

BlackRock Variable Series Funds, Inc.

- ▶ BlackRock Capital Appreciation V.I. Fund

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The Markets in Review

Dear Shareholder,

In the 12 months ended December 31, 2018, concerns about a variety of political risks and a modest slowdown in global growth worked against the equity market despite solid corporate earnings, while rising interest rates constrained bond returns. Though the market's appetite for risk remained healthy for most of the reporting period, risk-taking declined sharply later in the reporting period. As a result, bonds held their value better than stocks, which posted negative returns across the globe. Shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Volatility rose in emerging market stocks, as the rising U.S. dollar and higher interest rates in the U.S. disrupted economic growth abroad. U.S.-China trade relations and debt concerns adversely affected the Chinese stock market, while Turkey and Argentina became embroiled in currency crises, largely due to hyperinflation in both countries. An economic slowdown in Europe also led to negative performance for European equities.

In fixed income markets, short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased. This led to a negative return for long-term U.S. Treasuries and a substantial flattening of the yield curve. Many investors are concerned with the flattening yield curve as a harbinger of recession. However, given the extraordinary monetary measures in the last decade, we believe a more accurate barometer for the economy is the returns along the risk spectrums in stock and bond markets. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds posted flat returns, and high-yield bonds declined slightly. Recent sell-offs in risk assets have flattened asset returns along the risk spectrum somewhat, which bears further scrutiny in the months ahead.

In response to rising growth and inflation, the U.S. Federal Reserve (the "Fed") increased short-term interest rates four times during the reporting period. The Fed also continued to reduce its balance sheet, gradually reversing the unprecedented stimulus measures it enacted after the financial crisis. By our estimation, the Fed's neutral interest rate, or the theoretical rate that is neither stimulative nor restrictive to the economy, is approximately 3.0%. With that perspective, the Fed's current policy is still mildly stimulative to the U.S. economy, which leaves room for further Fed rate hikes to arrive at monetary policy that is a neutral factor for economic growth.

Volatility in the U.S. equity market spiked in October, as a wide range of risks were brought to bear on markets, ranging from rising interest rates and slowing global growth to heightened trade tensions and political turmoil in several countries, including the United States. This was accompanied by a broad based risk-off in December — which was the worst December performance on record since 1931. Although fears of recession drove equity volatility higher at the end of 2018, we continue to believe the probability of recession in 2019 remains relatively low.

Economic growth and global earnings are likely to slow somewhat in 2019 — the tax cut stimulus will be less pronounced, and the Fed's rate hikes in 2018 will gain traction in 2019. Trade frictions look more baked into asset prices than a year ago, but markets may be overlooking European political risks. Consequently, we are cautious on European equities, as European unity remains tenuous with a history of flare-ups. We continue to prefer to take risk in U.S. and emerging market equities. Within U.S. equities, we believe that companies with high-quality earnings and strong balance sheets offer the most attractive risk/reward trade-off. Going into 2019, we also favor short-term bonds over long-term bonds because they offer nearly equivalent yields with far lower volatility.

In this environment, investors need to think globally, extend their scope across a broad array of asset classes, and be nimble as market conditions change. We encourage you to talk with your financial advisor and visit blackrock.com for further insight about investing in today's markets.

Sincerely,



Rob Kapito
President, BlackRock Advisors, LLC



Rob Kapito
President, BlackRock Advisors, LLC

Total Returns as of December 31, 2018

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	(6.85)%	(4.38)%
U.S. small cap equities (Russell 2000® Index)	(17.35)	(11.01)
International equities (MSCI Europe, Australasia, Far East Index)	(11.35)	(13.79)
Emerging market equities (MSCI Emerging Markets Index)	(8.48)	(14.57)
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	1.06	1.87
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	2.72	(0.03)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	1.65	0.01
Tax-exempt municipal bonds (S&P Municipal Bond Index)	1.38	1.36
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	(2.24)	(2.08)

Past performance is no guarantee of future results. Index performance is shown for illustrative purposes only. You cannot invest directly in an index.

Investment Objective

BlackRock Capital Appreciation V.I. Fund's (the "Fund") investment objective is to seek long-term growth of capital.

Portfolio Management Commentary

How did the Fund perform?

For the 12-month period ended December 31, 2018, the Fund outperformed its benchmark, the Russell 1000[®] Growth Index, and the broad market S&P 500[®] Index. The following discussion of relative performance pertains to the Russell 1000[®] Growth Index.

What factors influenced performance?

On a sector basis, the largest contributor to relative performance was consumer discretionary where internet & direct marketing retail holdings had the most positive impact. Selection within hotels, restaurants & leisure and a lack of exposure to media also added value within the sector. Health care and industrials were additional sources of strength. Within health care, equipment & supplies and life sciences tools & services holdings drove gains, while positioning to machinery and zero exposure to air freight & logistics benefited performance in industrials.

The top individual contributors were Amazon.com Inc. and Netflix Inc. Amazon outperformed as the company delivered a series of strong earnings reports, with revenue acceleration in North America, International, Prime, Amazon Web Services ("AWS") and advertising. In addition, Amazon's operating margin expansion has been notable, driven by advertising, subscription services, AWS and shipping efficiencies. The investment adviser's view remains that Amazon has many years of profitable growth ahead and, accordingly, the Fund maintains its overweight position. Netflix continued to outperform after a series of strong earnings reports. The company exceeded 23 million global net subscriber additions for 2017 and is on pace to exceed 28 million in 2018, ahead of our forecasts. Overall, the investment adviser's thesis is playing out as the mutually reinforcing growth of content and subscribers is benefiting Netflix as it gains scale. The investment adviser continues to believe the stock is far from pricing in the company's long-term growth and profitability potential.

Conversely, communication services detracted from performance with entertainment holdings hindering results. Consumer staples and materials also weighed on performance. Selection within beverages was a drag in consumer staples, while an overweight to construction materials was a weakness in materials (at period end the Fund had zero exposure to construction materials).

The top detractors over the annual period were Tencent Holdings Ltd. and Constellation Brands Inc. Tencent underperformed amid U.S./China trade tensions, weakness in the Chinese stock market, regulatory uncertainty and questions around timing of game launches and monetization. In addition, data showed a modest decline in Tencent's share of mobile user time spent. The investment adviser's view remains bullish as the company still dominates mobile time spent in China, enabling it to monetize along multiple channels, including gaming, advertising, payments and e-commerce among others. Constellation has underperformed on investor concerns over sales growth for its Mexican import beers and overall beer profit margin growth, as well over reinvestment risk in cannabis and hemp company Canopy Growth. Constellation announced a \$4 billion investment in Canopy Growth during the second quarter. The investment adviser expects Constellation's core fundamentals to stay on track, including high single digit volume growth for beer and continued beer margin expansion and are positive on the Canopy investment.

Describe recent portfolio activity.

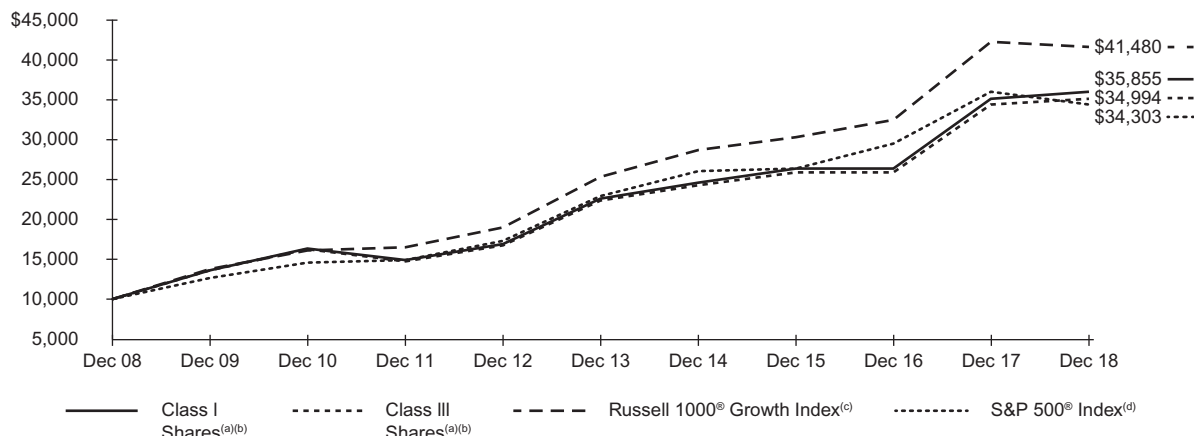
Due to a combination of portfolio trading activity, market movement and sector reclassifications during the 12-month period, the portfolio's weighting in the communication services sector increased, particularly within entertainment and interactive media & services. Health care exposure also increased, namely within equipment & supplies and pharmaceuticals. Exposure to information technology decreased, largely with respect to internet software & services. Consumer discretionary exposure, namely within specialty retail, declined as well.

