

ANNUAL REPORT

FRANKLIN SMALL CAP VALUE VIP FUND

A Series of Franklin Templeton Variable Insurance
Products Trust

December 31, 2023



FRANKLIN
TEMPLETON

The Securities and Exchange Commission has adopted new regulations that will result in changes to the design and delivery of annual and semiannual shareholder reports beginning in July 2024.

If you have previously elected to receive shareholder reports electronically, you will continue to do so and need not take any action.

Otherwise, paper copies of the Fund's shareholder reports will be mailed to you beginning in July 2024. If you would like to receive shareholder reports and other communications from the Fund electronically instead of by mail, you may make that request at any time by contacting your insurance company or your financial intermediary (such as a broker-dealer or bank).

Not FDIC Insured | May Lose Value | No Bank Guarantee

Contents

Fund Overview	2
Performance Summary.....	5
Your Fund's Expenses.....	8
Financial Highlights and Schedule of Investments	9
Financial Statements	16
Notes to Financial Statements.....	19
Report of Independent Registered Public Accounting Firm	26
Tax Information	27
Board Members and Officers.....	28
Shareholder Information	32

Franklin Small Cap Value VIP Fund

This annual report for Franklin Small Cap Value VIP Fund covers the fiscal year ended December 31, 2023. The Fund closed to new insurance company subaccounts on June 20, 2021. Existing insurance company subaccounts who had an open and funded account on June 20, 2021, can continue to make additional purchases.

Fund Overview

Q. What is the Fund's investment strategy?

A. The Fund seeks long-term total return. Our strategy is to invest in small-capitalization companies that we believe are undervalued at the time of purchase and have the potential for capital appreciation. A stock is undervalued when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price. The Fund also may invest in real estate investment trusts (REITs).

Q. What were the overall market conditions during the Fund's reporting period?

A. Over the 12-month period, small-cap value stocks struggled versus their large- and mid-cap counterparts against a backdrop of rising inflation, significant interest rate hikes, strong consumer spending and periodic economic shocks.

Substantial inflationary pressure affected much of the 12-month reporting period, as consumers spent higher wages and pandemic-era savings on goods and services. The U.S. Federal Reserve (Fed) hiked interest rates at a steady clip throughout much of the year in an effort to rein in spending. Investor concerns over the rate hikes' effects on economic growth periodically affected market sentiment. In March, markets were roiled by instability within the banking sector, as rising rates and falling deposit levels affected the health of some institutions. A lack of banking sector contagion, continued positive economic data and strong corporate earnings led to a sanguine period for markets in early- and mid-summer 2023, until volatility reentered the picture in August.

Near the end of the period, inflation eased from its highs. An employed consumer currently continues to spend, but pandemic-era consumer savings reserves are steadily dwindling, and measures of credit utilization are climbing,

potentially setting the stage for future financial stress.

In August, Fed Chairman Jerome Powell said that rate decisions would be made on a meeting-by-meeting basis, acknowledging the strength yet uncertainty present in the economy. The Fed paused rate hikes at their three subsequent meetings, holding rates steady through the end of the period. Investors are looking for continued signs of a soft landing balanced with the reality that interest rates may be higher for longer than originally anticipated.

When measured relative to large-cap companies, profitable small-cap companies are still trading near their lowest valuations in 20 years. We think this reflects concerns over stubbornly high interest rates and the potential ongoing impact on economic growth.

Q. How did we respond to these changing market conditions?

A. Over the last year, we have been positioning the portfolio in response to wide share price dispersion by incrementally purchasing shares in companies that are trading at our assessment of depressed levels that could materially benefit from future developments including improved growth prospects, stable to lower interest rates, reduced input costs or increased labor availability. Conversely, we are also aware conditions could deteriorate even further. Given this environment, we are being mindful of position sizes for these types of companies until things become clearer.

In the near term, we expect market activity and volatility levels to be influenced by developments around geopolitical events, inflation concerns and central bank activity. Regardless of these factors, we remain focused on identifying opportunities to improve the quality of our positions at relatively attractive valuations. We will continue to follow our process of targeting historically successful companies with understandable business models, good corporate governance and low debt, that we view as temporarily trading at depressed levels, relative to future earnings potential. We believe this investment approach constitutes our competitive advantage and may provide meaningful upside potential and possible downside risk management during turbulent periods.

Portfolio Composition

12/31/23

	% of Total Net Assets
Banks	17.6%
Insurance	6.2%
Chemicals	5.4%
Hotels, Restaurants & Leisure	4.9%
Trading Companies & Distributors	4.7%
Electronic Equipment, Instruments & Components	4.6%
Building Products	4.2%
Oil, Gas & Consumable Fuels	4.1%
Aerospace & Defense	3.8%
Software	3.7%
Automobile Components	3.6%
Health Care Equipment & Supplies	3.4%
Machinery	3.3%
Food Products	3.1%
Other*	25.3%
Short-Term Investments & Other Net Assets	2.1%

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

Performance Overview

You can find the Fund's one-year total return for all share classes in the Performance Summary. In comparison, the Fund's benchmark, the Russell 2000® Value Index, posted a +14.65% total return for the same period.¹ Please note the Fund employs a bottom-up stock selection process, and the managers invest in securities without regard to benchmark comparisons.

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. Inception date of the Fund may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

Q. What were the leading contributors to performance?

A. Onto Innovation is a provider of metrology and inspection tools for the semiconductor industry. The shares contributed to results in 2023 as Onto is expected to be a prime beneficiary of semiconductor equipment spending leveraged

towards the next generation of chip architecture. Further, the end markets targeted by the company are expected to grow faster than the overall spending on wafer fab equipment. TechnipFMC, an oilfield equipment and services company, contributed to relative performance, driven by better-than-expected quarterly results, an increase in oil prices, continued strength in offshore order inflow, and visibility on an improving industry order pipeline. Additionally, TechnipFMC restarted its quarterly dividend and expanded its share repurchase program. Shares of UFP Industries outperformed. Despite headwinds from lumber price deflation, the company has posted several consecutive quarters of double-digit EBITDA margins and management reiterated their confidence in maintaining the margin above 10% in the future. UFP has historically not purchased large amounts of its own stock, but as cash on the balance sheet continues to grow, the company has become more active.

