net assets: | | |
| Beginning of year | 578,608,121 | 600,652,200 |
| End of year | \$372,232,269 | \$578,608,121 |

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. The Trust follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946, Financial Services – Investment Companies (ASC 946) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. 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. 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 Board has designated the Fund's investment manager as the valuation designee and has responsibility for oversight of valuation. The investment manager is assisted by the Fund's administrator in performing this responsibility, 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, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2022, 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.

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

(continued)

a. Financial Instrument Valuation (continued)

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

b. Foreign Currency Translation

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

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

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

c. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. 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, 2022, 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, 2022, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

| | Year Ended December 31, 2022 | | Year Ended December 31, 2021 | |
|--|---------------------------------|--------------|---------------------------------|----------------|
| | Shares | Amount | Shares | Amount |
| Class 1 Shares: | | | | |
| Shares sold | 821,804 | \$13,714,783 | 576,234 | \$15,810,750 |
| Shares issued in reinvestment of distributions | 1,042,309 | 13,727,212 | 290,492 | 7,430,783 |
| Shares redeemed | (303,137) | (5,189,366) | (559,560) | (15,423,956) |
| Net increase (decrease) | 1,560,976 | \$22,252,629 | 307,166 | \$7,817,577 |
| Class 2 Shares: | | | | |
| Shares sold | 1,666,536 | \$23,136,529 | 815,205 | \$18,971,660 |
| Shares issued in reinvestment of distributions | 8,421,725 | 86,996,421 | 2,725,170 | 58,482,161 |
| Shares redeemed | (3,269,675) | (45,549,193) | (4,194,907) | (97,298,752) |
| Net increase (decrease) | 6,818,586 | \$64,583,757 | (654,532) | \$(19,844,931) |
| Class 4 Shares: | | | | |
| Shares sold | 222,601 | \$3,473,405 | 227,811 | \$5,628,165 |
| Shares issued in reinvestment of distributions | 439,932 | 4,892,046 | 136,748 | 3,098,704 |
| Shares redeemed | (213,169) | (3,134,643) | (296,435) | (7,327,219) |
| Net increase (decrease) | 449,364 | \$5,230,808 | 68,124 | \$1,399,650 |

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, calculated daily and paid monthly, 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, 2022, the gross effective investment management fee rate was 0.799% 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, 2022, 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 |
|---|----------------------------------|----------------------|------------------------|-------------------------|---|----------------------------|---|-------------------------------------|
| Franklin Small-Mid Cap Growth VIP Fund | | | | | | | | |
| Non-Controlled Affiliates | | | | | | | | |
| | | | | | | | | Dividends |
| Institutional Fiduciary Trust - Money Market Portfolio, 3.782% | \$8,439,570 | \$104,909,669 | \$(89,756,769) | \$— | \$— | \$23,592,470 | 23,592,470 | \$314,449 |
| Non-Controlled Affiliates | | | | | | | | |
| | | | | | | | | Income from securities loaned |
| Institutional Fiduciary Trust - Money Market Portfolio, 3.782% | \$8,496,850 | \$34,295,576 | \$(42,588,208) | \$— | \$— | \$204,218 | 204,218 | \$4,964 |
| Total Affiliated Securities . . . | \$16,936,420 | \$139,205,245 | \$(132,344,977) | \$— | \$— | \$23,796,688 | | \$319,413 |

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, 2022, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

At December 31, 2022, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

| | |
|----------------------|--------------|
| Short term | \$24,488,751 |
|----------------------|--------------|

The tax character of distributions paid during the years ended December 31, 2022 and 2021, was as follows:

| | 2022 | 2021 |
|----------------------------------|----------------------|---------------------|
| Distributions paid from: | | |
| Ordinary income | \$17,659,604 | \$5,306,215 |
| Long term capital gain | 87,956,075 | 63,705,433 |
| | <u>\$105,615,679</u> | <u>\$69,011,648</u> |

Franklin Small-Mid Cap Growth VIP Fund (continued)

5. Income Taxes (continued)

At December 31, 2022, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

| | |
|--|---------------|
| Cost of investments | \$333,326,695 |
| Unrealized appreciation | \$93,889,550 |
| Unrealized depreciation | (52,859,505) |
| Net unrealized appreciation (depreciation) | \$41,030,045 |

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2022, aggregated 167,548,421 and 196,131,930, respectively.

