Franklin Income VIP Fund

Class 2

Annual Shareholder Report | December 31, 2025

This annual shareholder report contains important information about Franklin Income VIP Fund for the period January 1, 2025, to December 31, 2025.
You can find additional information about the Fund at https://www.franklintempleton.com/regulatory-fund-documents. You can also request this information by contacting us at (800) 362-6243.

This report describes changes to the Fund that occurred during the reporting period.

WHAT WERE THE FUND COSTS FOR THE LAST YEAR? (based on a hypothetical $10,000 investment)

Class Name	Costs of a $10,000 investment	Costs paid as a percentage of a $10,000 investment*
Class 2[1]	$77	0.72%

* Reflects fee waivers and/or expense reimbursements, without which expenses would have been higher.
[1] Does not reflect expenses incurred from investing through variable annuity or variable life insurance products.

HOW DID THE FUND PERFORM LAST YEAR AND WHAT AFFECTED ITS PERFORMANCE?

For the twelve months December 31, 2025, Class 2 shares of Franklin Income VIP Fund returned 12.56%. The Fund compares its performance to the Blended Benchmark†, which returned 10.07% for the same period. The Fund previously also compared its performance to the S&P 500 Index, which returned 17.88% for the same period. Effective May 1, 2025, the Fund discontinued using this benchmark.

PERFORMANCE HIGHLIGHTS

Top contributors to performance:

- ↑ The health care and financials sectors led absolute fixed income returns during the period, followed by securitized products. On an individual issuer basis, Community Health Systems, U.S. Treasuries (USTs), and Freddie Mac added value.
- ↑ Among equities, returns were driven by the information technology (IT), health care, and financials sectors. Top contributors within these respective sectors were Intel, Johnson & Johnson, and Morgan Stanley.
- ↑ Selection within health care and IT assisted relative fixed income returns, as did an underweight allocation to USTs. Equity returns benefited from selection and an overweight allocation to financials and IT, in addition to stock selection within materials.

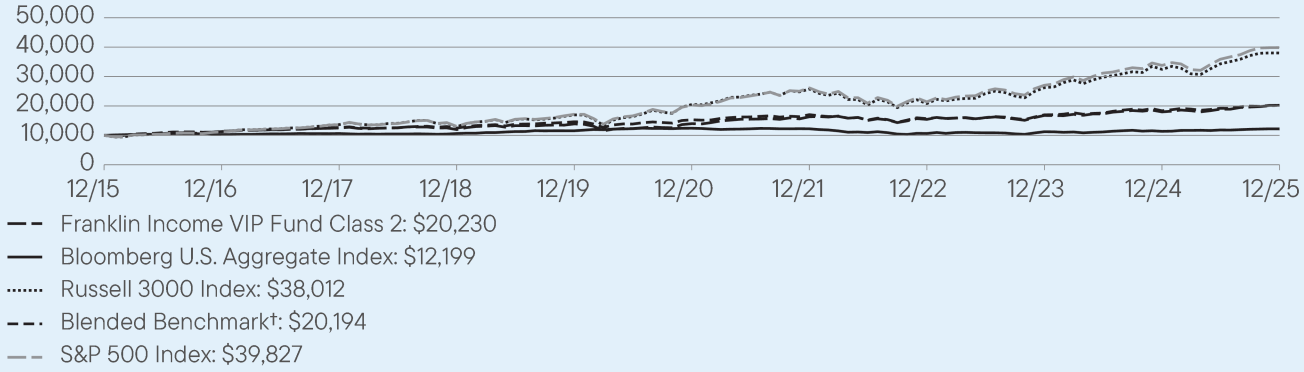
Top detractors from performance:

- ↓ Ardagh Holdings detracted from fixed income returns within the materials sector.
- ↓ Equity performance was weakened by the consumer discretionary and communication services sectors. Comcast detracted within communication services, while Procter & Gamble and UnitedHealth Group hindered returns within consumer staples and health care, respectively.
- ↓ Selection within energy and an overweight allocation to the utilities and materials sectors hurt relative fixed income returns. Moreover, underweight positioning among health care and industrials companies detracted from relative equity performance.

HOW DID THE FUND PERFORM OVER THE LAST 10 YEARS?

The Fund's past performance is not necessarily an indication of how the Fund will perform in the future. The graph and table do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or redemption of Fund shares.

