FRANKLIN TEMPLETON INVESTMENTS

Annual Report
December 31, 2014

Franklin Templeton Variable Insurance Products Trust

Franklin Templeton Variable Insurance Products Trust Annual Report

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

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Important Notes to Performance Information

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

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

Supplement Dated September 24, 2014
to the Statement of Additional Information
Dated May 1, 2014 of
Franklin Templeton Variable Insurance Products Trust (the "Trust")

The following section is added to the Trust's Statement of Additional Information before the section "Performance" on page 100:

Calculation of Net Asset Value

The Fund's net asset value per share is generally calculated to two decimal places, but it will generally be calculated to four decimal places in connection with redemptions of two-thirds or more of the Fund's assets.

Please keep this supplement with your statement of additional information for future reference.

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Franklin Income VIP Fund

(Formerly, Franklin Income Securities Fund)

This annual report for Franklin Income VIP Fund covers the fiscal year ended December 31, 2014.

Class 2 Performance Summary as of December 31, 2014

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

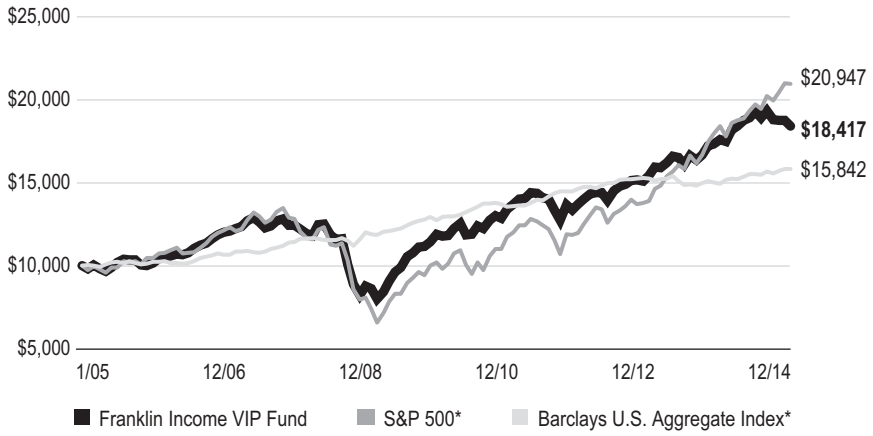
Periods ended 12/31/14	1-Year	5-Year	10-Year
Average Annual Total Return	+4.62%	+9.15%	+6.30%

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

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

Total Return Index Comparison for a Hypothetical $10,000 Investment (1/1/05–12/31/14)

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



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

Fund Goal and Main Investments

Franklin Income VIP Fund seeks to maximize income while maintaining prospects for capital appreciation. Under normal market conditions, the Fund invests in both equity and debt securities.

Fund Risks

All investments involve risks, including possible loss of principal. The Fund's share price and yield will be affected by interest rate movements. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. The Fund's portfolio includes a substantial portion of higher yielding, lower rated corporate bonds because of the relatively higher yields they offer. Floating rate loans are lower rated, higher yielding instruments, which are subject to increased risk of default and can potentially result in loss of principal. These securities carry a greater degree of credit risk relative to investment-grade securities. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Performance Overview

You can find the Fund's one-year total return in the Performance Summary. For comparison, the Fund's equity benchmark, the S&P 500, posted a +13.69% total return, and its fixed income benchmark, the Barclays U.S. Aggregate Index, produced a +5.97% total return for the same period.[1]

Economic and Market Overview

The U.S. economy continued to grow during the year ended December 31, 2014, underpinned in some quarters by manufacturing activity, consumer and business spending, and federal defense spending. Home sales experienced some weakness resulting from reduced inventory, higher mortgage rates and tight credit requirements but began to recover in May as mortgage rates declined. Home prices stayed higher than a year earlier. Retail sales generally improved, supported by job growth and lower gasoline prices in the latter part of 2014. The unemployment rate declined to 5.6% in December 2014 from 6.7% in December 2013.[2] Inflation, as measured by the Consumer Price Index, remained low.

In January 2014, the U.S. Federal Reserve Board (Fed) began reducing its large-scale bond purchases $10 billion a month and ended the buying program in October. But it continued its practice of maintaining holdings of longer term securities at sizable levels. The Fed believed underlying economic strength could support ongoing progress in labor market conditions. The Fed also noted that although inflation might remain low in the near term, the likelihood of inflation running persistently below 2% had diminished. Toward period-end, the Fed stated that it could be patient with regard to raising interest rates and that the interest rate might not rise for at least a couple of meetings, possibly implying at least the first two meetings of 2015.

Investor confidence grew during the period as corporate profits rose and the economy generally strengthened. The market endured sell-offs when many investors reacted to political instability in certain emerging markets, crises in Ukraine and the Middle East, weakness in Europe and Japan, and moderating economic data in China. U.S. stocks rose overall for the 12 months under review as the S&P 500 and Dow Jones Industrial Average reached all-time highs.[3]

The 10-year Treasury yield declined from 3.04% at the beginning of the period to 2.17% at period-end, as investors shifted to less risky assets given the crises in Ukraine and the Middle East, weak economic data in Europe and Japan, record-low bond yields and lower Treasury issuance.

Investment Strategy

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

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

schedules and borrowing requirements; and a company's changing financial condition and market recognition of the change.

Manager's Discussion

During the 12 months under review, we maintained a heavier position in equities relative to fixed income securities, which contributed positively to Fund performance. Although the Fund remained well diversified, we incrementally reduced the Fund's overall equity weighting from 60.0% to 57.4% of total net assets by taking profits in select strong-performing equity holdings. The Fund's fixed income exposure declined slightly from 35.7% to 34.5% of total net assets for the year under review. The Fund's cash position increased from 4.3% to 8.1% of total net assets.

Equity securities generally performed well across many sectors, driven by continued, albeit modest, earnings growth, together with improving U.S. economic and employment outlooks. The Fund generated strong performance from a wide range of sectors including utilities, information technology and health care. In contrast, disappointing global economic activity and a worsening outlook weighed heavily on commodity prices and led to significant declines in security prices in the energy and materials sectors, which detracted from Fund performance.

The utilities sector represented one of the Fund's largest weightings and was a key positive contributor. The sector delivered strong returns buoyed by the decline in long-term interest rates and the stable returns and growth generated by many electric and multi-utilities that attracted investors seeking yield. Individual utilities contributors included PG&E, an electric and natural gas utility that benefited from an improved regulatory environment and what we considered were attractive opportunities for rate base growth. Integrated utility Duke Energy performed well as investors gained increased understanding of the company's future growth opportunities in generation and distribution. Other strong equity contributors included Intel, one of the world's leaders in the design, manufacture and sale of semiconductor technology for a broad range of computing devices, which benefited from improved demand for personal computers, growth in mobile computing and "connected" devices, and a greater need for network security and advanced computing capability. Among equity financials holdings, Wells Fargo & Co. and Bank of America positively impacted results largely because of improved loan growth and an improving regulatory environment that contributed to strengthened financial profiles and higher dividends for shareholders.

Equity performance detractors were concentrated in the energy and materials sectors, as slowing global economic growth reduced demand for many commodities and as advances in extraction technologies led to supply growth, especially from oil and gas shale fields. The collapse of crude oil prices in the fourth quarter of 2014 weighed on share prices for many multi-national integrated oil companies, particularly Fund holdings in BP, Chevron and Royal Dutch Shell. Similarly, the more focused upstream producers and independent exploration and production companies such as Canadian Oil Sands, SandRidge Energy and Cobalt International Energy, a new holding, detracted with the pullback in global oil prices. Within the materials sector, our holdings in diversified mining companies such as Rio Tinto, BHP Billiton and Freeport-McMoRan hindered performance.

Fixed income markets generally performed well during the period despite lagging considerably behind equity markets as modest income and price returns helped the Barclays U.S. Aggregate Index deliver a moderate total return. The primary positive contributor to fixed income returns was the continued favorable environment for long-term interest rates, which led the 10-year U.S. Treasury to rally over the course of the year and its yield to correspondingly fall. In sharp contrast to their investment grade counterparts, noninvestment-grade fixed

Portfolio Breakdown
12/31/14

	% of Total Net Assets
Equity*	**57.4%**
Utilities	13.4%
Energy	9.2%
Materials	8.2%
Financials	5.8%
Health Care	4.8%
Industrials	4.7%
Information Technology	4.2%
Other	7.1%
Fixed Income	**34.5%**
Energy	7.7%
Consumer Discretionary	6.5%
Information Technology	4.7%
Telecommunication Services	3.5%
Financials	3.3%
Materials	2.5%
Health Care	2.0%
Other	4.3%
Short-Term Investments & Other Net Assets	**8.1%**

*Includes convertible bonds.

Top Five Equity Holdings
12/31/14

Company *Sector/Industry*	% of Total Net Assets
Bank of America Corp.* *Financials*	1.9%
Royal Dutch Shell PLC, A, ADR (U.K.) *Energy*	1.8%
Wells Fargo & Co. *Financials*	1.7%
General Electric Co. *Industrials*	1.7%
The Dow Chemical Co. *Materials*	1.6%

*Includes equity-linked notes.