Q. What were the leading detractors from performance?

A. Envista, a manufacturer of dental products, detracted as financial results came in weaker than expectations. This was due to weak demand for dental procedures, softer sales of big-ticket imaging capital equipment and issues with management execution. Overall, we believe the company is transforming its portfolio towards higher-growth, higher-margin products, while remaining focused on continuously improving its operating performance. The Hanover Group, a property and casualty (P&C) insurer, declined as results were negatively impacted by both significantly elevated natural catastrophe losses and the impact of rising inflationary trends on loss costs. While rising loss severity trends driven by elevated inflation have put pressure on insurance claim payouts, pricing trends have accelerated, reflecting industry discipline with rate increases expected to mitigate the impact of higher loss severity over time, resulting in improving results. U.S.-based energy producer Green Plains Energy is among the leading ethanol producers in the U.S. and is transitioning its fuel generation methodology under its Green Plains Generation 2.0 plan. A lack of investor confidence regarding the timing and magnitude of the transition benefits weighed on the stock price during the period, causing it to detract from relative results.

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

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

Important data provider notices and terms available at www.franklintempletondatasources.com.

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

Q. Were there any significant changes to the Fund during the reporting period?

A. While we did not make changes to our investment philosophy during the period, we did identify some opportunities presented by the market environment. First, our allocation to the financials sector saw a net decrease during the 12-month period, primarily due to our positions within the banking industry. After banking sector turmoil caused stock prices to fall in March, however, we began to focus our attention in this area. As valuations meaningfully improved and sentiment deteriorated, we were able to identify several quality names in the banking sector, increasing our overall exposure. In addition, we added to consumer discretionary companies during the year, particularly within the leisure products industry, where we identified quality names at depressed valuations.

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.

Top 10 Holdings

12/31/23

Company Industry	% of Total Net Assets
ACI Worldwide, Inc. <i>Software</i>	3.7%
McGrath RentCorp <i>Trading Companies & Distributors</i>	3.6%
Columbia Banking System, Inc. <i>Banks</i>	3.1%
SouthState Corp. <i>Banks</i>	3.0%
Crescent Point Energy Corp. <i>Oil, Gas & Consumable Fuels, Canada</i>	2.9%
First Interstate BancSystem, Inc. <i>Banks</i>	2.7%
UFP Industries, Inc. <i>Building Products</i>	2.5%
Knowles Corp. <i>Electronic Equipment, Instruments & Components</i>	2.5%
Hanover Insurance Group, Inc. (The) <i>Insurance</i>	2.4%
Glanbia plc <i>Food Products, Ireland</i>	2.3%

Thank you for your participation in Franklin Small Cap Value 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, 2023, 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

Performance Summary as of December 31, 2023¹

Average annual total return of each share class 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.

Average Annual Total Return	Class 1	Class 2	Class 4
1-Year	+13.02%	+12.75%	+12.67%
5-Year	+11.34%	+11.06%	+10.97%
10-Year	+7.31%	+7.04%	+6.94%

1. Gross expenses are the Fund's total annual operating expenses as of the Fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 4/30/24 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.

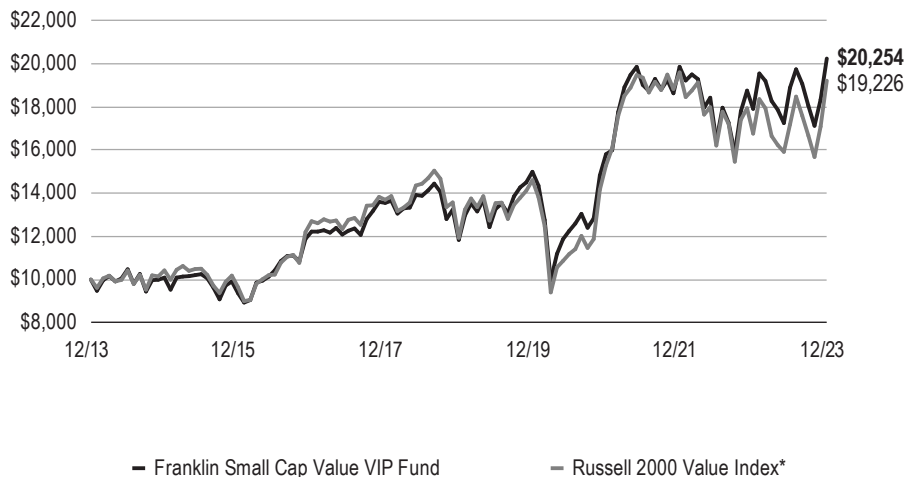
*Performance reflects the Fund's class operating expenses, but does **not** include any contract fees, expenses or sales charges. If they had been included, performance would be lower. These charges and deductions, particularly for variable life policies, can have a significant effect on contract values 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. Inception date of the Fund may have preceded the effective dates of the subaccounts, contracts or their availability in all states.