At December 31, 2022, in connection with securities lending transactions, the Fund loaned equity investments and received \$204,218 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, 2022, investments in restricted securities, excluding securities exempt from registration under the 1933 Act, were as follows:

| Shares/ Warrants | Issuer | Acquisition Date | Cost | Value |
|---|--|---------------------|--------------------|---------------------|
| Franklin Small-Mid Cap Growth VIP Fund | | | | |
| 35,200 | Benchling, Inc., F | 10/20/21 | \$1,150,910 | \$648,762 |
| 8,275 | Blaize, Inc., 9/19/25 | 9/20/22 - 9/22/22 | — | 815 |
| 206,272 | Blaize, Inc., D | 3/02/21 - 11/09/21 | 2,154,000 | 584,090 |
| 26,474 | Blaize, Inc., D, 2/28/24 | 3/01/21 - 11/09/21 | — | 550 |
| 82,758 | Blaize, Inc., D-2 | 4/01/22 - 9/20/22 | 399,999 | 132,624 |
| 25,878 | Databricks, Inc., G | 2/01/21 | 1,529,975 | 1,263,056 |
| 94,539 | Fanatics Holdings, Inc. | 8/13/20 - 3/22/21 | 1,669,739 | 7,201,036 |
| 48,915 | Newsela, Inc., D | 1/21/21 | 1,034,807 | 679,820 |
| 82,367 | OneTrust LLC, C | 4/01/21 | 1,615,242 | 991,940 |
| | Total Restricted Securities (Value is 3.1% of Net Assets) | | \$9,554,672 | \$11,502,693 |

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, 2022, 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/Warrants at End of Year | Investment Income |
|---|----------------------------------|------------|------------|-------------------------|---|----------------------------|---|----------------------|
| Franklin Small-Mid Cap Growth VIP Fund | | | | | | | | |
| Non-Controlled Affiliates | | | | | | | | |
| | | | | | | | | Dividends |
| Blaize, Inc., D | \$2,050,037 | \$— | \$— | \$— | \$— ^a | \$— ^a | — ^a | \$— |
| Blaize, Inc., D, 2/28/24 | 31,313 | — | — | — | — ^a | — ^a | — ^a | — |
| Total Affiliated Securities (Value is —% of Net Assets). | \$2,081,350 | \$— | \$— | \$— | \$— | \$— | | \$— |

^aAs of December 31, 2022, no longer an affiliate.

9. Geopolitical Risk

On February 24, 2022, Russia engaged in military actions in the sovereign territory of Ukraine. The current political and financial uncertainty surrounding Russia and Ukraine may increase market volatility and the economic risk of investing in securities in these countries and may also cause uncertainty for the global economy and broader financial markets. The ultimate fallout and long-term impact from these events are not known. The Fund will continue to assess the impact on valuations and liquidity and will take any potential actions needed in accordance with procedures approved by the Board.

10. 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.

11. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matured on February 3, 2023. 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 3, 2023, the Borrowers renewed the Global Credit Facility for a one-year term, maturing February 2, 2024, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers,

Franklin Small-Mid Cap Growth VIP Fund (continued)

11. Credit Facility (continued)

including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2022, the Fund did not use the Global Credit Facility.