Top Five Fixed Income and Senior Floating Rate Interests Holdings*
12/31/14

Issuer *Sector/Industry*	% of Total Net Assets
First Data Corp. *Information Technology*	2.8%
iHeartCommunications Inc. *Consumer Discretionary*	1.8%
JPMorgan Chase & Co. *Financials*	1.5%
Sprint Nextel Corp. *Telecommunication Services*	1.1%
HCA Inc. *Health Care*	1.0%

*Does not include convertible bonds.

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

income markets struggled as investors became wary of sector valuations and as credit spreads widened.

The decline in long-term interest rates during the period provided fixed income markets with favorable conditions that enabled many of the Fund's high yield corporate bonds to generate positive returns; however, the Fund's corporate bonds overall had a small negative return. Communications[4] sector holdings including Charter Communications[5] and Cablevision Systems benefited from demand for video and data services, and iHeart Communications continued to improve its liquidity and financial positioning amid stable demand from advertisers. Technology[6] sector positions were led by First Data, a leader in financial transaction systems and processing, and Freescale Semiconductor, a leader in embedded semiconductor processing solutions for the automotive, consumer, industrial and networking markets.

As was the case among the Fund's equity holdings, major fixed income detractors were concentrated in the commodity-related energy and basic industry[7] sectors. The high yield bonds and term loans of exploration and production and oilfield services and equipment companies were severely hurt by lower commodity prices that reduced cash flow and impacted the upstream industry's spending plans. Investor concerns regarding the long-term viability of many of the more highly leveraged producers weighed on the securities prices of Samson Investment, W&T Offshore, Energy XXI Gulf Coast and SandRidge Energy. Basic industry holdings, particularly those engaged in coal mining, slumped further as reduced demand kept pressure on pricing. Among these, Peabody Energy, Alpha Natural Resources, Arch Coal and Walter Energy detracted from results during the period.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2014, 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.

4. Communications companies are in consumer discretionary and telecommunication services in the fixed income section of the SOI.
5. Charter Communications comprises CCO Holdings in the SOI.
6. Technology holdings are in information technology in the fixed income section of the SOI.
7. Basic industry holdings are in energy and materials in the fixed income section of the SOI.

Class 2 Fund Expenses

As an investor in a variable insurance contract (Contract) that indirectly provides for investment in an underlying mutual fund, you can incur transaction and/or ongoing expenses at both the Fund level and the Contract level.

- Transaction expenses can include sales charges (loads) on purchases, redemption fees, surrender fees, transfer fees and premium taxes.
- 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 expenses shown in the table are meant to highlight ongoing expenses at the Fund level only and do not include ongoing expenses at the Contract level, or transaction expenses at either the Fund or Contract level. 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.

The table shows Fund-level ongoing expenses and can help you understand these expenses 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 first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of ongoing Fund expenses, but does not include the effect of ongoing Contract expenses.

You can estimate the Fund-level expenses you incurred during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Fund-Level Expenses Incurred During Period."
   If Fund-Level Expenses Incurred During Period were $7.50, then 8.6 × $7.50 = $64.50.

In this illustration, the estimated expenses incurred this period at the Fund level are $64.50.

Hypothetical Example for Comparison with Other Mutual Funds

Information in the second line (Hypothetical) of the table can help you compare ongoing expenses of the Fund with those of other mutual funds offered through the Contract. This information may not be used to estimate the actual ending account balance or expenses you incurred during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Fund-Level Expenses Incurred During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds offered through a Contract.

Class 2	Beginning Account Value 7/1/14	Ending Account Value 12/31/14	Fund-Level Expenses Incurred During Period* 7/1/14–12/31/14
Actual	$1,000	$ 953.50	$3.55
Hypothetical (5% return before expenses)	$1,000	$1,021.58	$3.67

*Expenses are calculated using the most recent six-month annualized expense ratio for the Fund's Class 2 shares (0.72%), which does not include any ongoing expenses of the Contract for which the Fund is an investment option, multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Financial Highlights

Franklin Income VIP Fund

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 1					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.53	$15.47	$14.68	$15.16	$14.43
Income from investment operations[a]:					
Net investment income[b]	0.72	0.81	0.91	0.96	0.89
Net realized and unrealized gains (losses)	0.11	1.31	0.90	(0.54)	0.85
Total from investment operations	0.83	2.12	1.81	0.42	1.74
Less distributions from net investment income	(0.88)	(1.06)	(1.02)	(0.90)	(1.01)
Net asset value, end of year	$16.48	$16.53	$15.47	$14.68	$15.16
Total return[c]	4.92%	14.18%	12.91%	2.71%	12.87%
Ratios to average net assets					
Expenses	0.47%[d]	0.47%[d]	0.47%	0.47%[d]	0.47%[d]
Net investment income	4.26%	5.07%	6.03%	6.35%	6.28%
Supplemental data					
Net assets, end of year (000's)	$714,664	$695,004	$584,391	$1,300,935	$1,449,028
Portfolio turnover rate	24.77%	21.71%	26.66%[e]	28.65%	41.65%

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

[b]Based on average daily shares outstanding.

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

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 2					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.07	$15.07	$14.32	$14.82	$14.12
Income from investment operations[a]:					
Net investment income[b]	0.66	0.75	0.85	0.90	0.86
Net realized and unrealized gains (losses)	0.11	1.27	0.88	(0.53)	0.82
Total from investment operations	0.77	2.02	1.73	0.37	1.68
Less distributions from net investment income	(0.84)	(1.02)	(0.98)	(0.87)	(0.98)
Net asset value, end of year	$16.00	$16.07	$15.07	$14.32	$14.82
Total return[c]	4.62%	13.94%	12.65%	2.38%	12.67%
Ratios to average net assets					
Expenses	0.72%[d]	0.72%[d]	0.72%	0.72%[d]	0.72%[d]
Net investment income	4.01%	4.82%	5.78%	6.10%	6.03%
Supplemental data					
Net assets, end of year (000's)	$6,022,804	$6,188,045	$6,182,997	$5,915,637	$6,309,207
Portfolio turnover rate	24.77%	21.71%	26.66%[e]	28.65%	41.65%

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

[b]Based on average daily shares outstanding.

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

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Franklin Income VIP Fund (continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Class 4					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$16.36	$15.32	$14.54	$15.04	$14.33
Income from investment operations[a]:					
Net investment income[b]	0.66	0.75	0.85	0.90	0.85
Net realized and unrealized gains (losses)	0.11	1.30	0.90	(0.54)	0.84
Total from investment operations	0.77	2.05	1.75	0.36	1.69
Less distributions from net investment income	(0.82)	(1.01)	(0.97)	(0.86)	(0.98)
Net asset value, end of year	$16.31	$16.36	$15.32	$14.54	$15.04
Total return[c]	4.52%	13.85%	12.56%	2.29%	12.54%
Ratios to average net assets					
Expenses	0.82%[d]	0.82%[d]	0.82%	0.82%[d]	0.82%[d]
Net investment income	3.91%	4.72%	5.68%	6.00%	5.93%
Supplemental data					
Net assets, end of year (000's)	$378,545	$397,652	$436,405	$431,435	$415,541
Portfolio turnover rate	24.77%	21.71%	26.66%[e]	28.65%	41.65%

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

[b]Based on average daily shares outstanding.

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

[d]Benefit of expense reduction rounds to less than 0.01%.

[e]Excludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, December 31, 2014

Franklin Income VIP Fund

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests 49.9%			
Consumer Discretionary 3.2%			
[a] Dex Media Inc.	United States	458,876	$ 4,116,118
Ford Motor Co.	United States	3,750,000	58,125,000
General Motors Co.	United States	1,839,100	64,202,981
Las Vegas Sands Corp.	United States	200,000	11,632,000
Target Corp.	United States	1,181,100	89,657,301
			227,733,400
Consumer Staples 0.8%			
PepsiCo Inc.	United States	584,000	55,223,040
Energy 7.7%			
BP PLC, ADR	United Kingdom	2,942,400	112,164,288
Canadian Oil Sands Ltd.	Canada	2,000,000	17,946,179
Chevron Corp.	United States	700,000	78,526,000
Devon Energy Corp.	United States	650,000	39,786,500
Eni SpA	Italy	776,500	13,633,088
Exxon Mobil Corp.	United States	484,850	44,824,382
Halliburton Co.	United States	250,000	9,832,500
Occidental Petroleum Corp.	United States	150,000	12,091,500
Royal Dutch Shell PLC, A, ADR	United Kingdom	1,951,748	130,669,529
Schlumberger Ltd.	United States	250,000	21,352,500
Spectra Energy Corp.	United States	600,000	21,780,000
Total SA, B, ADR	France	932,900	47,764,480
			550,370,946
Financials 2.7%			
Bank of America Corp.	United States	473,900	8,478,071
Commonwealth Bank of Australia	Australia	374,700	26,203,980
HSBC Holdings PLC	United Kingdom	1,841,457	17,468,518
JPMorgan Chase & Co.	United States	735,100	46,002,558
MetLife Inc.	United States	761,108	41,168,332
Wells Fargo & Co.	United States	1,000,000	54,820,000
			194,141,459
Health Care 4.8%			
Eli Lilly & Co.	United States	434,800	29,996,852
Johnson & Johnson	United States	417,800	43,689,346
Merck & Co. Inc.	United States	1,523,200	86,502,528
Pfizer Inc.	United States	3,638,975	113,354,071
Roche Holding AG	Switzerland	92,619	25,143,702
Sanofi, ADR	France	868,292	39,602,798
			338,289,297
Industrials 4.5%			
The Boeing Co.	United States	231,800	30,129,364
[a] CEVA Holdings LLC	United Kingdom	13,012	10,084,502
Deere & Co.	United States	224,200	19,834,974
General Electric Co.	United States	4,656,200	117,662,174
Lockheed Martin Corp.	United States	253,200	48,758,724
Raytheon Co.	United States	150,000	16,225,500
Republic Services Inc.	United States	527,300	21,223,825
United Technologies Corp.	United States	75,000	8,625,000
Waste Management Inc.	United States	928,200	47,635,224
			320,179,287