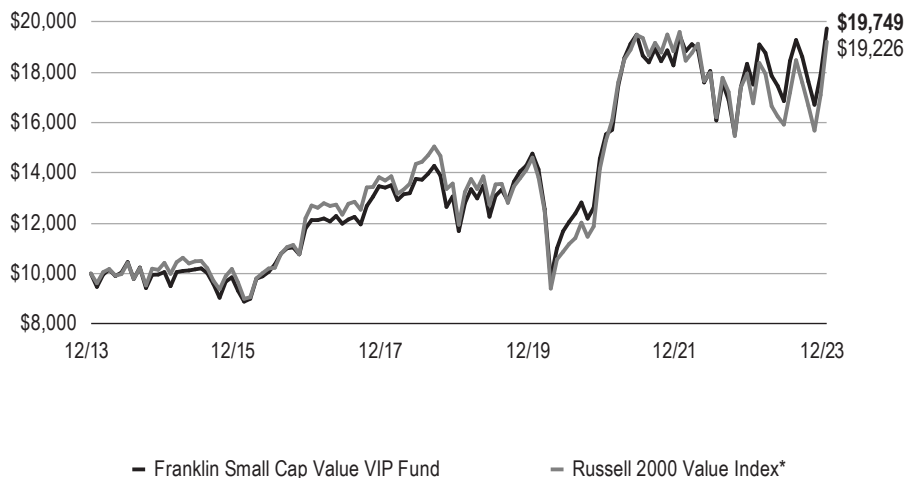
Total Return Index Comparison for a Hypothetical \$10,000 Investment (12/31/13–12/31/23)¹

The graphs below show the change in value of a hypothetical \$10,000 investment in the Fund over the indicated period and include reinvestment of any income or distributions. The Fund's performance is compared to the performance of the compared to the performance of the Russell 2000® Value Index.

Class 1 (12/31/13–12/31/23)



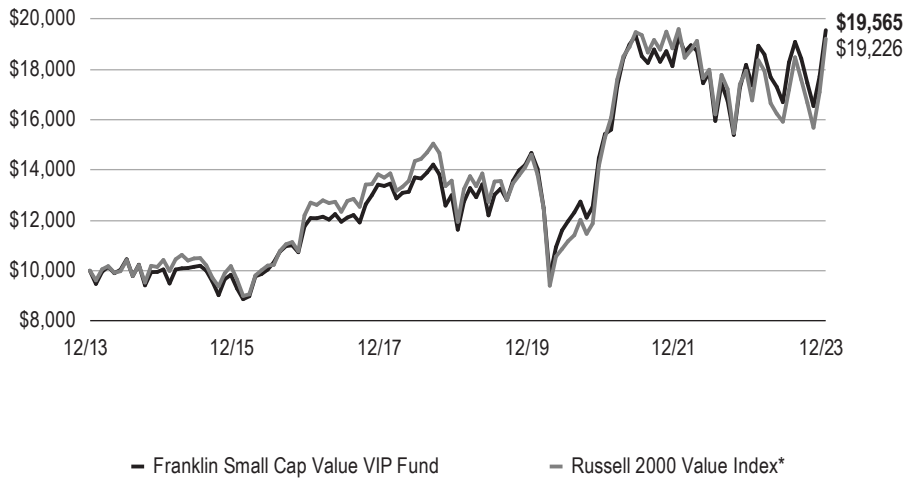
Class 2 (12/31/13–12/31/23)



*Source: FactSet

Total Return Index Comparison for a Hypothetical \$10,000 Investment (12/31/13–12/31/23)¹(continued)

Class 4 (12/31/13–12/31/23)



Fund Risks

Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance.

All investments involve risks, including possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. These and other risks are discussed in the Fund’s prospectus.

Your Fund's Expenses

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

Actual Fund Expenses

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

Hypothetical Example for Comparison with Other Mutual Funds

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

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

Share Class	Beginning Account Value 7/1/23	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 12/31/23	Fund-Level Expenses Paid During Period 7/1/23–12/31/23 ^{1,2}	Ending Account Value 12/31/23	Fund-Level Expenses Paid During Period 7/1/23–12/31/23 ^{1,2}	
1	\$1,000	\$1,071.90	\$3.40	\$1,021.93	\$3.31	0.65%
2	\$1,000	\$1,070.20	\$4.70	\$1,020.67	\$4.59	0.90%
4	\$1,000	\$1,070.20	\$5.22	\$1,020.16	\$5.10	1.00%

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

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Financial Highlights

Franklin Small Cap Value VIP Fund

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Class 1					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$13.32	\$18.43	\$15.20	\$15.73	\$15.14
Income from investment operations ^a :					
Net investment income ^b	0.17	0.12	0.19	0.20	0.24 ^c
Net realized and unrealized gains (losses)	1.50	(2.06)	3.71	0.31	3.35
Total from investment operations	1.67	(1.94)	3.90	0.51	3.59
Less distributions from:					
Net investment income	(0.10)	(0.21)	(0.21)	(0.23)	(0.22)
Net realized gains	(0.73)	(2.96)	(0.46)	(0.81)	(2.78)
Total distributions	(0.83)	(3.17)	(0.67)	(1.04)	(3.00)
Net asset value, end of year	\$14.16	\$13.32	\$18.43	\$15.20	\$15.73
Total return ^d	13.02%	(9.82)%	25.67%	5.41%	26.72%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.66%	0.63%	0.66%	0.68%	0.67%
Expenses net of waiver and payments by affiliates	0.65% ^e	0.62% ^e	0.66% ^f	0.68% ^{e,f}	0.67% ^{e,f}
Net investment income	1.27%	0.82%	1.07%	1.54%	1.58% ^c
Supplemental data					
Net assets, end of year (000's)	\$73,984	\$66,574	\$73,715	\$50,572	\$46,980
Portfolio turnover rate	65.28%	54.83%	60.41%	69.40%	54.36%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.23%.