Describe portfolio positioning at period end.

As of period end, the Fund's largest overweight relative to the Russell 1000[®] Growth Index was the health care sector, followed by communication services. Industrials was the largest sector underweight, followed by consumer staples.

The views expressed reflect the opinions of BlackRock as of the date of this report and are subject to change based on changes in market, economic or other conditions. These views are not intended to be a forecast of future events and are no guarantee of future results.

TOTAL RETURN BASED ON A \$10,000 INVESTMENT



- (a) Assuming transaction costs, if any, and other operating expenses, including investment advisory fees. Does not include insurance-related fees and expenses. The returns for Class III Shares prior to June 15, 2010, the recommencement of operations of Class III Shares, are based upon the performance of the Fund's Class I Shares, as adjusted to reflect the distribution and/or service (12b-1) fees applicable to the Class III Shares.
- (b) The Fund invests primarily in a diversified portfolio consisting primarily of common stock of U.S. companies that the investment adviser believes have exhibited above-average growth rates in earnings over the long-term.
- (c) An unmanaged index that measures the performance of the large cap growth segment of the U.S. equity universe and consists of those Russell 1000[®] securities with higher price-to-book ratios and higher forecasted growth values.
- (d) An unmanaged index that covers 500 leading companies and captures approximately 80% coverage of available market capitalization.

Performance Summary for the Period Ended December 31, 2018

	6-Month Total Returns ^(b)	Average Annual Total Returns		
		1 Year ^(b)	5 Years ^(b)	10 Years ^(b)
Class I ^(a)	(10.97)%	2.39%	9.70%	13.62%
Class III ^(a)	(11.00)	2.13	9.43	13.34 ^(c)
Russell 1000 [®] Growth Index	(8.17)	(1.51)	10.40	15.29
S&P 500 [®] Index	(6.85)	(4.38)	8.49	13.12

- (a) Average annual and cumulative total returns are based on changes in net asset value for the periods shown, and assume reinvestment of all distributions at net asset value on the ex-dividend date. Insurance-related fees and expenses are not reflected in these returns.
- (b) For the portion of the period, the Fund's investment adviser waived a portion of its fee. Without such waiver, the Fund's performance would have been lower.
- (c) The returns for Class III Shares prior to June 15, 2010, the recommencement of operations of Class III Shares, are based upon the performance of the Fund's Class I Shares, as adjusted to reflect the distribution (12b-1) fees applicable to Class III Shares.
Past performance is not indicative of future results. Performance results do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares.
Performance results may include adjustment made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Expense Example

	Actual			Hypothetical ^(a)			Annualized Expense Ratio
	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During the Period ^(b)	Beginning Account Value (07/01/18)	Ending Account Value (12/31/18)	Expenses Paid During the Period ^(b)	
Class I	\$ 1,000.00	\$ 890.30	\$ 3.91	\$ 1,000.00	\$ 1,021.07	\$ 4.18	0.82%
Class III	1,000.00	890.00	5.14	1,000.00	1,019.76	5.50	1.08

- (a) Hypothetical 5% annual return before expenses is calculated by prorating the number of days in the most recent fiscal half year divided by 365.
- (b) For each class of the Fund, expenses are equal to annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period shown).
See "Disclosure of Expenses" on the following page for further information on how expenses were calculated.

Portfolio Information

SECTOR ALLOCATION

<i>Sector</i>	<i>Percent of Net Assets</i>
Information Technology	32%
Health Care	19
Consumer Discretionary	16
Communication Services	15
Industrials	6
Financials	5
Consumer Staples	2
Real Estate	2
Materials	1
Short-Term Securities	5
Liabilities in Excess of Other Assets	(3)

For Fund compliance purposes, the Fund's sector classifications refer to one or more of the sector sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine sector sub classifications for reporting ease.

Disclosure of Expenses

Shareholders of the Fund may incur the following charges: (a) transactional expenses; and (b) operating expenses, including investment advisory fees, service and distribution fees, including 12b-1 fees, acquired fund fees and expenses, and other fund expenses. The expense example on the previous page (which is based on a hypothetical investment of \$1,000 invested on July 1, 2018 and held through December 31, 2018) is intended to assist shareholders both in calculating expenses based on an investment in the Fund and in comparing these expenses with similar costs of investing in other mutual funds.

The expense example provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by \$1,000 and then multiply the result by the number corresponding to their share class under the heading entitled "Expenses Paid During the Period."

The expense example also provides information 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. In order to assist shareholders in comparing the ongoing expenses of investing in the Fund and other funds, compare the 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

The expenses shown in the expense example are intended to highlight shareholders' ongoing costs only and do not reflect any transactional expenses, such as sales charges, if any. Therefore, the hypothetical example is useful in comparing ongoing expenses only, and will not help shareholders determine the relative total expenses of owning different funds. If these transactional expenses were included, shareholder expenses would have been higher.

Schedule of Investments

December 31, 2018

BlackRock Capital Appreciation V.I. Fund

(Percentages shown are based on Net Assets)

Security	Shares	Value
Common Stocks — 96.4%		
Automobiles — 0.8%		
Tesla, Inc. ^{(a)(b)}	6,022	\$ 2,004,122
Banks — 0.6%		
First Republic Bank ^(a)	17,184	1,493,290
Beverages — 1.8%		
Constellation Brands, Inc., Class A	28,959	4,657,186
Biotechnology — 1.7% ^(b)		
BioMarin Pharmaceutical, Inc.	13,061	1,112,144
Vertex Pharmaceuticals, Inc.	20,554	3,406,003
		4,518,147
Capital Markets — 3.4%		
CME Group, Inc. ^(a)	20,737	3,901,045
S&P Global, Inc.	29,298	4,978,902
		8,879,947
Chemicals — 1.5%		
Sherwin-Williams Co. (The)	10,185	4,007,390
Diversified Financial Services — 1.2%		
Berkshire Hathaway, Inc., Class B ^(b)	15,896	3,245,645
Entertainment — 5.3%		
Activision Blizzard, Inc.	44,463	2,070,642
Electronic Arts, Inc. ^(b)	60,078	4,740,755
Netflix, Inc. ^(b)	27,358	7,322,642
		14,134,039
Equity Real Estate Investment Trusts (REITs) — 1.7%		
SBA Communications Corp. ^(b)	28,319	4,584,563
Health Care Equipment & Supplies — 7.5%		
Align Technology, Inc. ^(b)	19,113	4,002,836
Becton Dickinson and Co.	24,784	5,584,331
Boston Scientific Corp. ^{(a)(b)}	171,169	6,049,112
Intuitive Surgical, Inc. ^(b)	8,993	4,306,927
		19,943,206
Health Care Providers & Services — 5.3%		
Centene Corp. ^(b)	32,073	3,698,017
UnitedHealth Group, Inc.	41,321	10,293,887
		13,991,904
Hotels, Restaurants & Leisure — 1.0%		
Domino's Pizza, Inc.	10,820	2,683,252
Industrial Conglomerates — 1.0%		
Roper Technologies, Inc.	9,933	2,647,343
Interactive Media & Services — 9.3%		
Alphabet, Inc., Class A ^(b)	10,098	10,552,006
Facebook, Inc., Class A ^(b)	34,738	4,553,804
IAC/InterActiveCorp ^(b)	12,481	2,284,522
Tencent Holdings Ltd.	182,000	7,294,624
		24,684,956
Internet & Direct Marketing Retail — 12.9%		
Amazon.com, Inc. ^(b)	15,454	23,211,444
Booking Holdings, Inc. ^(b)	3,906	6,727,773
MercadoLibre, Inc.	14,404	4,218,211
		34,157,428
IT Services — 10.3%		
Mastercard, Inc., Class A	46,486	8,769,584
PayPal Holdings, Inc. ^(b)	57,148	4,805,575
Visa, Inc., Class A	104,368	13,770,314
		27,345,473