Franklin Income VIP Fund (continued)

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Information Technology 3.4%			
Apple Inc.	United States	350,000	$ 38,633,000
Cisco Systems Inc.	United States	1,400,000	38,941,000
[a,b] First Data Holdings Inc., B	United States	4,929,600	20,984,469
Intel Corp.	United States	1,500,000	54,435,000
Microsoft Corp.	United States	687,500	31,934,375
Texas Instruments Inc.	United States	924,800	49,444,432
Xilinx Inc.	United States	183,400	7,939,386
			242,311,662
Materials 7.7%			
Agrium Inc.	Canada	650,000	61,568,000
Barrick Gold Corp.	Canada	1,000,000	10,750,000
BASF SE	Germany	250,000	21,138,699
BHP Billiton PLC	Australia	2,784,192	60,257,011
The Dow Chemical Co.	United States	2,525,700	115,197,177
E. I. du Pont de Nemours and Co.	United States	1,047,500	77,452,150
Freeport-McMoRan Inc., B	United States	1,500,000	35,040,000
Goldcorp Inc.	Canada	1,508,600	27,939,272
LyondellBasell Industries NV, A	United States	500,000	39,695,000
The Mosaic Co.	United States	300,000	13,695,000
Rio Tinto PLC, ADR	United Kingdom	1,845,100	84,985,306
			547,717,615
Telecommunication Services 2.1%			
AT&T Inc.	United States	1,621,000	54,449,390
CenturyLink Inc.	United States	500,000	19,790,000
Telstra Corp. Ltd.	Australia	3,446,331	16,799,158
Verizon Communications Inc.	United States	1,123,892	52,575,668
Vodafone Group PLC	United Kingdom	2,115,279	7,340,960
			150,955,176
Utilities 13.0%			
AGL Resources Inc.	United States	290,732	15,847,801
American Electric Power Co. Inc.	United States	400,000	24,288,000
Dominion Resources Inc.	United States	700,000	53,830,000
Duke Energy Corp.	United States	1,302,500	108,810,850
[a,c] Dynegy Inc.	United States	1,250,000	37,937,500
[a,c] Dynegy Inc., wts., 10/02/17	United States	242,666	977,944
Entergy Corp.	United States	538,100	47,072,988
Exelon Corp.	United States	2,877,200	106,686,576
FirstEnergy Corp.	United States	845,900	32,981,641
[d] HK Electric Investments & HK Electric Investments Ltd., 144A	Hong Kong	3,117,900	2,058,776
NextEra Energy Inc.	United States	651,300	69,226,677
PG&E Corp.	United States	1,935,300	103,035,372
Pinnacle West Capital Corp.	United States	260,500	17,794,755
PPL Corp.	United States	1,365,400	49,604,982
Public Service Enterprise Group Inc.	United States	923,500	38,242,135
Sempra Energy	United States	368,300	41,013,888
The Southern Co.	United States	1,888,200	92,729,502
TECO Energy Inc.	United States	1,253,700	25,688,313

Franklin Income VIP Fund (continued)

	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Utilities (continued)			
Xcel Energy Inc.	United States	1,510,964	$ 54,273,827
			922,101,527
Total Common Stocks and Other Equity Interests (Cost $2,892,681,102)			3,549,023,409
[e] **Equity-Linked Securities 2.7%**			
Consumer Staples 0.3%			
[d] Citigroup Inc. into Whole Foods Market Inc., 7.00%, 144A	United States	485,000	21,611,309
Energy 1.0%			
[d] Citigroup Inc. into Cabot Oil & Gas Corp., 6.00%, 144A	United States	696,000	20,889,883
[d] Credit Suisse New York into Baker Hughes Inc., 6.00%, 144A	United States	200,000	10,862,620
[d] JPMorgan Chase & Co. into Anadarko Petroleum Corp., 7.00%, 144A	United States	470,000	38,933,296
			70,685,799
Financials 0.6%			
[d] The Goldman Sachs Group into Bank of America Corp., 6.00%, 144A	United States	2,150,000	38,714,190
Information Technology 0.8%			
[d] Bank of America Corp. into Intel Corp., 6.50%, 144A	United States	1,045,000	38,106,970
[d] Bank of America Corp. into Freescale Semiconductor Ltd., 7.00%, 144A	United States	950,000	21,726,690
			59,833,660
Total Equity-Linked Securities (Cost $186,768,257)			190,844,958
Convertible Preferred Stocks 3.7%			
Consumer Discretionary 0.2%			
Fiat Chrysler Automobiles NV, 7.875%, cvt. pfd.	United Kingdom	100,000	10,750,000
Energy 0.2%			
Halcon Resources Corp., 5.75%, cvt. pfd., A	United States	10,000	3,258,750
Sanchez Energy Corp., 6.50%, cvt. pfd., B	United States	200,000	6,836,000
SandRidge Energy Inc., 7.00%, cvt. pfd.	United States	121,600	6,791,360
			16,886,110
Financials 2.3%			
Bank of America Corp., 7.25%, cvt. pfd., L	United States	78,200	90,944,254
FelCor Lodging Trust Inc., 7.80%, cvt. pfd., A	United States	167,325	4,273,480
[a] FNMA, 5.375%, cvt. pfd.	United States	475	5,818,750
Wells Fargo & Co., 7.50%, cvt. pfd., A	United States	53,000	64,262,235
			165,298,719
Industrials 0.2%			
[a] CEVA Holdings LLC, cvt. pfd., A-1	United Kingdom	397	397,000
[a] CEVA Holdings LLC, cvt. pfd., A-2	United Kingdom	14,711	11,400,948
			11,797,948
Materials 0.4%			
Alcoa Inc., 5.375%, cvt. pfd.	United States	500,000	25,225,000
ArcelorMittal, 6.00%, cvt. pfd.	Luxembourg	160,000	2,768,000
			27,993,000

Franklin Income VIP Fund (continued)