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

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

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

Franklin Small Cap Value VIP Fund (continued)

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Class 2					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$12.53	\$17.54	\$14.50	\$15.05	\$14.60
Income from investment operations ^a :					
Net investment income ^b	0.13	0.08	0.14	0.16	0.20 ^c
Net realized and unrealized gains (losses)	1.41	(1.97)	3.53	0.30	3.20
Total from investment operations	1.54	(1.89)	3.67	0.46	3.40
Less distributions from:					
Net investment income	(0.07)	(0.16)	(0.17)	(0.19)	(0.17)
Net realized gains	(0.73)	(2.96)	(0.46)	(0.82)	(2.78)
Total distributions	(0.80)	(3.12)	(0.63)	(1.01)	(2.95)
Net asset value, end of year	\$13.27	\$12.53	\$17.54	\$14.50	\$15.05
Total return ^d	12.75%	(10.06)%	25.37%	5.19%	26.35%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	0.91%	0.88%	0.91%	0.93%	0.92%
Expenses net of waiver and payments by affiliates	0.90% ^e	0.87% ^e	0.91% ^f	0.93% ^{e,f}	0.92% ^{e,f}
Net investment income	1.02%	0.56%	0.83%	1.28%	1.33% ^c
Supplemental data					
Net assets, end of year (000's)	\$1,000,793	\$943,928	\$1,135,623	\$1,103,373	\$1,123,093
Portfolio turnover rate	65.28%	54.83%	60.41%	69.40%	54.36%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.98%.

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

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

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

Franklin Small Cap Value VIP Fund (continued)

	Year Ended December 31,				
	2023	2022	2021	2020	2019
Class 4					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$13.07	\$18.14	\$14.99	\$15.51	\$14.96
Income from investment operations ^a :					
Net investment income ^b	0.12	0.07	0.13	0.15	0.19 ^c
Net realized and unrealized gains (losses)	1.48	(2.03)	3.64	0.32	3.30
Total from investment operations	1.60	(1.96)	3.77	0.47	3.49
Less distributions from:					
Net investment income	(0.06)	(0.15)	(0.16)	(0.18)	(0.16)
Net realized gains	(0.73)	(2.96)	(0.46)	(0.81)	(2.78)
Total distributions	(0.79)	(3.11)	(0.62)	(0.99)	(2.94)
Net asset value, end of year	\$13.88	\$13.07	\$18.14	\$14.99	\$15.51
Total return ^d	12.67%	(10.11)%	25.17%	5.13%	26.23%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.01%	0.98%	1.01%	1.03%	1.02%
Expenses net of waiver and payments by affiliates	1.00% ^e	0.97% ^e	1.01% ^f	1.03% ^{e,f}	1.02% ^{e,f}
Net investment income	0.93%	0.47%	0.73%	1.18%	1.23% ^c
Supplemental data					
Net assets, end of year (000's)	\$43,731	\$35,519	\$38,148	\$29,461	\$29,238
Portfolio turnover rate	65.28%	54.83%	60.41%	69.40%	54.36%

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

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.05 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.88%.

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

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

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

Schedule of Investments, December 31, 2023

Franklin Small Cap Value VIP Fund

	Country	Shares	Value
Common Stocks 97.8%			
Aerospace & Defense 3.8%			
Melrose Industries plc	United Kingdom	1,649,617	\$11,925,469
QinetiQ Group plc	United Kingdom	3,958,510	15,585,757
Senior plc	United Kingdom	6,448,089	14,566,221
			42,077,447
Automobile Components 3.6%			
^a Adient plc	United States	573,508	20,852,751
^a Atmus Filtration Technologies, Inc.	United States	465,045	10,923,907
LCI Industries	United States	67,311	8,461,666
			40,238,324
Banks 17.6%			
Atlantic Union Bankshares Corp.	United States	146,980	5,370,649
Camden National Corp.	United States	236,912	8,914,999
Columbia Banking System, Inc.	United States	1,299,207	34,662,843
First Bancorp	United States	256,248	9,483,739
First Commonwealth Financial Corp.	United States	497,506	7,681,493
First Interstate BancSystem, Inc., A.	United States	993,208	30,541,146
German American Bancorp, Inc.	United States	251,362	8,146,642
Peoples Bancorp, Inc.	United States	336,973	11,376,208
Seacoast Banking Corp. of Florida	United States	440,420	12,534,353
SouthState Corp.	United States	393,833	33,259,197
TriCo Bancshares	United States	267,955	11,514,026
WSFS Financial Corp.	United States	512,508	23,539,492
			197,024,787
Building Products 4.2%			
Insteel Industries, Inc.	United States	115,153	4,409,208
^a Masonite International Corp.	United States	66,398	5,621,255
UFP Industries, Inc.	United States	225,849	28,355,342
Zurn Elkay Water Solutions Corp.	United States	284,135	8,356,410
			46,742,215
Capital Markets 0.9%			
Piper Sandler Cos.	United States	55,002	9,618,200
Chemicals 5.4%			
Ashland, Inc.	United States	66,031	5,567,074
Avient Corp.	United States	444,208	18,465,727
^a Elementis plc	United Kingdom	10,185,228	16,560,274
Olin Corp.	United States	75,554	4,076,138
Tronox Holdings plc	United States	1,093,490	15,483,818
			60,153,031
Commercial Services & Supplies 1.0%			
HNI Corp.	United States	207,352	8,673,534
Vestis Corp.	United States	141,485	2,990,993
			11,664,527
Communications Equipment 0.7%			
^a Clearfield, Inc.	United States	259,093	7,534,424
Construction & Engineering 2.8%			
Primoris Services Corp.	United States	434,367	14,425,328
Stantec, Inc.	Canada	34,606	2,778,405
^a WillScot Mobile Mini Holdings Corp.	United States	325,490	14,484,305
			31,688,038