Security	Shares	Value
Life Sciences Tools & Services — 1.7%		
Illumina, Inc. ^(b)	14,885	\$ 4,464,458
Machinery — 0.9%		
Xylem, Inc. ^(a)	36,939	2,464,570
Pharmaceuticals — 2.6%		
Novartis AG, ADR	50,394	4,324,309
Zoetis, Inc.	29,120	2,490,925
		6,815,234
Professional Services — 2.2%		
CoStar Group, Inc. ^(b)	17,361	5,856,560
Road & Rail — 1.6%		
Union Pacific Corp.	30,768	4,253,061
Semiconductors & Semiconductor Equipment — 3.0%		
ASML Holding NV (Registered), NYRS	30,959	4,817,840
NVIDIA Corp.	23,126	3,087,321
		7,905,161
Software — 17.1%		
Adobe, Inc. ^(b)	28,815	6,519,106
Autodesk, Inc. ^(b)	31,269	4,021,506
Intuit, Inc.	30,615	6,026,563
Microsoft Corp.	165,791	16,839,392
salesforce.com, Inc. ^(b)	57,698	7,902,895
ServiceNow, Inc. ^(b)	22,124	3,939,178
		45,248,640
Technology Hardware, Storage & Peripherals — 0.9%		
Apple, Inc.	14,840	2,340,862
Textiles, Apparel & Luxury Goods — 1.1%		
NIKE, Inc., Class B	40,571	3,007,934
Total Common Stocks — 96.4%		
(Cost: \$206,338,338)		255,334,371
Preferred Stocks — 1.0%		
Software — 1.0%		
Palantir Technologies, Inc., Series I		
(Acquired 02/07/14, cost \$2,858,020) ^{(b)(c)(d)}	466,235	2,522,331
Total Preferred Stocks — 1.0%		
(Cost: \$2,858,021)		2,522,331
Total Long-Term Investments — 97.4%		
(Cost: \$209,196,359)		257,856,702
Short-Term Securities — 5.4% ^(e)		
BlackRock Liquidity Funds, T-Fund, Institutional Class,		
2.32% ^(g)	5,520,889	5,520,889
JPMorgan US Treasury Plus Money Market Fund, Agency Class,		
2.24%	145,721	145,721
SL Liquidity Series, LLC, Money Market Series,		
2.57% ^{(f)(g)}	8,638,158	8,637,294
Total Short-Term Securities — 5.4%		
(Cost: \$14,303,940)		14,303,904
Total Investments — 102.8%		
(Cost: \$223,500,299)		272,160,606
Liabilities in Excess of Other Assets — (2.8%)		
		(7,381,836)
Net Assets — 100.0%		
		\$264,778,770

Schedule of Investments (continued)

BlackRock Capital Appreciation V.I. Fund

December 31, 2018

- (a) Security, or a portion of the security, is on loan.
 (b) Non-income producing security.
 (c) Restricted security as to resale, excluding 144A securities. The Fund held restricted securities with a current value of \$2,522,331, representing 0.95% of its net assets as of period end, and an original cost of \$2,858,020.
 (d) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.
 (e) Annualized 7-day yield as of period end.
 (f) Security was purchased with the cash collateral from loaned securities.
 (g) During the year ended December 31, 2018, investments in issuers considered to be affiliates of the Fund for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

Affiliate	Shares Held at 12/31/17	Net Activity	Shares Held at 12/31/18	Value at 12/31/18	Income	Net Realized Gain (Loss) ^(a)	Change in Unrealized Appreciation (Depreciation)
BlackRock Liquidity Funds, T-Fund, Institutional Class	2,708,926	2,811,963	5,520,889	\$ 5,520,889	\$44,192	\$ —	\$ —
SL Liquidity Series, LLC, Money Market Series	15,258,256	(6,620,098)	8,638,158	8,637,294	35,863 ^(b)	(1,978)	(36)
				<u>\$14,158,183</u>	<u>\$80,055</u>	<u>\$ (1,978)</u>	<u>\$ (36)</u>

- (a) Includes net capital gain distributions, if applicable.
 (b) Represents securities lending income earned from the reinvestment of cash collateral from loaned securities, net of fees and collateral investment expenses, and other payments to and from borrowers of securities.

For Fund compliance purposes, the Fund's industry classifications refer to one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments. For information about the Fund's policy regarding valuation of investments, refer to the Notes to Financial Statements.

The following table summarizes the Fund's investments categorized in the disclosure hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments:				
Common Stocks:				
Automobiles	\$ 2,004,122	\$ —	\$ —	\$ 2,004,122
Banks	1,493,290	—	—	1,493,290
Beverages	4,657,186	—	—	4,657,186
Biotechnology	4,518,147	—	—	4,518,147
Capital Markets	8,879,947	—	—	8,879,947
Chemicals	4,007,390	—	—	4,007,390
Diversified Financial Services	3,245,645	—	—	3,245,645
Entertainment	14,134,039	—	—	14,134,039
Equity Real Estate Investment Trusts (REITs)	4,584,563	—	—	4,584,563
Health Care Equipment & Supplies	19,943,206	—	—	19,943,206
Health Care Providers & Services	13,991,904	—	—	13,991,904
Hotels, Restaurants & Leisure	2,683,252	—	—	2,683,252
Industrial Conglomerates	2,647,343	—	—	2,647,343
Interactive Media & Services	17,390,332	7,294,624	—	24,684,956
Internet & Direct Marketing Retail	34,157,428	—	—	34,157,428
IT Services	27,345,473	—	—	27,345,473
Life Sciences Tools & Services	4,464,458	—	—	4,464,458
Machinery	2,464,570	—	—	2,464,570
Pharmaceuticals	6,815,234	—	—	6,815,234
Professional Services	5,856,560	—	—	5,856,560
Road & Rail	4,253,061	—	—	4,253,061
Semiconductors & Semiconductor Equipment	7,905,161	—	—	7,905,161
Software	45,248,640	—	—	45,248,640
Technology Hardware, Storage & Peripherals	2,340,862	—	—	2,340,862
Textiles, Apparel & Luxury Goods	3,007,934	—	—	3,007,934
Preferred Stocks	—	—	2,522,331	2,522,331
Short-Term Securities	5,666,610	—	—	5,666,610
Subtotal	<u>\$253,706,357</u>	<u>\$7,294,624</u>	<u>\$2,522,331</u>	<u>\$263,523,312</u>
Investments valued at NAV ^(a)				8,637,294
Total Investments				<u>\$272,160,606</u>

- (a) As of December 31, 2018, certain investments of the Fund were fair valued using NAV per share as no quoted market value is available and therefore have been excluded from the fair value hierarchy.

During the year ended December 31, 2018, there were no transfers between levels.

See notes to financial statements.