	Country	Shares/Warrants	Value
Convertible Preferred Stocks (continued)			
Utilities 0.4%			
Dominion Resources Inc., 6.00%, cvt. pfd., B	United States	145,000	$ 8,717,400
Dominion Resources Inc., 6.125%, cvt. pfd., A	United States	145,000	8,701,450
Dominion Resources Inc., 6.375%, cvt. pfd., A	United States	162,000	8,425,620
NextEra Energy Inc., 5.889%, cvt. pfd.	United States	83,100	5,562,714
			31,407,184
Total Convertible Preferred Stocks (Cost $275,974,258)			264,132,961
Preferred Stocks 0.2%			
Financials 0.2%			
[a] FHLMC, 8.375%, pfd., Z	United States	745,175	2,943,441
[a] FNMA, 6.75%, pfd.	United States	406,950	1,216,781
[a] FNMA, 7.625%, pfd., R	United States	694,650	2,354,864
[a] FNMA, 8.25%, pfd.	United States	739,375	2,861,381
Morgan Stanley, 6.375%, pfd., I	United States	350,000	8,858,500
Total Preferred Stocks (Cost $73,403,750)			18,234,967
		Principal Amount*	
Convertible Bonds 0.9%			
Consumer Discretionary 0.5%			
[d] Volkswagen International Finance, cvt., sub. note, 144A, 5.50%, 11/09/15	Germany	25,000,000 EUR	33,647,225
Energy 0.3%			
[d,f] American Energy-Permian Basin LLC, cvt., 144A, PIK, 8.00%, 5/01/22	United States	5,000,000	4,339,320
Cobalt International Energy Inc., cvt., senior bond, 3.125%, 5/15/24	United States	25,000,000	16,890,625
			21,229,945
Materials 0.1%			
Cemex SAB de CV, cvt., sub. note, 3.75%, 3/15/18	Mexico	5,690,000	6,932,241
Total Convertible Bonds (Cost $67,008,977)			61,809,411
Corporate Bonds 32.1%			
Consumer Discretionary 5.6%			
[d] 1011778 BC ULC/New Red Finance Inc., secured note, second lien, 144A, 6.00%, 4/01/22	Canada	10,000,000	10,300,000
[d] Academy Ltd./Finance Corp., senior note, 144A, 9.25%, 8/01/19	United States	5,300,000	5,591,500
[d] Altice SA, senior secured note, 144A, 7.75%, 5/15/22	Luxembourg	3,000,000	3,011,250
Cablevision Systems Corp., senior note, 7.75%, 4/15/18	United States	10,000,000	11,037,500
[d] CBS Outdoor Americas Capital LLC/CBS Outdoor Americas Capital Corp.,			
senior bond, 144A, 5.625%, 2/15/24	United States	1,600,000	1,612,000
senior note, 144A, 5.25%, 2/15/22	United States	1,600,000	1,616,000
CCO Holdings LLC/CCO Holdings Capital Corp.,			
senior bond, 5.25%, 9/30/22	United States	2,700,000	2,703,375
senior note, 6.50%, 4/30/21	United States	15,000,000	15,806,250
Chrysler Group LLC/CG Co-Issuer Inc., senior secured note,			
8.00%, 6/15/19	United States	25,000,000	26,406,250
8.25%, 6/15/21	United States	15,400,000	17,132,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Consumer Discretionary (continued)			
Clear Channel Worldwide Holdings Inc., senior sub. note, 7.625%, 3/15/20	United States	8,750,000	$ 9,253,125
CSC Holdings LLC, senior note, 6.75%, 11/15/21	United States	15,400,000	17,074,750
[g] Cumulus Media Holdings Inc., senior note, 7.75%, 5/01/19	United States	10,000,000	10,137,500
[f] Dex Media Inc., senior sub. note, PIK, 14.00%, 1/29/17	United States	16,544,628	7,235,727
DISH DBS Corp.,			
senior bond, 5.00%, 3/15/23	United States	15,000,000	14,550,000
[d] senior note, 144A, 5.875%, 11/15/24	United States	8,300,000	8,362,250
Dollar General Corp., senior bond, 3.25%, 4/15/23	United States	5,000,000	4,559,320
The Goodyear Tire & Rubber Co., senior note,			
8.25%, 8/15/20	United States	4,900,000	5,218,500
6.50%, 3/01/21	United States	12,600,000	13,419,000
HD Supply Inc.,			
[d] first lien, 144A, 5.25%, 12/15/21	United States	6,000,000	6,120,000
senior note, 7.50%, 7/15/20	United States	10,000,000	10,525,000
iHeartCommunications Inc.,			
[f] senior note, PIK, 14.00%, 2/01/21	United States	13,465,320	10,933,611
senior secured bond, first lien, 9.00%, 3/01/21	United States	24,100,000	23,708,375
senior secured note, first lien, 9.00%, 12/15/19	United States	18,000,000	17,797,500
[d] senior secured note, first lien, 144A, 9.00%, 9/15/22	United States	14,600,000	14,344,500
KB Home,			
senior bond, 7.50%, 9/15/22	United States	6,500,000	6,922,500
senior note, 7.25%, 6/15/18	United States	10,600,000	11,342,000
[d] Laureate Education Inc., 144A, 9.25%, 9/01/19	United States	5,000,000	5,175,000
MGM Resorts International, senior note,			
10.00%, 11/01/16	United States	10,000,000	11,175,000
8.625%, 2/01/19	United States	3,700,000	4,213,375
5.25%, 3/31/20	United States	5,000,000	4,975,000
6.75%, 10/01/20	United States	5,500,000	5,788,750
[d] Numericable Group SA, senior note, first lien, 144A, 6.00%, 5/15/22	France	10,000,000	10,056,500
Shea Homes LP/Funding Corp., senior secured note, 8.625%, 5/15/19	United States	6,700,000	7,068,500
[d] Sirius XM Radio Inc.,			
senior bond, 144A, 6.00%, 7/15/24	United States	14,600,000	15,001,500
senior note, 144A, 5.75%, 8/01/21	United States	5,000,000	5,137,500
[d] Univision Communications Inc., senior secured note, 144A,			
6.875%, 5/15/19	United States	15,000,000	15,656,250
5.125%, 5/15/23	United States	10,000,000	10,150,000
[d] Virgin Media Secured Finance PLC, senior secured bond, first lien, 144A, 5.50%, 1/15/25	United Kingdom	7,000,000	7,249,375
Visant Corp., senior note, 10.00%, 10/01/17	United States	12,800,000	11,264,000
			399,631,033
Consumer Staples 0.8%			
[d] Albertsons Holdings/Saturn Acquisition, senior note, 144A, 7.75%, 10/15/22	United States	5,000,000	5,150,000
Alliance One International Inc., secured note, second lien, 9.875%, 7/15/21	United States	10,000,000	8,975,000
[d] JBS USA LLC/Finance Inc., senior note, 144A,			
8.25%, 2/01/20	United States	10,000,000	10,575,000
7.25%, 6/01/21	United States	17,400,000	18,009,000
U.S. Foods Inc., 8.50%, 6/30/19	United States	10,000,000	10,610,000
			53,319,000

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy 7.2%			
Alpha Natural Resources Inc., senior note, 6.25%, 6/01/21	United States	2,500,000	$ 712,500
[d] American Energy-Woodford LLC/Finance Corp., senior note, 144A, 9.00%, 9/15/22	United States	5,000,000	3,250,000
[d] Antero Resources Corp., senior note, 144A, 5.125%, 12/01/22	United States	6,000,000	5,685,000
Antero Resources Finance Corp., senior note, 5.375%, 11/01/21	United States	2,200,000	2,136,750
Arch Coal Inc., senior note,			
[g] 7.00%, 6/15/19	United States	5,500,000	1,677,500
7.25%, 6/15/21	United States	12,500,000	3,703,125
Bill Barrett Corp., senior note,			
7.625%, 10/01/19	United States	4,000,000	3,660,000
7.00%, 10/15/22	United States	10,000,000	8,100,000
BreitBurn Energy Partners LP/BreitBurn Finance Corp., senior bond, 7.875%, 4/15/22	United States	10,000,000	7,775,000
[d] California Resources Corp.,			
senior bond, 144A, 6.00%, 11/15/24	United States	5,500,000	4,675,000
senior note, 144A, 5.50%, 9/15/21	United States	12,500,000	10,750,000
[d] Calumet Specialty Products Partners LP/Calumet Finance Corp., senior note, 144A, 6.50%, 4/15/21	United States	5,000,000	4,487,500
CGG SA, senior note, 6.50%, 6/01/21	France	11,100,000	8,491,500
CHC Helicopter SA, senior secured note, first lien, 9.25%, 10/15/20	Canada	22,500,000	21,937,500
Chesapeake Energy Corp., senior note, 5.375%, 6/15/21	United States	15,000,000	15,065,625
Clayton Williams Energy Inc., senior note, 7.75%, 4/01/19	United States	1,500,000	1,282,500
CONSOL Energy Inc., senior note,			
8.25%, 4/01/20	United States	1,800,000	1,874,250
[d] 144A, 5.875%, 4/15/22	United States	21,500,000	20,102,500
Denbury Resources Inc.,			
senior note, 5.50%, 5/01/22	United States	17,000,000	15,640,000
senior sub. note, 4.625%, 7/15/23	United States	5,000,000	4,362,500
Energy XXI Gulf Coast Inc., senior note,			
9.25%, 12/15/17	United States	20,764,000	13,808,060
[d] 144A, 6.875%, 3/15/24	United States	11,810,000	6,406,925
[d] EnQuest PLC, senior note, 144A, 7.00%, 4/15/22	United Kingdom	15,000,000	9,215,625
EP Energy LLC/Everest Acquisition Finance Inc., senior note, 9.375%, 5/01/20	United States	10,000,000	10,150,000
EXCO Resources Inc., senior note, 7.50%, 9/15/18	United States	12,500,000	9,617,187
[d] Gibson Energy Inc., senior note, 144A, 6.75%, 7/15/21	Canada	7,000,000	7,017,500
Halcon Resources Corp., senior note,			
9.75%, 7/15/20	United States	12,500,000	9,437,500
8.875%, 5/15/21	United States	3,500,000	2,651,250
9.25%, 2/15/22	United States	5,800,000	4,306,500
[d] Hercules Offshore Inc., senior note, 144A,			
10.25%, 4/01/19	United States	3,000,000	1,605,000
8.75%, 7/15/21	United States	5,000,000	2,350,000
6.75%, 4/01/22	United States	1,500,000	652,500
Kinder Morgan Inc.,			
senior note, MTN, 7.75%, 1/15/32	United States	22,000,000	27,170,000
[d] senior secured bond, first lien, 144A, 5.625%, 11/15/23	United States	9,800,000	10,508,148
[d] senior secured note, 144A, 5.00%, 2/15/21	United States	2,400,000	2,500,087
Linn Energy LLC/Finance Corp., senior note,			
6.25%, 11/01/19	United States	2,500,000	2,137,500
8.625%, 4/15/20	United States	20,000,000	17,500,000