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Construction Materials 0.1%			
^a Summit Materials, Inc., A.	United States	31,476	\$1,210,567
Consumer Finance 0.0%[†]			
Bread Financial Holdings, Inc.	United States	15,799	520,419
Diversified REITs 1.0%			
Alexander & Baldwin, Inc.	United States	579,394	11,020,074
Electric Utilities 0.5%			
IDACORP, Inc.	United States	52,964	5,207,420
Electrical Equipment 2.2%			
Regal Rexnord Corp.	United States	163,045	24,133,921
Electronic Equipment, Instruments & Components 4.6%			
Benchmark Electronics, Inc.	United States	414,754	11,463,801
^a Coherent Corp.	United States	277,770	12,091,328
CTS Corp.	United States	12,208	533,978
^a Knowles Corp.	United States	1,557,918	27,902,311
			51,991,418
Energy Equipment & Services 1.0%			
TechnipFMC plc	United Kingdom	556,497	11,207,850
Food Products 3.1%			
Glanbia plc	Ireland	1,567,309	25,844,382
Maple Leaf Foods, Inc.	Canada	433,329	8,254,509
			34,098,891
Health Care Equipment & Supplies 3.4%			
^a Envista Holdings Corp.	United States	853,710	20,540,263
^a Integer Holdings Corp.	United States	175,041	17,343,062
			37,883,325
Hotel & Resort REITs 1.3%			
Sunstone Hotel Investors, Inc.	United States	1,381,590	14,824,461
Hotels, Restaurants & Leisure 4.9%			
Boyd Gaming Corp.	United States	120,483	7,543,441
^a Brinker International, Inc.	United States	269,534	11,638,478
Dalata Hotel Group plc	Ireland	1,818,528	9,276,205
^a Hilton Grand Vacations, Inc.	United States	542,005	21,777,761
Jack in the Box, Inc.	United States	53,291	4,350,144
			54,586,029
Household Durables 1.6%			
Century Communities, Inc.	United States	36,343	3,312,301
^a M/I Homes, Inc.	United States	50,385	6,940,030
Meritage Homes Corp.	United States	25,572	4,454,642
^a Taylor Morrison Home Corp., A	United States	66,493	3,547,402
			18,254,375
Industrial REITs 0.1%			
STAG Industrial, Inc.	United States	27,733	1,088,798
Insurance 6.2%			
CNO Financial Group, Inc.	United States	771,755	21,531,965
Hanover Insurance Group, Inc. (The).	United States	222,060	26,962,525

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Insurance (continued)			
Horace Mann Educators Corp.	United States	632,007	\$20,666,629
			69,161,119
Leisure Products 2.4%			
Brunswick Corp.	United States	110,703	10,710,515
^a Mattel, Inc.	United States	873,297	16,487,848
			27,198,363
Machinery 3.3%			
Columbus McKinnon Corp.	United States	430,640	16,803,573
Mueller Water Products, Inc., A	United States	1,332,612	19,189,613
Timken Co. (The)	United States	6,663	534,039
			36,527,225
Metals & Mining 1.2%			
Commercial Metals Co.	United States	98,238	4,915,829
Ryerson Holding Corp.	United States	254,698	8,832,927
			13,748,756
Multi-Utilities 0.3%			
Black Hills Corp.	United States	61,365	3,310,642
Office REITs 1.6%			
Highwoods Properties, Inc.	United States	795,445	18,263,417
Oil, Gas & Consumable Fuels 4.1%			
Crescent Point Energy Corp.	Canada	4,626,993	32,092,125
^a Green Plains, Inc.	United States	564,536	14,237,598
			46,329,723
Paper & Forest Products 1.3%			
Louisiana-Pacific Corp.	United States	201,568	14,277,061
Professional Services 1.2%			
ICF International, Inc.	United States	4,638	621,910
Kforce, Inc.	United States	183,106	12,370,641
			12,992,551
Real Estate Management & Development 0.5%			
Colliers International Group, Inc.	Canada	39,952	5,054,727
Semiconductors & Semiconductor Equipment 2.2%			
^a Cohu, Inc.	United States	453,553	16,051,240
^a Onto Innovation, Inc.	United States	58,913	9,007,798
			25,059,038
Software 3.7%			
^a ACI Worldwide, Inc.	United States	1,360,844	41,641,826
Specialty Retail 0.2%			
Group 1 Automotive, Inc.	United States	6,189	1,886,036
Textiles, Apparel & Luxury Goods 1.1%			
Dr. Martens plc	United Kingdom	4,872,579	5,489,866
PVH Corp.	United States	59,845	7,308,271
			12,798,137
Trading Companies & Distributors 4.7%			
Herc Holdings, Inc.	United States	80,133	11,931,002

Franklin Small Cap Value VIP Fund (continued)

	Country	Shares	Value
Common Stocks (continued)			
Trading Companies & Distributors (continued)			
McGrath RentCorp	United States	340,929	\$40,781,927
			52,712,929
Total Common Stocks (Cost \$900,515,361)			1,093,730,091
 Short Term Investments 2.1%			
	Country	Shares	Value
Money Market Funds 2.1%			
^{b,c} Institutional Fiduciary Trust - Money Market Portfolio, 5.034%	United States	23,892,595	23,892,595
Total Money Market Funds (Cost \$23,892,595)			23,892,595
Total Short Term Investments (Cost \$23,892,595)			23,892,595
Total Investments (Cost \$924,407,956) 99.9%			\$1,117,622,686
Other Assets, less Liabilities 0.1%			885,173
Net Assets 100.0%			\$1,118,507,859

See Abbreviations on Page 25.

¹Rounds to less than 0.1% of net assets.

^aNon-income producing.