Statement of Assets and Liabilities

December 31, 2018

BlackRock Capital
Appreciation V.I. Fund

ASSETS

Investments at value — unaffiliated (including securities loaned at value of \$8,510,486) (cost — \$209,342,080)	\$258,002,423
Investments at value — affiliated (cost — \$14,158,219)	14,158,183
Foreign currency at value (cost — \$101)	101
Receivables:	
Securities lending income — affiliated	1,209
Capital shares sold	2,650,352
Dividends — affiliated	6,972
Dividends — unaffiliated	41,332
From custodian	145,721
From the Manager	3,528
Prepaid expenses	301
Total assets	<u>275,010,122</u>

LIABILITIES

Cash collateral on securities loaned at value	8,638,095
Payables:	
Investments purchased	1,064,978
Capital shares redeemed	12,546
Distribution fees	33,629
Transfer agent fees	184,182
Board realignment and consolidation	35,302
Investment advisory fees	179,952
Directors' and Officer's fees	5,926
Other affiliates	711
Other accrued expenses	76,031
Total liabilities	<u>10,231,352</u>

NET ASSETS

\$264,778,770

NET ASSETS CONSIST OF

Paid-in capital	\$213,795,661
Accumulated earnings	<u>50,983,109</u>
NET ASSETS	<u>\$264,778,770</u>

NET ASSET VALUE

Class I — Based on net assets of \$119,220,254 and 16,439,386 shares outstanding, 100 million shares authorized, \$0.10 par value.	\$ 7.25
Class III — Based on net assets of \$145,558,516 and 20,420,825 shares outstanding, 100 million shares authorized, \$0.10 par value.	<u>\$ 7.13</u>

See notes to financial statements.

Statement of Operations

Year Ended December 31, 2018

BlackRock Capital
Appreciation V.I. Fund

INVESTMENT INCOME

Dividends — affiliated	\$ 44,192
Dividends — unaffiliated ^(a)	2,584,886
Securities lending income — affiliated — net	35,863
Total investment income	<u>2,664,941</u>

EXPENSES

Investment advisory	2,176,724
Transfer agent — class specific	686,897
Distribution — class specific	484,131
Printing	71,228
Accounting services	61,142
Professional	54,307
Board realignment and consolidation	35,488
Directors and Officer	21,565
Custodian	18,767
Transfer agent	5,001
Miscellaneous	8,451
Total expenses	<u>3,623,701</u>
Less:	
Fees waived and/or reimbursed by the Manager	(2,240)
Transfer agent fees waived and/or reimbursed — class specific	(433,119)
Total expenses after fees waived and/or reimbursed	<u>3,188,342</u>
Net investment loss	<u>(523,401)</u>

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:	
Investments — affiliated	(1,978)
Investments — unaffiliated	76,934,207
Foreign currency transactions	(381)
	<u>76,931,848</u>
Net change in unrealized appreciation (depreciation) on:	
Investments — affiliated	(36)
Investments — unaffiliated	(60,745,910)
	<u>(60,745,946)</u>
Net realized and unrealized gain	<u>16,185,902</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 15,662,501</u>

^(a) Includes non-recurring dividends in the amount of \$656,405.

See notes to financial statements.

Statements of Changes in Net Assets

BlackRock Capital Appreciation
V.I. Fund

Year Ended December 31,

2018

2017

INCREASE (DECREASE) IN NET ASSETS

OPERATIONS

Net investment loss	\$ (523,401)	\$ (685,408)
Net realized gain	76,931,848	48,210,072
Net change in unrealized appreciation (depreciation)	(60,745,946)	62,728,743
Net increase in net assets resulting from operations	<u>15,662,501</u>	<u>110,253,407</u>

DISTRIBUTIONS TO SHAREHOLDERS^{(a)(b)}

Class I	(37,800,468)	(15,570,061)
Class III	(46,900,915)	(28,079,992)
Decrease in net assets resulting from distributions to shareholders	<u>(84,701,383)</u>	<u>(43,650,053)</u>

CAPITAL SHARE TRANSACTIONS

Net decrease in net assets derived from capital share transactions	<u>(68,397,301)</u>	<u>(20,276,483)</u>
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NET ASSETS^(b)

Total increase (decrease) in net assets	(137,436,183)	46,326,871
Beginning of year	<u>402,214,953</u>	<u>355,888,082</u>
End of year	<u>\$ 264,778,770</u>	<u>\$402,214,953</u>

^(a) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

^(b) Prior year distribution character information and undistributed net investment income has been modified or removed to conform with current year Regulation S-X presentation changes. Refer to Note 11 for this prior year information.

See notes to financial statements.

Financial Highlights

(For a share outstanding throughout each period)

	BlackRock Capital Appreciation V.I. Fund				
	Class I				
	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net asset value, beginning of year	\$ 10.26	\$ 8.63	\$ 8.86	\$ 9.02	\$ 9.80
Net investment income (loss) ^(a)	0.00 ^{(b)(c)}	(0.00) ^{(d)(e)}	(0.00) ^{(d)(f)}	(0.01)	(0.01)
Net realized and unrealized gain	0.23	2.86	0.01	0.63	0.87
Net increase from investment operations	0.23	2.86	0.01	0.62	0.86
Distributions from net realized gain^(g)	(3.24)	(1.23)	(0.24)	(0.78)	(1.64)
Net asset value, end of year	\$ 7.25	\$ 10.26	\$ 8.63	\$ 8.86	\$ 9.02
Total Return^(h)					
Based on net asset value	2.39%	33.22%	0.10%	6.73%	9.02%
Ratios to Average Net Assets					
Total expenses	0.94% ⁽ⁱ⁾	0.92%	0.92%	0.93%	0.91%
Total expenses after fees waived and/or reimbursed	0.80% ⁽ⁱ⁾	0.79%	0.80%	0.79%	0.79%
Net investment income (loss)	0.01% ^{(c)(i)}	(0.00)% ^{(e)(i)}	(0.06)% ^(f)	(0.15)%	(0.10)%
Supplemental Data					
Net assets, end of year (000)	\$119,220	\$142,246	\$124,752	\$139,045	\$166,586
Portfolio turnover rate	45%	48%	89%	70%	102%

(a) Based on average shares outstanding.

(b) Amount is less than \$0.005 per share.

(c) Net investment income per share and the ratio of net investment income to average net assets includes \$0.02 per share and 0.21%, respectively, resulting from a non-recurring dividend.

(d) Amount is greater than \$(0.005) per share.

(e) Net investment income per share and the ratio of net investment income to average net assets includes \$0.01 per share and 0.09%, respectively, resulting from a non-recurring dividend from TransDigm Group, Inc. in August 2017.

(f) Net investment income per share and the ratio of net investment income to average net assets includes \$0.01 per share and 0.07%, respectively, resulting from a non-recurring dividend from TransDigm Group, Inc. in October 2016.

(g) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(h) Where applicable, excludes insurance-related fees and expenses and assumes the reinvestment of distributions.

(i) Excludes expenses incurred indirectly as a result of investments in underlying funds of 0.01%.

(j) Amount is greater than (0.005)%.

See notes to financial statements.

Financial Highlights (continued)

(For a share outstanding throughout each period)

	BlackRock Capital Appreciation V.I. Fund (continued)				
	Class III				
	Year Ended December 31,				
	2018	2017	2016	2015	2014
Net asset value, beginning of year	\$ 10.17	\$ 8.56	\$ 8.81	\$ 8.97	\$ 9.76
Net investment loss ^(a)	(0.03) ^(b)	(0.03) ^(c)	(0.03) ^(d)	(0.04)	(0.03)
Net realized and unrealized gain	0.23	2.84	0.02	0.63	0.86
Net increase (decrease) from investment operations	0.20	2.81	(0.01)	0.59	0.83
Distributions from net realized gain^(e)	(3.24)	(1.20)	(0.24)	(0.75)	(1.62)
Net asset value, end of year	\$ 7.13	\$ 10.17	\$ 8.56	\$ 8.81	\$ 8.97
Total Return^(f)					
Based on net asset value	2.13%	32.94%	(0.13)%	6.49%	8.68%
Ratios to Average Net Assets					
Total expenses	1.19% ^(g)	1.17%	1.18%	1.17%	1.18%
Total expenses after fees waived and/or reimbursed	1.06% ^(g)	1.05%	1.06%	1.05%	1.05%
Net investment loss	(0.28)% ^{(b)(g)}	(0.27)% ^(c)	(0.32)% ^(d)	(0.40)%	(0.35)%
Supplemental Data					
Net assets, end of year (000)	\$145,559	\$259,969	\$231,136	\$233,706	\$233,723
Portfolio turnover rate	45%	48%	89%	70%	102%

(a) Based on average shares outstanding.