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Energy (continued)			
Magnum Hunter Resources Corp., senior note, 9.75%, 5/15/20	United States	5,000,000	$ 3,975,000
Midstates Petroleum Co. Inc./LLC, senior note,			
10.75%, 10/01/20	United States	5,000,000	2,700,000
9.25%, 6/01/21	United States	7,500,000	3,825,000
[d] NGPL PipeCo LLC, secured note, 144A, 7.119%, 12/15/17	United States	10,250,000	10,121,875
[d] Niska Gas Storage Canada ULC/Finance Corp., senior note, 144A, 6.50%, 4/01/19	United States	11,500,000	8,711,250
[d] Ocean Rig UDW Inc., senior note, 144A, 7.25%, 4/01/19	United States	7,500,000	5,301,563
Offshore Group Investment Ltd., senior secured note, first lien, 7.50%, 11/01/19	United States	6,500,000	4,883,125
Peabody Energy Corp., senior note, 6.25%, 11/15/21	United States	15,000,000	12,881,250
Penn Virginia Corp., senior note, 8.50%, 5/01/20	United States	9,300,000	7,486,500
Quicksilver Resources Inc., senior note, 9.125%, 8/15/19	United States	20,000,000	5,100,000
Regency Energy Partners LP/Regency Energy Finance Corp., senior note, 5.875%, 3/01/22	United States	3,900,000	3,909,750
Rex Energy Corp., senior note, 8.875%, 12/01/20	United States	5,000,000	4,500,000
[d] Rice Energy Inc., senior note, 144A, 6.25%, 5/01/22	United States	7,831,000	7,321,985
Sabine Pass Liquefaction LLC,			
first lien, 5.625%, 2/01/21	United States	15,100,000	14,911,250
senior secured, first lien, 5.75%, 5/15/24	United States	9,900,000	9,763,875
Sabine Pass LNG LP,			
first lien, 6.50%, 11/01/20	United States	10,000,000	10,150,000
senior secured note, 7.50%, 11/30/16	United States	10,000,000	10,450,000
Samson Investment Co., senior note, 9.75%, 2/15/20	United States	12,500,000	5,242,188
Sanchez Energy Corp., senior note,			
7.75%, 6/15/21	United States	10,000,000	9,350,000
[d] 144A, 6.125%, 1/15/23	United States	13,000,000	10,952,500
SandRidge Energy Inc., senior note,			
8.75%, 1/15/20	United States	20,000,000	13,800,000
7.50%, 3/15/21	United States	15,000,000	9,675,000
8.125%, 10/15/22	United States	10,000,000	6,350,000
7.50%, 2/15/23	United States	6,600,000	4,257,000
Stone Energy Corp., senior bond, 7.50%, 11/15/22	United States	15,000,000	12,975,000
Transocean Inc., senior bond, 6.50%, 11/15/20	United States	5,000,000	4,747,460
W&T Offshore Inc., senior note, 8.50%, 6/15/19	United States	40,500,000	26,932,500
			512,676,603
Financials 3.3%			
[h] Bank of America Corp., junior sub. bond, M, 8.125% to 5/15/18, FRN thereafter, Perpetual	United States	5,000,000	5,418,750
[h] Citigroup Inc.,			
junior sub. bond, 5.35% to 5/15/23, FRN thereafter, Perpetual	United States	10,000,000	9,275,000
junior sub. bond, 5.95% to 1/30/23, FRN thereafter, Perpetual	United States	4,500,000	4,438,125
junior sub. bond, M, 6.30% to 5/15/24, FRN thereafter, Perpetual	United States	16,800,000	16,590,000
junior sub. note, 5.90% to 2/15/23, FRN thereafter, Perpetual	United States	12,500,000	12,250,000
International Lease Finance Corp., senior note, 8.75%, 3/15/17	United States	15,000,000	16,650,000
[d] Jefferies Finance LLC/JFIN Co-Issuer Corp., senior note, 144A, 7.50%, 4/15/21	United States	5,000,000	4,668,750
[h] JPMorgan Chase & Co.,			
junior sub. bond, R, 6.00% to 8/01/23, FRN thereafter, Perpetual	United States	3,200,000	3,176,000
junior sub. bond, V, 5.00% to 7/30/19, FRN thereafter, Perpetual	United States	10,000,000	9,834,370
junior sub. note, I, 7.90% to 4/30/19, FRN thereafter, Perpetual	United States	85,000,000	91,910,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Financials (continued)			
Morgan Stanley, senior note, 5.50%, 1/26/20	United States	15,000,000	$ 16,895,760
Nationstar Mortgage LLC/Nationstar Capital Corp., senior note, 9.625%, 5/01/19	United States	4,400,000	4,675,000
Navient Corp., senior note, 6.125%, 3/25/24	United States	5,000,000	4,925,000
[d] OneMain Financial Holdings Inc., senior note, 144A, 6.75%, 12/15/19	United States	10,000,000	10,225,000
7.25%, 12/15/21	United States	5,000,000	5,150,000
[h] PNC Financial Services Group Inc., junior sub. note, 4.85% to 6/01/23, FRN thereafter, Perpetual	United States	8,000,000	7,570,664
[h] Wells Fargo & Co., junior sub. bond, S, 5.90% to 6/15/24, FRN thereafter, Perpetual	United States	7,900,000	7,979,000
			231,631,919
Health Care 2.0%			
CHS/Community Health Systems Inc.,			
senior note, 6.875%, 2/01/22	United States	6,400,000	6,812,000
senior secured note, 5.125%, 8/01/21	United States	2,600,000	2,710,500
DaVita HealthCare Partners Inc., senior bond, 5.125%, 7/15/24	United States	5,000,000	5,109,375
HCA Inc.,			
senior note, 7.50%, 2/15/22	United States	25,000,000	28,625,000
senior note, 5.875%, 5/01/23	United States	7,500,000	7,921,875
senior secured bond, first lien, 5.25%, 4/15/25	United States	5,000,000	5,231,250
senior secured note, 6.50%, 2/15/20	United States	16,500,000	18,529,500
senior secured note, first lien, 5.00%, 3/15/24	United States	10,400,000	10,712,000
[d,f] Jaguar Holding Co. I, senior note, 144A, PIK, 9.375%, 10/15/17	United States	10,200,000	10,449,900
Tenet Healthcare Corp., senior note,			
8.00%, 8/01/20	United States	10,426,000	11,025,495
8.125%, 4/01/22	United States	22,500,000	25,200,000
[d] 144A, 5.00%, 3/01/19	United States	3,400,000	3,412,750
[d] Valeant Pharmaceuticals International Inc., senior note, 144A, 7.50%, 7/15/21	United States	7,700,000	8,344,875
			144,084,520
Industrials 1.3%			
[d] Abengoa Finance SAU, senior note, 144A, 8.875%, 11/01/17	Spain	12,900,000	12,496,875
[d] Abengoa Greenfield SA, senior note, 144A, 6.50%, 10/01/19	Spain	5,000,000	4,371,875
[d] Algeco Scotsman Global Finance PLC,			
senior note, 144A, 10.75%, 10/15/19	United Kingdom	5,000,000	4,337,500
senior secured note, first lien, 144A, 8.50%, 10/15/18	United Kingdom	9,900,000	9,621,563
[d] Bombardier Inc., senior bond, 144A, 6.125%, 1/15/23	Canada	7,500,000	7,668,750
[d] CEVA Group PLC, senior note, first lien, 144A, 4.00%, 5/01/18	United Kingdom	12,691,882	11,264,045
Hertz Corp., senior note, 6.75%, 4/15/19	United States	9,500,000	9,832,500
Navistar International Corp., senior note, 8.25%, 11/01/21	United States	16,300,000	16,137,000
[d] Stena AB, senior bond, 144A, 7.00%, 2/01/24	Sweden	5,800,000	5,321,500
TransDigm Inc.,			
senior sub. bond, 6.50%, 7/15/24	United States	2,700,000	2,727,000
senior sub. note, 6.00%, 7/15/22	United States	2,700,000	2,706,750
United Rentals North America Inc., senior sub. note, 8.375%, 9/15/20	United States	8,800,000	9,482,000
			95,967,358
Information Technology 4.3%			
[d] BMC Software Finance Inc., senior note, 144A, 8.125%, 7/15/21	United States	16,500,000	15,592,500