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

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

Statement of Assets and Liabilities

December 31, 2023

	Franklin Small Cap Value VIP Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$900,515,361
Cost - Non-controlled affiliates (Note 3e)	23,892,595
Value - Unaffiliated issuers	\$1,093,730,091
Value - Non-controlled affiliates (Note 3e)	23,892,595
Cash	201,237
Receivables:	
Capital shares sold	1,070,502
Dividends	1,077,315
Total assets	<u>1,119,971,740</u>
Liabilities:	
Payables:	
Capital shares redeemed	581,157
Management fees	587,206
Distribution fees	218,760
Trustees' fees and expenses	1,210
Accrued expenses and other liabilities	75,548
Total liabilities	<u>1,463,881</u>
Net assets, at value	<u>\$1,118,507,859</u>
Net assets consist of:	
Paid-in capital	\$895,142,099
Total distributable earnings (losses)	223,365,760
Net assets, at value	<u>\$1,118,507,859</u>
	Franklin Small Cap Value VIP Fund
Class 1:	
Net assets, at value	\$73,983,804
Shares outstanding	5,223,314
Net asset value and maximum offering price per share	<u>\$14.16</u>
Class 2:	
Net assets, at value	\$1,000,793,002
Shares outstanding	75,389,884
Net asset value and maximum offering price per share	<u>\$13.27</u>
Class 4:	
Net assets, at value	\$43,731,053
Shares outstanding	3,151,286
Net asset value and maximum offering price per share	<u>\$13.88</u>

Statement of Operations

for the year ended December 31, 2023

**Franklin Small
Cap Value VIP
Fund**

Investment income:	
Dividends: (net of foreign taxes of \$332,541)	
Unaffiliated issuers	\$18,877,195
Non-controlled affiliates (Note 3e)	1,283,360
Total investment income	<u>20,160,555</u>
Expenses:	
Management fees (Note 3a)	6,782,527
Distribution fees: (Note 3c)	
Class 2	2,362,423
Class 4	133,963
Custodian fees (Note 4)	10,810
Reports to shareholders fees	49,387
Professional fees	55,235
Trustees' fees and expenses	13,570
Other	8,214
Total expenses	<u>9,416,129</u>
Expense reductions (Note 4)	(1,201)
Expenses waived/paid by affiliates (Note 3e)	<u>(97,884)</u>
Net expenses	<u>9,317,044</u>
Net investment income	<u>10,843,511</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	24,541,461
Foreign currency transactions	70,321
Net realized gain (loss)	<u>24,611,782</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	92,577,206
Translation of other assets and liabilities denominated in foreign currencies	4,208
Net change in unrealized appreciation (depreciation)	<u>92,581,414</u>
Net realized and unrealized gain (loss)	<u>117,193,196</u>
Net increase (decrease) in net assets resulting from operations	<u>\$128,036,707</u>

Statements of Changes in Net Assets

	Franklin Small Cap Value VIP Fund	
	Year Ended December 31, 2023	Year Ended December 31, 2022
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$10,843,511	\$6,261,371
Net realized gain (loss)	24,611,782	60,690,650
Net change in unrealized appreciation (depreciation)	92,581,414	(191,281,353)
Net increase (decrease) in net assets resulting from operations	128,036,707	(124,329,332)
Distributions to shareholders:		
Class 1	(4,074,896)	(12,921,313)
Class 2	(58,616,647)	(192,841,212)
Class 4	(2,235,401)	(6,602,855)
Total distributions to shareholders	(64,926,944)	(212,365,380)
Capital share transactions: (Note 2)		
Class 1	2,864,920	13,087,805
Class 2	952,519	114,308,909
Class 4	5,558,902	7,833,350
Total capital share transactions	9,376,341	135,230,064
Net increase (decrease) in net assets	72,486,104	(201,464,648)
Net assets:		
Beginning of year	1,046,021,755	1,247,486,403
End of year	\$1,118,507,859	\$1,046,021,755

Notes to Financial Statements

Franklin Small Cap Value VIP Fund

1. Organization and Significant Accounting Policies

Franklin Templeton Variable Insurance Products Trust (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eighteen separate funds. The Trust follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, Financial Services – Investment Companies (ASC 946) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. Franklin Small Cap Value VIP Fund (Fund) is included in this report. Shares of the Fund are generally sold only to insurance company separate accounts to fund the benefits of variable life insurance policies or variable annuity contracts. The Fund offers three classes of shares: Class 1, Class 2 and Class 4. Each class of shares may differ by its distribution fees, voting rights on matters affecting a single class and its exchange privilege. The Fund was closed to new insurance company subaccounts effective June 20, 2021.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively.

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

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

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 31, 2023, certain securities may have been fair valued using these procedures, in which case the securities

Franklin Small Cap Value VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

were categorized as Level 2 within the fair value hierarchy (referred to as “market level fair value”). See the Fair Value Measurements note for more information.

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

b. Foreign Currency Translation

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

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

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains

and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2023, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

d. 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. Dividend income and capital gain distributions are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may

Franklin Small Cap Value VIP Fund (continued)

1. Organization and Significant Accounting Policies

(continued)

d. Security Transactions, Investment Income, Expenses and Distributions (continued)

differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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

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

e. 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.

f. 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, 2023, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended December 31, 2023		Year Ended December 31, 2022	
	Shares	Amount	Shares	Amount
Class 1 Shares:				
Shares sold	597,992	\$7,944,527	559,337	\$8,439,708
Shares issued in reinvestment of distributions	309,878	4,074,896	986,475	12,607,150
Shares redeemed	(683,561)	(9,154,503)	(545,857)	(7,959,053)
Net increase (decrease)	224,309	\$2,864,920	999,955	\$13,087,805
Class 2 Shares:				
Shares sold	6,867,250	\$86,520,841	6,016,538	\$85,234,670
Shares issued in reinvestment of distributions	4,750,133	58,616,647	16,016,712	192,841,212
Shares redeemed	(11,566,867)	(144,184,969)	(11,441,905)	(163,766,973)
Net increase (decrease)	50,516	\$952,519	10,591,345	\$114,308,909
Class 4 Shares:				
Shares sold	743,854	\$9,664,716	604,120	\$8,725,654
Shares issued in reinvestment of distributions	173,153	2,235,401	525,705	6,602,855
Shares redeemed	(484,119)	(6,341,215)	(513,829)	(7,495,159)
Net increase (decrease)	432,888	\$5,558,902	615,996	\$7,833,350