(b) Net investment income per share and the ratio of net investment income to average net assets includes \$0.02 per share and 0.19%, respectively, resulting from a non-recurring dividend.

(c) Net investment income per share and the ratio of net investment income to average net assets includes \$0.01 per share and 0.09%, respectively, resulting from a non-recurring dividend from TransDigm Group, Inc. in August 2017.

(d) Net investment income per share and the ratio of net investment income to average net assets includes \$0.00 per share and 0.07%, respectively, resulting from a non-recurring dividend from TransDigm Group, Inc. in October 2016.

(e) Distributions for annual periods determined in accordance with U.S. federal income tax regulations.

(f) Where applicable, excludes insurance-related fees and expenses and assumes the reinvestment of distributions.

(g) Excludes expenses incurred indirectly as a result of investments in underlying funds of 0.01%.

See notes to financial statements.

Notes to Financial Statements

1. ORGANIZATION

BlackRock Variable Series Funds, Inc. (the “Company”) is registered under the Investment Company Act of 1940, as amended (the “1940 Act”), as an open-end management investment company. The Company is organized as a Maryland corporation that is comprised of 15 separate portfolios. The funds offer shares to insurance companies for their separate accounts to fund benefits under certain variable annuity and variable life insurance contracts. The financial statements presented are for BlackRock Capital Appreciation V.I. Fund (the “Fund”). The Fund is classified as diversified. Class I and Class III Shares have equal voting, dividend, liquidation and other rights, except that only shares of the respective classes are entitled to vote on matters concerning only that class. In addition, Class III Shares bear certain expenses related to the distribution of such shares.

The Fund, together with certain other registered investment companies advised by BlackRock Advisors, LLC (the “Manager”) or its affiliates, is included in a complex of open-end funds referred to as the Equity-Bond Complex.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies. Below is a summary of significant accounting policies:

Investment Transactions and Income Recognition: For financial reporting purposes, investment transactions are recorded on the dates the transactions are entered into (the “trade dates”). Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend date. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund is informed of the ex-dividend date. Under the applicable foreign tax laws, a withholding tax at various rates may be imposed on capital gains, dividends and interest. Upon notification from issuers, a portion of the dividend income received from a real estate investment trust may be redesignated as a reduction of cost of the related investment and/or realized gain. Income, expenses and realized and unrealized gains and losses are allocated daily to each class based on its relative net assets.

Foreign Currency Translation: The Fund’s books and records are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars using exchange rates determined as of the close of trading on the New York Stock Exchange (“NYSE”). Purchases and sales of investments are recorded at the rates of exchange prevailing on the respective dates of such transactions. Generally, when the U.S. dollar rises in value against a foreign currency, the investments denominated in that currency will lose value; the opposite effect occurs if the U.S. dollar falls in relative value.

The Fund does not isolate the portion of the results of operations arising as a result of changes in the exchange rates from the changes in the market prices of investments held or sold for financial reporting purposes. Accordingly, the effects of changes in exchange rates on investments are not segregated in the Statement of Operations from the effects of changes in market prices of those investments, but are included as a component of net realized and unrealized gain (loss) from investments. The Fund reports realized currency gains (losses) on foreign currency related transactions as components of net realized gain (loss) for financial reporting purposes, whereas such components are generally treated as ordinary income for U.S. federal income tax purposes.

Distributions: Distributions paid by the Fund are recorded on the ex-dividend date. Distributions of capital gains are recorded on the ex-dividend date and made at least annually. The character and timing of distributions are determined in accordance with U.S. federal income tax regulations, which may differ from U.S. GAAP.

Recent Accounting Standards: In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-13 “Changes to the Disclosure Requirements for Fair Value Measurement” which modifies disclosure requirements for fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years. Management is currently evaluating the impact of this guidance to the Fund.

Indemnifications: In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnification. The Fund’s maximum exposure under these arrangements is unknown because it involves future potential claims against the Fund, which cannot be predicted with any certainty.

Other: Expenses directly related to the Fund or its classes are charged to the Fund or the applicable class. Other operating expenses shared by several funds, including other funds managed by the Manager, are prorated among those funds on the basis of relative net assets or other appropriate methods. Expenses directly related to the Fund and other shared expenses prorated to the Fund are allocated daily to each class based on its relative net assets or other appropriate methods.

3. INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Investment Valuation Policies: The Fund’s investments are valued at fair value (also referred to as “market value” within the financial statements) as of the close of trading on the NYSE (generally 4:00 p.m., Eastern time). U.S. GAAP defines fair value as the price the Fund would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund determines the fair values of its financial instruments using various independent dealers or pricing services under policies approved by the Board of Directors of the Company (the “Board”). The BlackRock Global Valuation Methodologies Committee (the “Global Valuation Committee”) is the committee formed by management to develop global pricing policies and procedures and to oversee the pricing function for all financial instruments.

Notes to Financial Statements (continued)

Fair Value Inputs and Methodologies: The following methods and inputs are used to establish the fair value of the Fund's assets and liabilities:

- Equity investments traded on a recognized securities exchange are valued at the official closing price each day, if available. For equity investments traded on more than one exchange, the official closing price on the exchange where the stock is primarily traded is used. Equity investments traded on a recognized exchange for which there were no sales on that day may be valued at the last available bid (long positions) or ask (short positions) price.
- Generally, trading in foreign instruments is substantially completed each day at various times prior to the close of trading on the NYSE. Occasionally, events affecting the values of such instruments may occur between the foreign market close and the close of trading on the NYSE that may not be reflected in the computation of the Fund's net assets. Each business day, the Fund uses a pricing service to assist with the valuation of certain foreign exchange-traded equity securities and foreign exchange-traded and over-the-counter ("OTC") options (the "Systematic Fair Value Price"). Using current market factors, the Systematic Fair Value Price is designed to value such foreign securities and foreign options at fair value as of the close of trading on the NYSE, which follows the close of the local markets.
- Investments in open-end U.S. mutual funds are valued at net asset value ("NAV") each business day.

If events (e.g., a company announcement, market volatility or a natural disaster) occur that are expected to materially affect the value of such investments, or in the event that the application of these methods of valuation results in a price for an investment that is deemed not to be representative of the market value of such investment, or if a price is not available, the investment will be valued by the Global Valuation Committee, or its delegate, in accordance with a policy approved by the Board as reflecting fair value ("Fair Valued Investments"). The fair valuation approaches that may be used by the Global Valuation Committee will include market approach, income approach and cost approach. Valuation techniques such as discounted cash flow, use of market comparables and matrix pricing are types of valuation approaches and are typically used in determining fair value. When determining the price for Fair Valued Investments, the Global Valuation Committee, or its delegate, seeks to determine the price that the Fund might reasonably expect to receive or pay from the current sale or purchase of that asset or liability in an arm's-length transaction. Fair value determinations shall be based upon all available factors that the Global Valuation Committee, or its delegate, deems relevant and consistent with the principles of fair value measurement.

The Global Valuation Committee, or its delegate, employs various methods for calibrating valuation approaches for investments where an active market does not exist, including regular due diligence of the Fund's pricing vendors, regular reviews of key inputs and assumptions, transactional back-testing or disposition analysis to compare unrealized gains and losses to realized gains and losses, reviews of missing or stale prices and large movements in market values and reviews of any market related activity. The pricing of all Fair Valued Investments is subsequently reported to the Board or a committee thereof on a quarterly basis. As a result of the inherent uncertainty in valuation of these investments, the fair values may differ from the values that would have been used had an active market existed.