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Information Technology (continued)			
[d,f] Boxer Parent Co. Inc., senior note, 144A, PIK, 9.00%, 10/15/19	United States	10,000,000	$ 8,550,000
CDW LLC/Finance Corp., senior note, 8.50%, 4/01/19	United States	4,495,000	4,759,081
[d,f] CommScope Holdings Co. Inc., senior note, 144A, PIK, 6.625%, 6/01/20	United States	11,200,000	11,592,000
First Data Corp.,			
senior bond, 12.625%, 1/15/21	United States	80,000,000	95,200,000
[d] senior secured bond, 144A, 8.25%, 1/15/21	United States	45,000,000	48,375,000
[d,f] senior secured note, 144A, PIK, 8.75%, 1/15/22	United States	33,188,000	35,843,040
Freescale Semiconductor Inc., senior note,			
8.05%, 2/01/20	United States	7,454,000	7,882,605
10.75%, 8/01/20	United States	54,846,000	60,056,370
Infor U.S. Inc., senior note, 9.375%, 4/01/19	United States	4,100,000	4,402,375
NCR Corp., senior note, 5.00%, 7/15/22	United States	5,000,000	4,900,000
Sterling International Inc., senior note, 11.00%, 10/01/19	United States	7,500,000	8,006,250
			305,159,221
Materials 2.5%			
AngloGold Ashanti Holdings PLC, senior note, 8.50%, 7/30/20	South Africa	6,000,000	6,386,250
[d] Ardagh Packaging Finance PLC/Ardagh MP Holdings USA Inc., senior note, 144A,			
6.25%, 1/31/19	Luxembourg	2,800,000	2,744,000
6.75%, 1/31/21	Luxembourg	3,000,000	2,968,125
[d] Cemex Finance LLC, senior secured note, 144A,			
9.375%, 10/12/22	Mexico	7,100,000	7,952,000
6.00%, 4/01/24	Mexico	14,700,000	14,231,438
[d] Cemex SAB de CV, senior secured note, 144A,			
9.00%, 1/11/18	Mexico	5,581,000	5,839,121
9.50%, 6/15/18	Mexico	12,000,000	13,200,000
[d] Consolidated Minerals Ltd., senior secured note, 144A, 8.00%, 5/15/20	Jersey Islands	5,000,000	3,781,250
Dynacast International LLC/Finance Inc., 9.25%, 7/15/19	United States	5,000,000	5,387,500
[d] First Quantum Minerals Ltd., senior note, 144A,			
6.75%, 2/15/20	Canada	2,300,000	2,093,000
7.00%, 2/15/21	Canada	2,300,000	2,081,500
[d] FMG Resources (August 2006) Pty. Ltd., senior note, 144A,			
[g] 6.875%, 2/01/18	Australia	5,288,889	4,829,417
8.25%, 11/01/19	Australia	15,000,000	13,706,250
HudBay Minerals Inc., senior note, 9.50%, 10/01/20	Canada	10,000,000	9,750,000
[d] Ineos Finance PLC, senior secured note, 144A, 8.375%, 2/15/19	Switzerland	5,100,000	5,431,500
[d] Ineos Group Holdings SA, senior note, 144A, 5.75%, 2/15/19	Switzerland	5,700,000 EUR	6,672,847
[d] Kerling PLC, senior secured note, 144A, 10.625%, 2/01/17	United Kingdom	9,400,000 EUR	11,563,547
Reynolds Group Issuer Inc./LLC/SA,			
first lien, 5.75%, 10/15/20	United States	14,200,000	14,626,000
senior note, 9.00%, 4/15/19	United States	5,000,000	5,200,000
senior note, 9.875%, 8/15/19	United States	16,800,000	17,892,000
senior note, 8.25%, 2/15/21	United States	5,200,000	5,356,000
senior secured note, 6.875%, 2/15/21	United States	10,000,000	10,487,500
[d] Walter Energy Inc., first lien, 144A, 9.50%, 10/15/19	United States	10,000,000	7,650,000
			179,829,245
Telecommunication Services 3.5%			
CenturyLink Inc., senior bond, 6.75%, 12/01/23	United States	1,700,000	1,867,875

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds (continued)			
Telecommunication Services (continued)			
Frontier Communications Corp., senior note,			
8.50%, 4/15/20	United States	12,900,000	$ 14,448,000
9.25%, 7/01/21	United States	7,400,000	8,574,750
7.125%, 1/15/23	United States	8,800,000	8,998,000
Intelsat Jackson Holdings SA, senior bond, 5.50%, 8/01/23	Luxembourg	13,400,000	13,358,125
Sprint Corp., senior bond,			
7.875%, 9/15/23	United States	37,500,000	37,207,500
7.125%, 6/15/24	United States	8,200,000	7,667,000
Sprint Nextel Corp.,			
11.50%, 11/15/21	United States	30,000,000	36,225,000
senior note, 9.125%, 3/01/17	United States	13,300,000	14,662,585
senior note, 7.00%, 8/15/20	United States	7,500,000	7,537,500
[d] senior note, 144A, 9.00%, 11/15/18	United States	20,000,000	22,798,000
T-Mobile USA Inc.,			
senior bond, 6.625%, 4/01/23	United States	15,000,000	15,435,000
senior note, 6.542%, 4/28/20	United States	11,200,000	11,606,000
senior note, 6.633%, 4/28/21	United States	5,000,000	5,150,000
senior note, 6.731%, 4/28/22	United States	5,000,000	5,168,750
[d] Telecom Italia SpA, senior note, 144A, 5.303%, 5/30/24	Italy	7,500,000	7,617,187
Verizon Communications Inc.,			
senior bond, 6.55%, 9/15/43	United States	7,300,000	9,366,082
senior note, 5.15%, 9/15/23	United States	6,900,000	7,624,597
[d] Wind Acquisition Finance SA, senior note, 144A, 7.375%, 4/23/21	Italy	15,000,000	14,175,000
			249,486,951
Utilities 1.6%			
Calpine Corp.,			
senior bond, 5.75%, 1/15/25	United States	10,000,000	10,137,500
senior note, 5.375%, 1/15/23	United States	14,500,000	14,663,125
[d] senior secured bond, first lien, 144A, 7.875%, 1/15/23	United States	3,936,000	4,359,120
[d] Dynegy Finance I Inc./Dynegy Finance II Inc., senior note, 144A,			
6.75%, 11/01/19	United States	25,000,000	25,468,750
7.375%, 11/01/22	United States	18,300,000	18,643,125
[d] InterGen NV, secured bond, 144A, 7.00%, 6/30/23	Netherlands	25,000,000	23,875,000
[d] NGL Energy Partners LP/NGL Energy Finance Corp., senior note, 144A, 6.875%, 10/15/21	United States	10,000,000	9,900,000
[d] NRG Yield Operating LLC, senior bond, 144A, 5.375%, 8/15/24	United States	6,600,000	6,732,000
			113,778,620
Total Corporate Bonds (Cost $2,300,715,254)			2,285,564,470
[i,j] **Senior Floating Rate Interests 2.4%**			
Consumer Discretionary 0.9%			
iHeartCommunications Inc.,			
Tranche D Term Loan, 6.919%, 1/30/19	United States	50,864,664	48,051,237
Tranche E Term Loan, 7.669%, 7/30/19	United States	13,142,769	12,633,486
SuperMedia Inc., Exit Term Loan, 11.60%, 12/31/16	United States	753,341	605,969
			61,290,692
Consumer Staples 0.2%			
U.S. Foods Inc., Term Loan, 4.50%, 3/31/19	United States	14,775,000	14,710,359

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
[i,j] **Senior Floating Rate Interests** (continued)			
Energy 0.5%			
Drillships Financing Holding Inc., Tranche B-1 Term Loan, 6.00%, 3/31/21	Marshall Islands	14,886,935	$ 11,872,331
Fieldwood Energy LLC, Second Lien Loans, 8.375%, 9/30/20	United States	10,000,000	7,365,000
Quicksilver Resources Inc., Second Lien Loans, 7.00%, 6/21/19	United States	25,000,000	19,000,000
			38,237,331
Industrials 0.4%			
CEVA Group PLC, Pre-Funded L/C, 6.50%, 3/19/21	United States	5,418,719	5,091,905
CEVA Intercompany BV, Dutch BV Term Loan, 6.50%, 3/19/21	Netherlands	5,671,429	5,329,373
CEVA Logistics Canada ULC, Canadian Term Loan, 6.50%, 3/19/21	Canada	977,833	918,858
CEVA Logistics U.S. Holdings Inc., U.S. Term Loan, 6.50%, 3/19/21	United States	7,822,660	7,350,860
Navistar Inc., Tranche B Term Loan, 5.75%, 8/17/17	United States	6,081,022	6,065,819
			24,756,815
Information Technology 0.4%			
First Data Corp., 2018 New Dollar Term Loan, 3.667%, 3/24/18	United States	22,436,455	22,015,771
SRA International Inc., Term Loan, 6.50%, 7/20/18	United States	7,469,520	7,478,857
			29,494,628
Total Senior Floating Rate Interests (Cost $179,332,889)			168,489,825
		Shares	
Escrows and Litigation Trusts 0.0%†			
[a] Motors Liquidation Co., Escrow Account, cvt. pfd., C	United States	1,400,000	14,000
[a,k] SuperMedia Inc., Litigation Trust	United States	3,472,135	—
Total Escrows and Litigation Trusts (Cost $101,664)			14,000
Total Investments before Short Term Investments (Cost $5,975,986,151)			6,538,114,001
		Principal Amount*	
Short Term Investments 5.4%			
U.S. Government and Agency Securities 4.3%			
[l] FHLB,			
1/02/15	United States	25,000,000	25,000,000
1/14/15	United States	100,000,000	99,999,700
1/21/15	United States	85,000,000	84,999,575
[l] FNMA, 1/05/15	United States	49,186,000	49,185,951
[l] U.S. Treasury Bill, 1/02/15	United States	50,000,000	50,000,000
Total U.S. Government and Agency Securities (Cost $309,181,683)			309,185,226
Total Investments before Money Market Funds and Repurchase Agreements (Cost $6,285,167,834)			6,847,299,227