Franklin Small Cap Value VIP Fund (continued)

3. Transactions with Affiliates

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

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

a. Management Fees

The Fund pays an investment management fee, calculated daily and paid monthly, to Franklin Mutual based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.750%	Up to and including \$200 million
0.635%	Over \$200 million, up to and including \$700 million
0.600%	Over \$700 million, up to and including \$1.2 billion
0.575%	Over \$1.2 billion, up to and including \$1.3 billion
0.475%	In excess of \$1.3 billion

For the year ended December 31, 2023, the gross effective investment management fee rate was 0.645% of the Fund's average daily net assets.

b. Administrative Fees

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

c. Distribution Fees

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

d. Transfer Agent Fees

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

e. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a "Controlled Affiliate" of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund's outstanding shares or has the power to exercise control over management or policies of such fund. The Fund does not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Fund

Franklin Small Cap Value VIP Fund (continued)

3. Transactions with Affiliates (continued)

e. Investments in Affiliated Management Investment Companies (continued)

are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2023, the Fund held investments in affiliated management investment companies as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
Franklin Small Cap Value VIP Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 5.034%	\$42,407,898	\$260,386,417	\$(278,901,720)	\$—	\$—	\$23,892,595	23,892,595	\$1,283,360
Total Affiliated Securities . . .	\$42,407,898	\$260,386,417	\$(278,901,720)	\$—	\$—	\$23,892,595		\$1,283,360

4. Expense Offset Arrangement

The Fund has previously 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, 2023, the custodian fees were reduced as noted in the Statement of Operations. Effective July 10, 2023, earned credits, if any, will be recognized as income.

5. Income Taxes

The tax character of distributions paid during the years ended December 31, 2023 and 2022, was as follows:

	2023	2022
Distributions paid from:		
Ordinary income	\$5,609,640	\$85,205,129
Long term capital gain	59,317,304	127,160,251
	<u>\$64,926,944</u>	<u>\$212,365,380</u>

At December 31, 2023, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	<u>\$929,812,439</u>
Unrealized appreciation.	\$214,031,887
Unrealized depreciation.	(26,221,640)
Net unrealized appreciation (depreciation).	<u>\$187,810,247</u>
Distributable earnings:	
Undistributed ordinary income.	\$19,257,294
Undistributed long term capital gains.	16,298,052
Total distributable earnings	<u>\$35,555,346</u>

Franklin Small Cap Value VIP Fund (continued)

5. Income Taxes (continued)

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

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2023, aggregated \$670,735,623 and \$697,779,183, respectively.

7. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matured on February 2, 2024. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests. Effective February 2, 2024, the Borrowers renewed the Global Credit Facility for a one-year term, maturing January 31, 2025, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended December 31, 2023, the Fund did not use the Global Credit Facility.

8. Fair Value Measurements

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

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

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

A summary of inputs used as of December 31, 2023, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value VIP Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Aerospace & Defense	\$—	\$42,077,447	\$—	\$42,077,447
Automobile Components	40,238,324	—	—	40,238,324
Banks	197,024,787	—	—	197,024,787

Franklin Small Cap Value VIP Fund (continued)

8. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Franklin Small Cap Value VIP Fund (continued)				
Assets: (continued)				
Investments in Securities:				
Common Stocks:				
Building Products	\$46,742,215	\$—	\$—	\$46,742,215
Capital Markets	9,618,200	—	—	9,618,200
Chemicals	43,592,757	16,560,274	—	60,153,031
Commercial Services & Supplies	11,664,527	—	—	11,664,527
Communications Equipment	7,534,424	—	—	7,534,424
Construction & Engineering	31,688,038	—	—	31,688,038
Construction Materials	1,210,567	—	—	1,210,567
Consumer Finance	520,419	—	—	520,419
Diversified REITs	11,020,074	—	—	11,020,074
Electric Utilities	5,207,420	—	—	5,207,420
Electrical Equipment	24,133,921	—	—	24,133,921
Electronic Equipment, Instruments & Components	51,991,418	—	—	51,991,418
Energy Equipment & Services	11,207,850	—	—	11,207,850
Food Products	8,254,509	25,844,382	—	34,098,891
Health Care Equipment & Supplies	37,883,325	—	—	37,883,325
Hotel & Resort REITs	14,824,461	—	—	14,824,461
Hotels, Restaurants & Leisure	54,586,029	—	—	54,586,029
Household Durables	18,254,375	—	—	18,254,375
Industrial REITs	1,088,798	—	—	1,088,798
Insurance	69,161,119	—	—	69,161,119
Leisure Products	27,198,363	—	—	27,198,363
Machinery	36,527,225	—	—	36,527,225
Metals & Mining	13,748,756	—	—	13,748,756
Multi-Utilities	3,310,642	—	—	3,310,642
Office REITs	18,263,417	—	—	18,263,417
Oil, Gas & Consumable Fuels	46,329,723	—	—	46,329,723
Paper & Forest Products	14,277,061	—	—	14,277,061
Professional Services	12,992,551	—	—	12,992,551
Real Estate Management & Development	5,054,727	—	—	5,054,727
Semiconductors & Semiconductor Equipment	25,059,038	—	—	25,059,038
Software	41,641,826	—	—	41,641,826
Specialty Retail	1,886,036	—	—	1,886,036
Textiles, Apparel & Luxury Goods	7,308,271	5,489,866	—	12,798,137
Trading Companies & Distributors	52,712,929	—	—	52,712,929
Short Term Investments	23,892,595	—	—	23,892,595
Total Investments in Securities	<u>\$1,027,650,717</u>	<u>\$89,971,969^a</u>	<u>\$—</u>	<u>\$1,117,622,686</u>