For investments in equity or debt issued by privately held companies or funds ("Private Company" or collectively, the "Private Companies") and other Fair Valued Investments, the fair valuation approaches that are used by third party pricing services utilize one or a combination of, but not limited to, the following inputs.

<i>Standard Inputs Generally Considered By Third Party Pricing Services</i>	
Market approach	(i) recent market transactions, including subsequent rounds of financing, in the underlying investment or comparable issuers; (ii) recapitalizations and other transactions across the capital structure; and (iii) market multiples of comparable issuers.
Income approach	(i) future cash flows discounted to present and adjusted as appropriate for liquidity, credit, and/or market risks; (ii) quoted prices for similar investments or assets in active markets; and (iii) other risk factors, such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, recovery rates, liquidation amounts and/or default rates.
Cost approach	(i) audited or unaudited financial statements, investor communications and financial or operational metrics issued by the Private Company; (ii) changes in the valuation of relevant indices or publicly traded companies comparable to the Private Company; (iii) relevant news and other public sources; and (iv) known secondary market transactions in the Private Company's interests and merger or acquisition activity in companies comparable to the Private Company.

Investments in series of preferred stock issued by Private Companies are typically valued utilizing market approach in determining the enterprise value of the company. Such investments often contain rights and preferences that differ from other series of preferred and common stock of the same issuer. Valuation techniques such as an option pricing model ("OPM"), a probability weighted expected return model ("PWERM") or a hybrid of those techniques are used in allocating enterprise value of the company, as deemed appropriate under the circumstances. The use of OPM and PWERM techniques involve a determination of the exit scenarios of the investment in order to appropriately allocate the enterprise value of the company among the various parts of its capital structure.

The Private Companies are not subject to the public company disclosure, timing, and reporting standards as other investments held by the Fund. Typically, the most recently available information by a Private Company is as of a date that is earlier than the date the Fund is calculating its NAV. This factor may result in a difference between the value of the investment and the price the Fund could receive upon the sale of the investment.

Fair Value Hierarchy: Various inputs are used in determining the fair value of investments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial statement purposes as follows:

- Level 1 — Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Fund has the ability to access
- Level 2 — Other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Notes to Financial Statements (continued)

- Level 3 — Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Fund's own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments classified within Level 3 have significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments. Level 3 investments include equity or debt issued by Private Companies. There may not be a secondary market, and/or there are a limited number of investors. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the Global Valuation Committee in the absence of market information.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Fund's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments is based on the pricing transparency of the investments and is not necessarily an indication of the risks associated with investing in those securities.

As of December 31, 2018, certain investments of the Fund were valued using NAV per share as no quoted market value is available and therefore have been excluded from the fair value hierarchy.

4. SECURITIES AND OTHER INVESTMENTS

Preferred Stocks: Preferred stock has a preference over common stock in liquidation (and generally in receiving dividends as well), but is subordinated to the liabilities of the issuer in all respects. As a general rule, the market value of preferred stock with a fixed dividend rate and no conversion element varies inversely with interest rates and perceived credit risk, while the market price of convertible preferred stock generally also reflects some element of conversion value. Because preferred stock is junior to debt securities and other obligations of the issuer, deterioration in the credit quality of the issuer will cause greater changes in the value of a preferred stock than in a more senior debt security with similar stated yield characteristics. Unlike interest payments on debt securities, preferred stock dividends are payable only if declared by the issuer's board of directors. Preferred stock also may be subject to optional or mandatory redemption provisions.

Securities Lending: The Fund may lend its securities to approved borrowers, such as brokers, dealers and other financial institutions. The borrower pledges and maintains with the Fund collateral consisting of cash, an irrevocable letter of credit issued by a bank, or securities issued or guaranteed by the U.S. Government. The initial collateral received by the Fund is required to have a value of at least 102% of the current value of the loaned securities for securities traded on U.S. exchanges and a value of at least 105% for all other securities. The collateral is maintained thereafter at a value equal to at least 100% of the current market value of the securities on loan. The market value of the loaned securities is determined at the close of each business day of the Fund and any additional required collateral is delivered to the Fund, or excess collateral returned by the Fund, on the next business day. During the term of the loan, the Fund is entitled to all distributions made on or in respect of the loaned securities, but does not receive interest income on securities received as collateral. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within the standard time period for settlement of securities transactions.

The market value of any securities on loan, all of which were classified as common stocks in the Fund's Schedule of Investments, and the value of any related collateral are shown separately in the Statement of Assets and Liabilities as a component of investments at value — unaffiliated, and collateral on securities loaned at value, respectively. As of period end, any securities on loan were collateralized by cash and/or U.S. Government obligations. Cash collateral invested by the securities lending agent, BlackRock Investment Management, LLC ("BIM"), if any, is disclosed in the Schedule of Investments.

Securities lending transactions are entered into by the Fund under Master Securities Lending Agreements (each, an "MSLA"), which provide the right, in the event of default (including bankruptcy or insolvency), for the non-defaulting party to liquidate the collateral and calculate a net exposure to the defaulting party or request additional collateral. In the event that a borrower defaults, the Fund, as lender, would offset the market value of the collateral received against the market value of the securities loaned. When the value of the collateral is greater than that of the market value of the securities loaned, the lender is left with a net amount payable to the defaulting party. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against such a right of offset in the event of an MSLA counterparty's bankruptcy or insolvency. Under the MSLA, absent an event of default, the borrower can resell or re-pledge the loaned securities, and the Fund can reinvest cash collateral received in connection with loaned securities. Upon an event of default, the parties' obligations to return the securities or collateral to the other party are extinguished, and the parties can resell or re-pledge the loaned securities or the collateral received in connection with the loaned securities in order to satisfy the defaulting party's net payment obligation for all transactions under the MSLA. The defaulting party remains liable for any deficiency.

As of period end, the following table is a summary of the Fund's securities lending agreements by counterparty which are subject to offset under an MSLA:

Counterparty	Securities Loaned at Value	Cash Collateral Received ^(a)	Net Amount
Citigroup Global Markets, Inc.	\$ 2,419,095	\$ (2,419,095)	\$ —
Deutsche Bank Securities, Inc.	1,769,165	(1,769,165)	—
JP Morgan Securities LLC	4,322,226	(4,322,226)	—
	<u>\$ 8,510,486</u>	<u>\$ (8,510,486)</u>	<u>\$ —</u>

^(a) Cash collateral with a value of \$ 8,638,095 has been received in connection with securities lending agreements. Collateral received in excess of the value of securities loaned from the individual counterparty, if any, is not shown for financial reporting purposes in the table above.

The risks of securities lending include the risk that the borrower may not provide additional collateral when required or may not return the securities when due. To mitigate these risks, the Fund benefits from a borrower default indemnity provided by BIM. BIM's indemnity allows for full replacement of the securities loaned if the collateral

Notes to Financial Statements (continued)

received does not cover the value on the securities loaned in the event of borrower default. The Fund could incur a loss if the value of an investment purchased with cash collateral falls below the market value of loaned securities or if the value of an investment purchased with cash collateral falls below the value of the original cash collateral received.

5. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Advisory: The Company, on behalf of the Fund, entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser and an indirect, wholly-owned subsidiary of BlackRock, to provide investment advisory and administrative services. The Manager is responsible for the management of the Fund's portfolio and provides the personnel, facilities, equipment and certain other services necessary to the operations of the Fund.