Franklin Income VIP Fund (continued)

	Country	Principal Amount*	Value
Repurchase Agreements (Cost $71,647,836) 1.0%			
[m] Joint Repurchase Agreement, 0.057%, 1/02/15 (Maturity Value $71,648,063)	United States	71,647,836	$ 71,647,836
BNP Paribas Securities Corp. (Maturity Value $6,037,782)			
HSBC Securities (USA) Inc. (Maturity Value $49,912,190)			
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value $15,698,091)			
Collateralized by U.S. Government Agency Securities, 0.000% - 1.50%, 1/20/15 - 10/09/19; U.S. Government Agency Securities, Strips, 6/01/17; and U.S. Treasury Notes, 1.625% - 4.50%, 11/15/15 - 11/30/20 (valued at $73,089,829)			
		Shares	
[n] **Investments from Cash Collateral Received for Loaned Securities (Cost $5,160,980) 0.1%**			
Money Market Funds 0.1%			
[o] BNY Mellon Overnight Government Fund, 0.072%	United States	5,160,980	5,160,980
Total Investments (Cost $6,361,976,650) 97.3%			6,924,108,043
Other Assets, less Liabilities 2.7%			191,905,223
Net Assets 100.0%			$ 7,116,013,266

See Abbreviations on page FI-32.

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

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

[a]Non-income producing.

[b]See Note 8 regarding restricted securities.

[c]At December 31, 2014, pursuant to the Fund's policies and the requirements of applicable securities law, the Fund may be restricted from trading these securities for a limited or extended period of time.

[d]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At December 31, 2014, the aggregate value of these securities was $971,256,642, representing 13.65% of net assets.

[e]See Note 1(d) regarding equity-linked securities.

[f]Income may be received in additional securities and/or cash.

[g]A portion or all of the security is on loan at December 31, 2014. See Note 1(e).

[h]Perpetual security with no stated maturity date.

[i]See Note 1(f) regarding senior floating rate interests.

[j]The coupon rate shown represents the rate at period end.

[k]Security has been deemed illiquid because it may not be able to be sold within seven days.

[l]The security is traded on a discount basis with no stated coupon rate.

[m]See Note 1(c) regarding joint repurchase agreement.

[n]See Note 1(e) regarding securities on loan.

[o]The rate shown is the annualized seven-day yield at period end.

Financial Statements

Statement of Assets and Liabilities
December 31, 2014

	Franklin Income VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$6,290,328,814
Cost - Repurchase agreements	71,647,836
Total cost of investments	$6,361,976,650
Value - Unaffiliated issuers	$6,852,460,207
Value - Repurchase agreements	71,647,836
Total value of investments (includes securities loaned in the amount of $4,938,811)	6,924,108,043
Cash	92,022,072
Receivables:	
Investment securities sold	45,270,528
Capital shares sold	6,948,498
Dividends and interest	62,018,505
Other assets	631
Total assets	7,130,368,277
Liabilities:	
Payables:	
Investment securities purchased	255,575
Capital shares redeemed	2,544,886
Management fees	2,755,852
Distribution fees	2,791,938
Payable upon return of securities loaned	5,160,980
Accrued expenses and other liabilities	845,780
Total liabilities	14,355,011
Net assets, at value	$7,116,013,266
Net assets consist of:	
Paid-in capital	$6,997,238,896
Undistributed net investment income	285,827,668
Net unrealized appreciation (depreciation)	561,891,661
Accumulated net realized gain (loss)	(728,944,959)
Net assets, at value	$7,116,013,266
Class 1:	
Net assets, at value	$ 714,663,840
Shares outstanding	43,363,008
Net asset value and maximum offering price per share	$ 16.48
Class 2:	
Net assets, at value	$6,022,804,327
Shares outstanding	376,432,254
Net asset value and maximum offering price per share	$ 16.00
Class 4:	
Net assets, at value	$ 378,545,099
Shares outstanding	23,213,333
Net asset value and maximum offering price per share	$ 16.31

Statement of Operations
for the year ended December 31, 2014

	Franklin Income VIP Fund
Investment income:	
Dividends	$ 153,911,805
Interest	197,524,636
Income from securities loaned	787,813
Total investment income	352,224,254
Expenses:	
Management fees (Note 3a)	33,738,136
Distribution fees: (Note 3c)	
Class 2	15,789,181
Class 4	1,392,360
Custodian fees (Note 4)	105,982
Reports to shareholders	832,683
Professional fees	159,687
Trustees' fees and expenses	29,192
Other	129,449
Total expenses	52,176,670
Expense reductions (Note 4)	(1,565)
Net expenses	52,175,105
Net investment income	300,049,149
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	328,621,693
Foreign currency transactions	(745,927)
Net realized gain (loss)	327,875,766
Net change in unrealized appreciation (depreciation) on:	
Investments	(288,316,303)
Translation of other assets and liabilities denominated in foreign currencies	(353,707)
Net change in unrealized appreciation (depreciation)	(288,670,010)
Net realized and unrealized gain (loss)	39,205,756
Net increase (decrease) in net assets resulting from operations	$ 339,254,905

Statements of Changes in Net Assets

	Franklin Income VIP Fund	
	Year Ended December 31,	
	2014	2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 300,049,149	$ 352,220,004
Net realized gain (loss) from investments and foreign currency transactions	327,875,766	58,814,586
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(288,670,010)	532,304,482
Net increase (decrease) in net assets resulting from operations	339,254,905	943,339,072
Distributions to shareholders from:		
Net investment income:		
Class 1	(37,211,436)	(40,171,484)
Class 2	(314,580,044)	(401,855,498)
Class 4	(19,237,312)	(27,978,841)
Total distributions to shareholders	(371,028,792)	(470,005,823)
Capital share transactions: (Note 2)		
Class 1	23,158,016	66,533,168
Class 2	(137,432,835)	(397,831,491)
Class 4	(18,639,257)	(65,127,276)
Total capital share transactions	(132,914,076)	(396,425,599)
Net increase (decrease) in net assets	(164,687,963)	76,907,650
Net assets:		
Beginning of year	7,280,701,229	7,203,793,579
End of year	$7,116,013,266	$7,280,701,229
Undistributed net investment income included in net assets:		
End of year	$ 285,827,668	$ 344,943,832

Notes to Financial Statements

Franklin Income VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end management investment company, consisting of nineteen separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Income VIP Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. 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 differs by its distribution fees, voting rights on matters affecting a single class and its exchange privilege.

Effective May 1, 2014, Franklin Income Securities Fund was renamed Franklin Income VIP Fund.

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

Equity securities 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 the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close 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 non-registered money market funds are valued at the closing NAV.

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

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

Franklin Income VIP Fund (continued)

such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

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

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

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

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

c. Joint Repurchase Agreement

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

Franklin Income VIP Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Joint Repurchase Agreement *(continued)*

agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Statement of Investments, had been entered into on December 31, 2014.

d. Equity-Linked Securities

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

e. Securities Lending

The Fund participates in an agency based securities lending program. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is invested in a non-registered money fund as indicated on the Statement of Investments. The Fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

f. Senior Floating Rate Interests

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

g. Income and Deferred Taxes

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

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date. As a result of several court cases, in certain countries across the European Union, the Fund has filed additional tax reclaims for previously withheld taxes on dividends earned in those countries. These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. At this time, uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these reclaims, and the potential timing of payment, and accordingly, no amounts are reflected in the financial statements.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of December 31, 2014, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial

Franklin Income VIP Fund (continued)

statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

h. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Facility fees are recognized as income over the expected term of the loan. Dividend income is recorded on the ex-dividend date except for certain foreign 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 and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis 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. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

i. Accounting Estimates

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

j. Guarantees and Indemnifications

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

2. Shares of Beneficial Interest

At December 31, 2014, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	2,465,196	$ 42,146,383	4,144,696	$ 65,962,113
Shares issued in reinvestment of distributions	2,182,489	37,211,436	2,620,449	40,171,484
Shares redeemed	(3,341,982)	(56,199,803)	(2,480,546)	(39,600,429)
Net increase (decrease)	1,305,703	$ 23,158,016	4,284,599	$ 66,533,168

Franklin Income VIP Fund (continued)

2. Shares of Beneficial Interest (continued)

	Year Ended December 31,			
	2014		2013	
	Shares	Amount	Shares	Amount
Class 2 Shares:				
Shares sold	37,540,981	$ 619,277,066	35,402,352	$ 551,266,014
Shares issued in reinvestment of distributions	18,973,465	314,580,044	26,915,974	401,855,498
Shares redeemed	(65,224,564)	(1,071,289,945)	(87,475,715)	(1,350,953,003)
Net increase (decrease)	(8,710,118)	$ (137,432,835)	(25,157,389)	$ (397,831,491)
Class 4 Shares:				
Shares sold	3,949,673	$ 66,366,931	3,337,474	$ 52,791,548
Shares issued on reinvestment of distributions	1,137,629	19,237,312	1,839,503	27,978,841
Shares redeemed	(6,186,364)	(104,243,500)	(9,346,237)	(145,897,665)
Net increase (decrease)	(1,099,062)	$ (18,639,257)	(4,169,260)	$ (65,127,276)

3. Transactions With Affiliates

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

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

a. Management Fees

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

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

Under a subadvisory agreement, TIC, an affiliate of Advisers, provides subadvisory services to the Fund. The subadvisory fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund. Effective February 1, 2014, the subadvisory agreement was terminated.