12. Fair Value Measurements

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

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

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

A summary of inputs used as of December 31, 2022, in valuing the Fund's assets carried at fair value, is as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------|-----------|-----------|-------------|
| Franklin Small-Mid Cap Growth VIP Fund | | | | |
| Assets: | | | | |
| Investments in Securities: | | | | |
| Common Stocks: | | | | |
| Aerospace & Defense | \$5,918,710 | \$— | \$— | \$5,918,710 |
| Airlines | 5,182,022 | — | — | 5,182,022 |
| Auto Components | 217,372 | — | — | 217,372 |
| Banks | 4,112,018 | — | — | 4,112,018 |
| Beverages | 2,377,616 | — | — | 2,377,616 |
| Biotechnology | 10,441,167 | — | — | 10,441,167 |
| Building Products | 5,647,824 | — | — | 5,647,824 |
| Capital Markets | 16,658,089 | — | — | 16,658,089 |
| Chemicals | 1,019,242 | — | — | 1,019,242 |
| Commercial Services & Supplies | 4,837,125 | — | — | 4,837,125 |
| Communications Equipment | 6,164,580 | — | — | 6,164,580 |
| Containers & Packaging | 5,194,700 | — | — | 5,194,700 |
| Electrical Equipment | 7,611,198 | — | — | 7,611,198 |
| Electronic Equipment, Instruments & Components | 10,891,156 | — | — | 10,891,156 |
| Entertainment | 1,431,538 | — | — | 1,431,538 |
| Equity Real Estate Investment Trusts (REITs) | 9,677,531 | — | — | 9,677,531 |
| Food Products | 1,329,804 | — | — | 1,329,804 |
| Health Care Equipment & Supplies | 22,722,497 | — | — | 22,722,497 |
| Health Care Providers & Services | 2,360,812 | — | — | 2,360,812 |
| Health Care Technology | 6,609,329 | — | — | 6,609,329 |
| Hotels, Restaurants & Leisure | 22,010,717 | — | — | 22,010,717 |
| Household Durables | 5,452,070 | — | — | 5,452,070 |
| Interactive Media & Services | 6,439,962 | — | — | 6,439,962 |
| IT Services | 14,539,403 | 2,359,914 | — | 16,899,317 |
| Leisure Products | — | — | 7,201,036 | 7,201,036 |
| Life Sciences Tools & Services | 21,742,904 | — | — | 21,742,904 |
| Machinery | 5,178,940 | — | — | 5,178,940 |

Franklin Small-Mid Cap Growth VIP Fund (continued)

12. Fair Value Measurements (continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------------|--------------------------|--------------|---------------|
| Franklin Small-Mid Cap Growth VIP Fund (continued) | | | | |
| Assets: (continued) | | | | |
| Investments in Securities: | | | | |
| Common Stocks: | | | | |
| Oil, Gas & Consumable Fuels | \$8,573,359 | \$— | \$— | \$8,573,359 |
| Personal Products | 3,315,252 | — | — | 3,315,252 |
| Pharmaceuticals | 5,190,806 | — | — | 5,190,806 |
| Professional Services | 8,560,701 | — | — | 8,560,701 |
| Road & Rail | 9,617,145 | — | — | 9,617,145 |
| Semiconductors & Semiconductor Equipment | 15,327,281 | — | — | 15,327,281 |
| Software | 42,172,887 | — | — | 42,172,887 |
| Specialty Retail | 21,813,358 | — | — | 21,813,358 |
| Textiles, Apparel & Luxury Goods | 9,520,590 | — | — | 9,520,590 |
| Trading Companies & Distributors | 6,837,740 | — | — | 6,837,740 |
| Convertible Preferred Stocks | — | — | 4,300,292 | 4,300,292 |
| Warrants | — | — | 1,365 | 1,365 |
| Short Term Investments | 23,796,688 | — | — | 23,796,688 |
| Total Investments in Securities | \$360,494,133 | \$2,359,914 ^a | \$11,502,693 | \$374,356,740 |

^aIncludes foreign securities valued at \$2,359,914, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