For such services, the Fund pays the Manager a monthly fee at an annual rate equal to the following percentages of the average daily value of the Fund's net assets:

<i>Average Daily Net Assets</i>	<i>Investment Advisory Fees</i>
First \$1 Billion	0.65%
\$1 Billion — \$3 Billion	0.61
\$3 Billion — \$5 Billion	0.59
\$5 Billion — \$10 Billion	0.57
Greater than \$10 Billion	0.55

Distribution Fees: The Company, on behalf of the Fund, entered into a Distribution Agreement and a Distribution Plan with BlackRock Investments, LLC ("BRIL"), an affiliate of the Manager. Pursuant to the Distribution Plan and in accordance with Rule 12b-1 under the 1940 Act, the Fund pays BRIL ongoing distribution fees. The fees are accrued daily and paid monthly at an annual rate of 0.25% based upon the average daily net assets attributable to Class III.

BRIL and broker-dealers, pursuant to sub-agreements with BRIL, provide shareholder servicing and distribution services to the Fund. The ongoing service and/or distribution fee compensates BRIL and each broker-dealer for providing shareholder servicing and/or distribution related services to shareholders.

For the year ended December 31, 2018, the class specific distribution fees borne directly by Class III were \$484,131.

Transfer Agent: On behalf of the Fund, the Manager entered into agreements with insurance companies and other financial intermediaries ("Service Organizations"), some of which may be affiliates. Pursuant to these agreements, the Service Organizations provide the Fund with administrative, networking, recordkeeping, sub-transfer agency and shareholder services to sub-accounts they service. For these services, the Service Organizations receive an annual fee per shareholder account, which will vary depending on share class and/or net assets of Fund shareholders serviced by the Service Organizations which is shown as transfer agent – class specific. For the year ended December 31, 2018, the Fund did not pay any amounts to affiliates in return for these services/paid the following amounts to affiliates in return for these services.

In addition, the Fund pays the transfer agent, which is not an affiliate, a fee for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts, which is included in transfer agent in the Statement of Operations. For the year ended December 31, 2018, the following table shows the class specific transfer agent fees borne directly by each share class of the Fund:

<i>Class I</i>	<i>Class III</i>	<i>Total</i>
\$290,882	\$396,015	\$686,897

Expense Limitations, Waivers and Reimbursements: With respect to the Fund, the Manager voluntarily agreed to waive its investment advisory fees by the amount of investment advisory fees the Fund pays to the Manager indirectly through its investment in affiliated money market funds (the "affiliated money market fund waiver"). The amount of waivers and/or reimbursements of fees and expenses made pursuant to the expense limitation will be reduced by the amount of the affiliated money market fund waiver. This amount is shown as fees waived and/or reimbursed by the Manager in the Statement of Operations. For the year ended December 31, 2018, the amount waived was \$2,240.

The Manager has contractually agreed to waive its investment advisory fee with respect to any portion of the Fund's assets invested in affiliated equity and fixed-income mutual funds and affiliated exchange-traded funds that have a contractual management fee through April 30, 2019. The contractual agreement may be terminated upon 90 days' notice by a majority of the directors who are not "interested persons" of the Fund, as defined in the 1940 Act ("Independent Directors") or by a vote of a majority of the outstanding voting securities of the Fund. For the year ended December 31, 2018, there were no fees waived by the Manager pursuant to this arrangement.

For the year ended December 31, 2018, the Fund reimbursed the Manager \$4,847 for certain accounting services, which is included in accounting services in the Statement of Operations.

The Manager has contractually agreed to reimburse transfer agent fees in order to limit such expenses to a percentage of average daily net assets as follows:

Class I	0.07%
Class III	0.08

The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2019, unless approved by the Board, including a majority of the Independent Directors, or by a vote of a majority of the outstanding voting securities of the Fund.

Notes to Financial Statements (continued)

These amounts waived and/or reimbursed are shown as transfer agent fees waived and/or reimbursed — class specific in the Statement of Operations. For the year ended December 31, 2018, class specific expense waivers and/or reimbursements were as follows:

	<i>Class I</i>	<i>Class III</i>	<i>Total</i>
Transfer Agent Fees Waived and/or Reimbursed	\$192,024	\$241,095	\$433,119

With respect to the Fund, the Manager contractually agreed to waive and/or reimburse fees or expenses in order to limit expenses, excluding interest expense, dividend expense, tax expense, acquired fund fees and expenses, and certain other fund expenses, which constitute extraordinary expenses not incurred in the ordinary course of the Fund's business ("expense limitation"). The expense limitations as a percentage of average daily net assets are as follows:

<i>Class I</i>	<i>Class III</i>
1.25%	1.50%

The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2019, unless approved by the Board, including a majority of the Independent Directors, or by a majority of the outstanding voting securities of the Fund. For the year ended December 31, 2018, there were no fees waived and/or reimbursed by the Manager.

Securities Lending: The U.S. Securities and Exchange Commission ("SEC") has issued an exemptive order which permits BIM, an affiliate of the Manager, to serve as securities lending agent for the Fund, subject to applicable conditions. As securities lending agent, BIM bears all operational costs directly related to securities lending. The Fund is responsible for expenses in connection with the investment of cash collateral received for securities on loan (the "collateral investment expenses"). The cash collateral is invested in a private investment company managed by the Manager or its affiliates. However, BIM has agreed to cap the collateral investment expenses of the private investment company to an annual rate of 0.04%. The investment adviser to the private investment company will not charge any advisory fees with respect to shares purchased by the Fund. The private investment company in which the cash collateral has been invested may, under certain circumstances, impose a liquidity fee of up to 2% of the value withdrawn or temporarily restrict withdrawals for up to 10 business days during a 90 day period, in the event that the private investment company's weekly liquid assets fall below certain thresholds.

Securities lending income is equal to the total of income earned from the reinvestment of cash collateral, net of fees and other payments to and from borrowers of securities, and less the collateral investment expenses. The Fund retains a portion of securities lending income and remits a remaining portion to BIM as compensation for its services as securities lending agent.

Pursuant to a securities lending agreement, the Fund retains 71.5% of securities lending income, and this amount retained can never be less than 65% of the total of securities lending income plus the collateral investment expenses.

In addition, commencing the business day following the date that the aggregate securities lending income earned across the Equity-Bond Complex in a calendar year exceeds a specified threshold, the Fund, pursuant to the securities lending agreement, will retain for the remainder of that calendar year securities lending income in an amount equal to 75% of securities lending income, and this amount retained can never be less than 65% of the total of securities lending income plus the collateral investment expenses.

The share of securities lending income earned by the Fund is shown as securities lending income — affiliated — net in the Statement of Operations. For the year ended December 31, 2018, the Fund paid BIM \$13,641 for securities lending agent services.

Interfund Lending: In accordance with an exemptive order (the "Order") from the SEC, the Fund may participate in a joint lending and borrowing facility for temporary purposes (the "Interfund Lending Program"), subject to compliance with the terms and conditions of the Order, and to the extent permitted by the Fund's investment policies and restrictions. The Fund is currently permitted to borrow under the Interfund Lending Program.

A lending BlackRock fund may lend in aggregate up to 15% of its net assets, but may not lend more than 5% of its net assets, to any one borrowing fund through the Interfund Lending Program. A borrowing BlackRock fund may not borrow through the Interfund Lending Program or from any other source more than 33 1/3% of its total assets (or any lower threshold provided for by the fund's investment restrictions). If a borrowing BlackRock fund's total outstanding borrowings exceed 10% of its total assets, each of its outstanding interfund loans will be subject to collateralization of at least 102% of the outstanding principal value of the loan. All interfund loans are for temporary or emergency purposes and the interest rate to be charged will be the average of the highest current overnight repurchase agreement rate available to a lending fund and the bank loan rate, as calculated according to a formula established by the Board.

During the year ended December 31, 2018, the Fund did not participate in the Interfund Lending Program.

Directors and Officers: Certain directors and/or officers of the Company are directors and/or officers of BlackRock or its affiliates. The Fund reimburses the Manager for a portion of the compensation paid to the Company's Chief Compliance Officer, which is included in Directors and Officer in the Statement of Operations.