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.

Franklin Income VIP Fund (continued)

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. Some distribution fees are not charged on shares held by affiliates. 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.

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, 2014, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

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

At December 31, 2014, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2016	$ 50,251,090
2017	521,405,875
2018	157,561,044
Total capital loss carryforwards	$729,218,009

During the year ended December 31, 2014, the Fund utilized $314,699,036 of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Distributions paid from ordinary income	$371,028,792	$470,005,823

At December 31, 2014, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	$6,369,540,133
Unrealized appreciation	$1,072,574,189
Unrealized depreciation	(518,006,279)
Net unrealized appreciation (depreciation)	$ 554,567,910
Distributable earnings - undistributed ordinary income	$ 293,094,579

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

Franklin Income VIP Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2014, aggregated $1,735,401,572 and $2,203,659,865, respectively.

7. Credit Risk

At December 31, 2014, the Fund had 32.50% of its portfolio invested in high yield, senior secured floating rate notes, or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Restricted Securities

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. 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, 2014, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Date	Cost	Value
4,929,600	First Data Holdings Inc., B (Value is 0.29% of Net Assets)	6/26/14	$19,718,400	$20,984,469

9. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $1.5 billion (Global Credit Facility) which matured on February 13, 2015. 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. The Borrowers expect to renew the Global Credit Facility for a total of $2 billion effective February 13, 2015, which matures on February 12, 2016.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended December 31, 2014, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

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

Franklin Income VIP Fund (continued)

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

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

A summary of inputs used as of December 31, 2014, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Energy	$ 550,370,946	$ 13,627,360	$ 3,258,750	$ 567,257,056
Financials	371,856,395	5,818,750	—	377,675,145
Industrials	310,094,785	—	21,882,450	331,977,235
Information Technology	221,327,193	—	20,984,469	242,311,662
All Other Equity Investments[b]	2,312,170,239	—	—	2,312,170,239
Equity-Linked Securities	—	190,844,958	—	190,844,958
Convertible Bonds	—	61,809,411	—	61,809,411
Corporate Bonds	—	2,285,564,470	—	2,285,564,470
Senior Floating Rate Interests	—	168,489,825	—	168,489,825
Escrows and Litigation Trusts	—	—	14,000[c]	14,000
Short Term Investments	50,000,000	335,994,042	—	385,994,042
Total Investments in Securities	$3,815,819,558	$3,062,148,816	$46,139,669	$6,924,108,043

[a]Includes common, preferred, and convertible preferred stocks as well as other equity investments.
[b]For detailed categories, see the accompanying Statement of Investments.
[c]Includes securities determined to have no value at December 31, 2014.

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

11. New Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-11, Transfers and Servicing (Topic 860), Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The ASU changes the accounting for certain repurchase agreements and expands disclosure requirements related to repurchase agreements, securities lending, repurchase-to-maturity and similar transactions. The ASU is effective for interim and annual reporting periods beginning after December 15, 2014. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

Franklin Income VIP Fund (continued)

Abbreviations

Currency		Selected Portfolio	
EUR	Euro	**ADR**	American Depositary Receipt
		FHLB	Federal Home Loan Bank
		FHLMC	Federal Home Loan Mortgage Corp.
		FNMA	Federal National Mortgage Association
		FRN	Floating Rate Note
		L/C	Letter of Credit
		MTN	Medium Term Note
		PIK	Payment-In-Kind

Report of Independent Registered Public Accounting Firm

Franklin Income VIP Fund

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

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Income VIP Fund (the "Fund") at December 31, 2014, 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 then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2014 by correspondence with the custodian and brokers, provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California
February 13, 2015

Tax Information (unaudited)

Franklin Income VIP Fund

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 28.06% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2014.

Index Descriptions

The indexes are unmanaged and include reinvested distributions.

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

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

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

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

Bloomberg Commodity Index consists of exchanged-traded futures on physical commodities weighted to account for economic significance and market liquidity. Prior to 7/1/14, the index was known as the Dow Jones-UBS Commodity Index.

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

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

Credit Suisse (CS) High Yield Index is designed to mirror the investable universe of the U.S. dollar-denominated high yield debt market.

Dow Jones Industrial Average is a price-weighted average of blue-chip stocks that are generally the leaders in their industry.

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

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

Lipper Multi-Sector Income Funds Classification Average is calculated by averaging the total returns of all funds within the Lipper Multi-Sector Income Funds classification in the Lipper Open-End underlying funds universe. Lipper Multi-Sector Income Funds are defined as funds that seek current income by allocating assets among different fixed income securities sectors (not primarily in one sector except for defensive purposes), including U.S. and foreign governments, with a significant portion rated below investment grade. For the 12-month period ended 12/31/14, there were 246 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP Equity Income Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper Equity Income Funds classification in the Lipper VIP underlying funds universe. Lipper Equity Income Funds seek relatively high current income and growth of income through investing 60% or more of their portfolios in equities. For the 12-month period ended 12/31/14, there were 64 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP General U.S. Government Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper General U.S. Government Funds classification in the Lipper VIP underlying funds universe. Lipper General U.S. Government Funds invest primarily in U.S. government and agency issues. For the 12-month period ended 12/31/14, there were 50 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

Lipper VIP High Yield Funds Classification Average is an equally weighted average calculation of performance figures for all funds within the Lipper High Yield Funds Classification in the Lipper VIP underlying funds universe. Lipper High Yield Funds aim at high (relative) current yield from fixed income securities, have no quality or maturity restrictions, and tend to invest in lower grade debt issues. For the 12-month period

ended 12/31/14, there were 112 funds in this category. Lipper calculations do not include contract fees, expenses or sales charges, and may have been different if such charges had been considered.

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

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

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

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

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

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

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

Russell 2500™ Value Index is market capitalization weighted and measures performance of those Russell 2500 ™ Index companies with lower price-to-book ratios and lower forecasted growth values.

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

Russell 3000® Index is market capitalization weighted and measures performance of the largest U.S. companies based on total market capitalization and represents the majority of the investable U.S. equity market.

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

Russell Midcap® Index is market capitalization weighted and measures performance of the smallest companies in the Russell 1000® Index, which 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.

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

Board Members and Officers

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

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	137	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).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since October 2014	111	Avis Budget Group Inc. (car rental), Omnicom Group Inc. (advertising and marketing communications services) and H.J. Heinz Company (processed foods and allied products) (1998-2006).
Principal Occupation During at Least the Past 5 Years: Founding Partner and Senior Managing Director, Strategic Investment Group (investment management group) (1987-present); director of various companies; and **formerly**, Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				
Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	111	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
Principal Occupation During at Least the Past 5 Years: Private investor; and **formerly**, Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012-2014); Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).				
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products) (1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
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).				

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
J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	137	Boeing Capital Corporation (aircraft financing) (2006-2013).
Principal Occupation During at Least the Past 5 Years: Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (aerospace company); and **formerly**, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).				
Frank A. Olson (1932) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2005	137	Hess Corporation (exploration and refining of oil and gas) (1998-2013).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and **formerly**, Chairman of the Board, The Hertz Corporation (car rental) (1980-2000) and Chief Executive Officer (1977-1999); and Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (June-December 1987).				
Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	137	Cbeyond, Inc. (business communications provider) (2010-2012), The Southern Company (energy company) (December 2014; previously 2010-2012) and Graham Holdings Company (education and media organization) (2011-present).
Principal Occupation During at Least the Past 5 Years: Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-present); and **formerly**, John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); 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).				
John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2007 and Lead Independent Trustee since 2008	111	None
Principal Occupation During at Least the Past 5 Years: President, Staples Europe (office supplies) (2012-present); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and **formerly**, Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).				

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson (1961)** One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	147	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Vice Chairman, Investment Company Institute.				
****Rupert H. Johnson, Jr. (1940)** One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1988	137	None
Principal Occupation During at Least the Past 5 Years: Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly**, Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).				

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	Since 2009	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and Franklin Alternative Strategies Advisers, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; Chief Compliance Officer, Franklin Alternative Strategies Advisers, LLC; Vice President, Franklin Templeton Companies, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Edward B. Jamieson (1948) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since 2010	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly**, Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				

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

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

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

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

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

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) 321-8563 or their insurance companies to request the SAI.

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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 Statement of Investments

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

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FRANKLIN TEMPLETON
INVESTMENTS

Annual Report
Franklin Templeton
Variable Insurance Products Trust

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

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin Templeton Distributors, Inc.

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

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

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

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