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, 2022, the reconciliation is as follows:

| | Balance at Beginning of Year | Purchases ^a | Sales ^b | Transfer Into Level 3 | Transfer Out of Level 3 | Net Accretion (Amortization) | 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 |
|---|------------------------------|------------------------|--------------------|-----------------------|-------------------------|------------------------------|--------------------------|--|------------------------|---|
| Franklin Small-Mid Cap Growth VIP Fund | | | | | | | | | | |
| Assets: | | | | | | | | | | |
| Investments in Securities: | | | | | | | | | | |
| Common Stocks: | | | | | | | | | | |
| Leisure Products | \$4,026,670 | \$— | \$— | \$— | \$— | \$— | \$— | \$3,174,366 | \$7,201,036 | \$3,174,366 |
| Textiles, Apparel & Luxury Goods | 1,330,614 | — | (1,068,276) | — | — | — | — | (262,338) | — | — |
| Convertible Preferred Stocks: | | | | | | | | | | |
| Diversified Consumer Services | 987,771 | — | — | — | — | — | — | (307,951) | 679,820 | (307,951) |
| Software | 6,692,175 | 399,998 ^c | — ^c | — | — | — | — | (3,471,701) | 3,620,472 | (3,471,701) |
| Warrants: | | | | | | | | | | |
| Software | 31,313 | — ^c | — | — | — | — | — | (29,948) | 1,365 | (29,948) |
| Total Investments in Securities | \$13,068,543 | \$399,998 | \$(1,068,276) | \$— | \$— | \$— | \$— | \$(897,572) | \$11,502,693 | \$(635,234) |

^aPurchases include all purchases of securities and securities received in corporate actions.

^bSales include all sales of securities, maturities, paydowns and securities tendered in corporate actions.

^cIncludes financial instruments determined to have no value.

The Level 3 financial instruments include Fanatics Holdings, Inc. value at \$7,201,036, which is valued using recent transactions, private transaction prices or non-public third-party pricing information which is unobservable. May also include fair value of immaterial assets and/or liabilities developed using various valuation techniques and unobservable inputs.

Franklin Small-Mid Cap Growth VIP Fund (continued)

13. New Accounting Pronouncements

In June 2022, the FASB issued Accounting Standards Update (ASU) No. 2022-03, Fair Value Measurement (Topic 820) – Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions. The amendments in the ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value. The ASU is effective for interim and annual reporting periods beginning after December 15, 2023, with the option of early adoption. Management has reviewed the requirements and believes that the adoption of the ASU will not have a material impact on the financial statements.

14. Subsequent Events

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

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 schedule 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, 2022, the related statement of operations for the year ended December 31, 2022, the statement of changes in net assets for each of the two years in the period ended December 31, 2022, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2022 (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, 2022, 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, 2022 and the financial highlights for each of the five years in the period ended December 31, 2022 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, 2022 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, 2023

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 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, 2022:

| | Pursuant to: | Amount Reported |
|--|---------------------|------------------------|
| Long-Term Capital Gain Dividends Distributed | §852(b)(3)(C) | \$87,956,075 |
| Income Eligible for Dividends Received Deduction (DRD) | §854(b)(1)(A) | \$1,886,716 |

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 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 Investment Grade 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 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, Standard & Poor's, and Fitch 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 Bloomberg 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 (WGBI) 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.

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)-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-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 USA Index is designed to measure the performance of the large- and mid-capitalization segments of the U.S. market. With 627 constituents, the index covers approximately 85% of the free float adjusted market capitalization in the U.S.