^aIncludes foreign securities valued at \$89,971,969, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

9. Subsequent Events

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

Abbreviations

Selected Portfolio

REIT Real Estate Investment Trust

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of Franklin Small Cap Value VIP Fund (one of the funds constituting Franklin Templeton Variable Insurance Products Trust, referred to hereafter as the “Fund”) as of December 31, 2023, the related statement of operations for the year ended December 31, 2023, the statements of changes in net assets for each of the two years in the period ended December 31, 2023, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2023 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended December 31, 2023 and the financial highlights for each of the five years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2023 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
San Francisco, California
February 20, 2024

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

Tax Information (unaudited)

Franklin Small Cap Value VIP Fund

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

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

The Fund hereby reports the following amounts, or if subsequently determined to be different, the maximum allowable amounts, for the fiscal year ended December 31, 2023:

	Pursuant to:	Amount Reported
Long-Term Capital Gain Dividends Distributed	§852(b)(3)(C)	\$59,317,304
Income Eligible for Dividends Received Deduction (DRD)	§854(b)(1)(A)	\$13,212,651

Board Members and Officers

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

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member ¹	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	118	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
Terrence J. Checki (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	118	Hess Corporation (exploration of oil and gas) (2014-present).
Principal Occupation During at Least the Past 5 Years: Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the board of trustees of the Economic Club of New York (2013-present); member of the board of trustees of the Foreign Policy Association (2005-present); member of the board of directors of Council of the Americas (2007-present) and the Tallberg Foundation (2018-present); and formerly , Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).				
Mary C. Choksi (1950) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	118	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-2020).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member ¹	Other Directorships Held During at Least the Past 5 Years
Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2005 and Lead Independent Trustee since 2019	118	Hess Corporation (exploration of oil and gas) (1993-present), Santander Holdings USA (holding company) (2019-present); and formerly , Santander Consumer USA Holdings, Inc. (consumer finance) (2016-2023); Canadian National Railway (railroad) (2001-2021), White Mountains Insurance Group, Ltd. (holding company) (2004-2021), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

Principal Occupation During at Least the Past 5 Years:

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

J. Michael Luttig (1954) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	118	Boeing Capital Corporation (aircraft financing) (2006-2010).
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Principal Occupation During at Least the Past 5 Years:

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

Larry D. Thompson (1945) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	118	Graham Holdings Company (education and media organization) (2011-2021); The Southern Company (energy company) (2014-2020; previously 2010-2012) and Cbeyond, Inc. (business communications provider) (2010-2012).
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Principal Occupation During at Least the Past 5 Years:

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

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member ¹	Other Directorships Held During at Least the Past 5 Years
Valerie M. Williams (1956) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2021	109	Omnicom Group, Inc. (advertising and marketing communications services) (2016-present), DTE Energy Co. (gas and electric utility) (2018-present), Devon Energy Corporation (exploration and production of oil and gas) (2021-present); and formerly , WPX Energy, Inc. (exploration and production of oil and gas) (2018-2021).

Principal Occupation During at Least the Past 5 Years:

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

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member ¹	Other Directorships Held During at Least the Past 5 Years
Gregory E. Johnson² (1961) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2023 and Trustee since 2013	128	None

Principal Occupation During at Least the Past 5 Years:

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

Rupert H. Johnson, Jr.³ (1940) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1988	118	None
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Principal Occupation During at Least the Past 5 Years:

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

Ted P. Becker (1951) 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since June 2023	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Vice President, Global Compliance of Franklin Templeton (since 2020); Chief Compliance Officer of Franklin Templeton Fund Adviser, LLC (since 2006); Chief Compliance Officer of certain funds associated with Legg Mason & Co. or its affiliates (since 2006); **formerly**, Director of Global Compliance at Legg Mason (2006-2020); Managing Director of Compliance of Legg Mason & Co. (2005-2020).

Susan Kerr (1949) 280 Park Avenue New York, NY 10017	Vice President - AML Compliance	Since 2021	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

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

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member ¹	Other Directorships Held During at Least the Past 5 Years
Christopher Kings (1974) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer - Finance and Administration	Since January 2024	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Edward D. Perks (1970) One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer - Investment Management	Since 2018	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President and Director, Franklin Advisers, Inc.; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Vice President since 2015 and since June 2023	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton; and officer of certain funds in the Franklin Templeton/Legg Mason fund complex.				
Jeffrey W. White (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since January 2024	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Chief Financial Officer, Chief Accounting Officer & Treasurer and officer of certain funds in the Franklin Templeton/Legg Mason fund complex; and formerly , Director and Assistant Treasurer within Franklin Templeton Global Fund Tax and Fund Administration and Financial Reporting (2017-2023).				

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.

- Information is for the calendar year ended December 31, 2023, unless otherwise noted. We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton/Legg Mason fund complex. These portfolios have a common investment manager or affiliated investment managers.
- Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor.
- Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and a major shareholder of Resources, which is the parent company of the Fund's investment manager and distributor.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She served as a director of Avis Budget Group, Inc. (2007 to 2020) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

Shareholder Information

Proxy Voting Policies and Procedures

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

Quarterly Schedule of Investments

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

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

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

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



Annual Report
Franklin Small Cap Value VIP Fund

Investment Manager
Franklin Mutual Advisers, LLC

Fund Administrator
Franklin Templeton Services, LLC

Distributor
Franklin
Distributors, LLC