VALUE OF A $10,000 INVESTMENT – CLASS 2 12/31/2015 — 12/31/2025



AVERAGE ANNUAL TOTAL RETURNS (%) Period Ended December 31, 2025

	1 Year	5 Year	10 Year
Class 2	12.56	7.66	7.30
Bloomberg U.S. Aggregate Index	7.30	-0.36	2.01
Russell 3000 Index	17.15	13.15	14.28
Blended Benchmark†	10.07	5.72	7.28
S&P 500 Index	17.88	14.43	14.82

† The Fund's Blended Benchmark is comprised of 50% MSCI USA High Dividend Yield Index, 25% Bloomberg U.S. High Yield Very Liquid Index and 25% Bloomberg U.S. Aggregate Index.

Performance does not reflect expenses incurred from investing through variable annuity or variable life insurance products, which if reflected, would reduce performance of the Fund.

Fund performance figures may reflect fee waivers and/or expense reimbursements, without which the performance would have been lower.

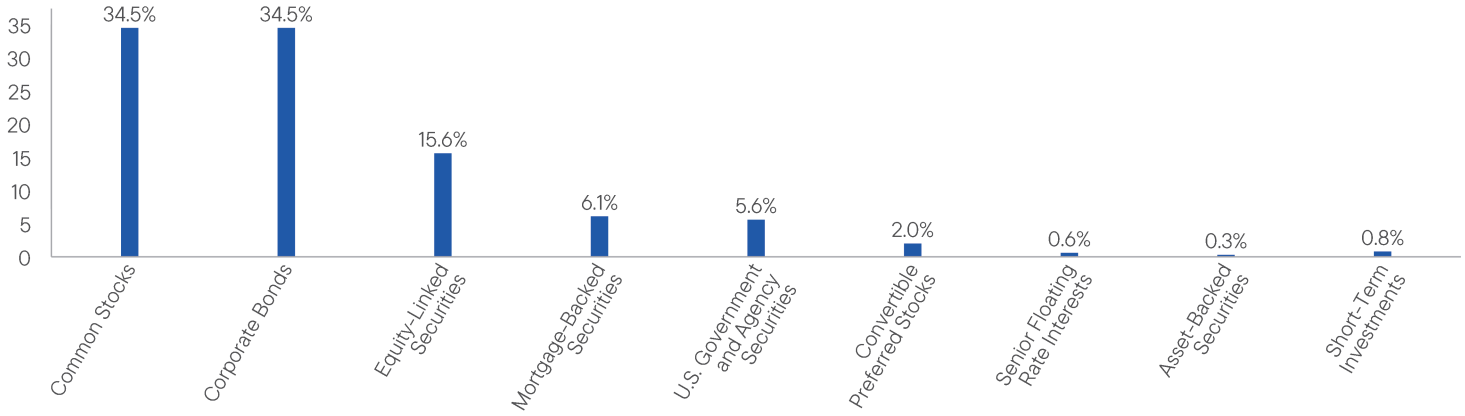
Important data provider notices and terms available at www.franklintempletondatasources.com.

KEY FUND STATISTICS (as of December 31, 2025)

Total Net Assets	$3,251,046,298
Total Number of Portfolio Holdings	286
Total Management Fee Paid	$14,383,451
Portfolio Turnover Rate	41.45%

WHAT DID THE FUND INVEST IN? (as of December 31, 2025)

Portfolio Composition* (% of Total Investments)



* Does not include derivatives, except purchased options, if any.

HOW HAS THE FUND CHANGED?

Effective May 1, 2025, the Fund's principal investment strategies changed to reflect the Fund's reduced exposure to high yield securities and foreign securities.

This is a summary of a certain change to the Fund since January 1, 2025. For more complete information, you may review the Fund's current prospectus and any applicable supplements and the Fund's next prospectus, which we expect to be available by May 1, 2026, at https://www.franklintempleton.com/regulatory-fund-documents or upon request at (800) 362-6243 or prospectus.us.franklintempleton@fisglobal.com.

WHERE CAN I FIND ADDITIONAL INFORMATION ABOUT THE FUND?

Additional information is available on https://www.franklintempleton.com/regulatory-fund-documents, including its:

• prospectus • proxy voting information • financial information • holdings • tax information