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 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® 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 |
|---|----------|-----------------------|--|--|
| Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1988 | 119 | Bar-S Foods (meat packing company) (1981-2010). |
| Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998). | | | | |
| Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2017 | 119 | Hess Corporation (exploration of oil and gas) (2014-present). |
| Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014). | | | | |
| Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2014 | 120 | Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-2020). |
| Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987). | | | | |

Independent Board Members (continued)

| Name, Year of Birth and Address | Position | Length of Time Served | Number of Portfolios in Fund Complex Overseen by Board Member* | Other Directorships Held During at Least the Past 5 Years |
|--|--------------------------|--|--|--|
| Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906 | Lead Independent Trustee | Trustee since 2005 and Lead Independent Trustee since 2019 | 120 | 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 formerly , 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).

| | | | | |
|---|---------|------------|-----|--|
| J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2009 | 120 | Boeing Capital Corporation (aircraft financing) (2006-2010). |
|---|---------|------------|-----|--|

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 (2019-2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

| | | | | |
|---|---------|------------|-----|---|
| Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2007 | 120 | 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). |
|---|---------|------------|-----|---|

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 |
|---|----------|-----------------------|--|--|
| Valerie M. Williams (1956) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 2021 | 111 | 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 formerly , WPX Energy, Inc. (exploration and production of oil and gas) (2018-2021). |

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 |
|--|-----------------------------------|---|--|---|
| **Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906 | Chairman of the Board and Trustee | Chairman of the Board since January 2023 and Trustee since 2013 | 131 | 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.

| | | | | |
|--|---------|------------|-----|------|
| **Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906 | Trustee | Since 1988 | 120 | None |
|--|---------|------------|-----|------|

Principal Occupation During at Least the Past 5 Years:

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

| | | | | |
|--|----------------|------------|----------------|----------------|
| Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2012 | Not Applicable | Not Applicable |
|--|----------------|------------|----------------|----------------|

Principal Occupation During at Least the Past 5 Years:

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

| | | | | |
|--|--------------------------|------------|----------------|----------------|
| Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017 | Chief Compliance Officer | Since 2020 | Not Applicable | Not Applicable |
|--|--------------------------|------------|----------------|----------------|

Principal Occupation During at Least the Past 5 Years:

Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin 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 |
|--|------------------------------------|--|--|---|
| Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President and Co-Secretary | Vice President since 2009 and Co-Secretary since 2019 | Not Applicable | Not Applicable |

Principal Occupation During at Least the Past 5 Years:

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

| | | | | |
|---|--|------------|----------------|----------------|
| Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906 | Chief Executive Officer - Finance and Administration | Since 2017 | Not Applicable | Not Applicable |
|---|--|------------|----------------|----------------|

Principal Occupation During at Least the Past 5 Years:

Senior Vice President, Franklin Templeton Services, LLC; officer of 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).

| | | | | |
|---|---------------------------------|------------|----------------|----------------|
| Susan Kerr (1949) 620 Eighth Avenue New York, NY 10018 | Vice President - AML Compliance | Since 2021 | Not Applicable | Not Applicable |
|---|---------------------------------|------------|----------------|----------------|

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.

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

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.

| | | | | |
|---|---|------------|----------------|----------------|
| Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906 | President and Chief Executive Officer - Investment Management | Since 2018 | Not Applicable | Not Applicable |
|---|---|------------|----------------|----------------|

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.

| | | | | |
|---|----------------|------------|----------------|----------------|
| Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906 | Vice President | Since 2015 | Not Applicable | Not Applicable |
|---|----------------|------------|----------------|----------------|

Principal Occupation During at Least the Past 5 Years:

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

| | | | | |
|--|---------------------------------|---|----------------|----------------|
| Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923 | Vice President and Co-Secretary | Vice President since 2011 and Co-Secretary since 2019 | Not Applicable | Not Applicable |
|--|---------------------------------|---|----------------|----------------|

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.

Interested Board Members and Officers (continued)

*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

Proxy Voting Policies and Procedures

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

Quarterly Schedule of Investments

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

This page is intentionally left blank

This page is intentionally left blank

This page is intentionally left blank

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

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

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



Annual Report
Franklin Templeton Variable Insurance Products Trust

Investment Managers

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

Fund Administrator

Franklin Templeton Services, LLC

Distributor

Franklin
Distributors, LLC