6. PURCHASES AND SALES

For the year ended December 31, 2018, purchases and sales of investments, excluding short-term securities, were \$150,067,841 and \$307,240,124, respectively.

7. INCOME TAX INFORMATION

It is the Fund's policy to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies, and to distribute substantially all of its taxable income to its shareholders. Therefore, no U.S. federal income tax provision is required.

Notes to Financial Statements (continued)

The Fund files U.S. federal and various state and local tax returns. No income tax returns are currently under examination. The statute of limitations on the Fund's U.S. federal tax returns generally remains open for each of the four years ended December 31, 2018. The statutes of limitations on the Fund's state and local tax returns may remain open for an additional year depending upon the jurisdiction.

Management has analyzed tax laws and regulations and their application to the Fund as of December 31, 2018, inclusive of the open tax return years, and does not believe there are any uncertain tax positions that require recognition of a tax liability in the Fund's financial statements.

The tax character of distributions paid was as follows:

	12/31/18	12/31/17
Ordinary income	\$ 4,303,099	\$ 8,773,659
Long term capital gains	<u>80,398,284</u>	<u>34,876,394</u>
	<u>\$84,701,383</u>	<u>\$43,650,053</u>

As of period end, the tax components of accumulated earnings were as follows:

Undistributed long-term capital gains	\$ 3,140,174
Net unrealized gains ^(a)	48,656,593
Qualified late-year losses ^(b)	(813,658)
	<u>\$50,983,109</u>

(a) The difference between book-basis and tax-basis net unrealized gains was attributable primarily to the tax deferral of losses on wash sales and straddles, and the timing and recognition of partnership income.

(b) The Fund has elected to defer certain qualified late-year losses and recognize such losses in the next taxable year.

As of December 31, 2018, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

Tax cost	<u>\$223,556,209</u>
Gross unrealized appreciation	\$ 56,124,708
Gross unrealized depreciation	(7,520,311)
Net unrealized appreciation	<u>\$ 48,604,397</u>

8. BANK BORROWINGS

The Company, on behalf of the Fund, along with certain other funds managed by the Manager and its affiliates ("Participating Funds"), is a party to a 364-day, \$2.25 billion credit agreement with a group of lenders. Under this agreement, the Fund may borrow to fund shareholder redemptions. Excluding commitments designated for certain individual funds, the Participating Funds, including the Fund, can borrow up to an aggregate commitment amount of \$1.75 billion at any time outstanding, subject to asset coverage and other limitations as specified in the agreement. The credit agreement has the following terms: a fee of 0.10% per annum on unused commitment amounts and interest at a rate equal to the higher of (a) one-month LIBOR (but, in any event, not less than 0.00%) on the date the loan is made plus 0.80% per annum or (b) the Fed Funds rate (but, in any event, not less than 0.00%) in effect from time to time plus 0.80% per annum on amounts borrowed. The agreement expires in April 2019 unless extended or renewed. Prior to April 19, 2018, the aggregate commitment amount was \$2.1 billion and the fee was 0.12% per annum. Participating Funds paid an upfront commitment fee of 0.02% on the total commitment amounts, in addition to administration, legal and arrangement fees, which are included in miscellaneous expenses in the Statement of Operations. These fees were allocated among such funds based upon portions of the aggregate commitment available to them and relative net assets of Participating Funds. During the year ended December 31, 2018, the Fund did not borrow under the credit agreement.

9. PRINCIPAL RISKS

In the normal course of business, the Fund invests in securities or other instruments and may enter into certain transactions, and such activities subject the Fund to various risks, including among others, fluctuations in the market (market risk) or failure of an issuer to meet all of its obligations. The value of securities or other instruments may also be affected by various factors, including, without limitation: (i) the general economy; (ii) the overall market as well as local, regional or global political and/or social instability; (iii) regulation, taxation or international tax treaties between various countries; or (iv) currency, interest rate and price fluctuations. The Fund's prospectus provides details of the risks to which the Fund is subject.

The Fund may be exposed to additional risks when reinvesting cash collateral in money market funds that do not seek to maintain a stable NAV per share of \$1.00, which may be subject to redemption gates or liquidity fees under certain circumstances.

Valuation Risk: The market values of equities, such as common stocks and preferred securities or equity related investments, such as futures and options, may decline due to general market conditions which are not specifically related to a particular company. They may also decline due to factors which affect a particular industry or industries. The Fund may invest in illiquid investments and may experience difficulty in selling those investments in a timely manner at the price that it believes the investments are worth. Prices may fluctuate widely over short or extended periods in response to company, market or economic news. Markets also tend to move in cycles, with periods of rising and falling prices. This volatility may cause the Fund's NAV to experience significant increases or decreases over short periods of time. If there is a general decline in the securities and other markets, the NAV of the Fund may lose value, regardless of the individual results of the securities and other instruments in which the Fund invests.

Notes to Financial Statements (continued)

The price the Fund could receive upon the sale of any particular portfolio investment may differ from the Fund's valuation of the investment, particularly for securities that trade in thin or volatile markets or that are valued using a fair valuation technique or a price provided by an independent pricing service. Changes to significant unobservable inputs and assumptions (i.e., publicly traded company multiples, growth rate, time to exit) due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Fund's results of operations. As a result, the price received upon the sale of an investment may be less than the value ascribed by the Fund, and the Fund could realize a greater than expected loss or lesser than expected gain upon the sale of the investment. The Fund's ability to value its investments may also be impacted by technological issues and/or errors by pricing services or other third party service providers.

Counterparty Credit Risk: The Fund may be exposed to counterparty credit risk, or the risk that an entity may fail to or be unable to perform on its commitments related to unsettled or open transactions. The Fund manages counterparty credit risk by entering into transactions only with counterparties that the Manager believes have the financial resources to honor their obligations and by monitoring the financial stability of those counterparties. Financial assets, which potentially expose the Fund to market, issuer and counterparty credit risks, consist principally of financial instruments and receivables due from counterparties. The extent of the Fund's exposure to market, issuer and counterparty credit risks with respect to these financial assets is approximately their value recorded in the Statement of Assets and Liabilities, less any collateral held by the Fund.

10. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for each class were as follows:

	Year Ended 12/31/2018		Year Ended 12/31/2017	
	Shares	Amount	Shares	Amount
Class I				
Shares sold	531,879	\$ 5,009,652	334,343	\$ 3,268,914
Shares issued in reinvestment of distributions	5,066,937	37,800,468	1,510,157	15,570,061
Shares redeemed	(3,020,879)	(33,854,433)	(2,438,122)	(24,590,116)
Net increase (decrease)	<u>2,577,937</u>	<u>\$ 8,955,687</u>	<u>(593,622)</u>	<u>\$ (5,751,141)</u>
Class III				
Shares sold	745,740	\$ 7,589,740	608,475	\$ 5,912,633
Shares issued in reinvestment of distributions	6,397,406	46,900,915	2,750,278	28,079,992
Shares redeemed	(12,295,769)	(131,843,643)	(4,789,157)	(48,517,967)
Net decrease	<u>(5,152,623)</u>	<u>\$ (77,352,988)</u>	<u>(1,430,404)</u>	<u>\$(14,525,342)</u>
Total Net Decrease	<u>(2,574,686)</u>	<u>\$ (68,397,301)</u>	<u>(2,024,026)</u>	<u>\$(20,276,483)</u>

11. REGULATION S-X AMENDMENTS

On August 17, 2018, the SEC adopted amendments to certain disclosure requirements in Securities Act Release No. 33-10532, Disclosure Update and Simplification. The Fund has adopted the amendments pertinent to Regulation S-X in this shareholder report. The amendments impacted certain disclosure presentation on the Statement of Assets and Liabilities, Statements of Changes in Net Assets and Notes to the Financial Statements.

Prior year distribution information and undistributed net investment income in the Statements of Changes in Net Assets has been modified to conform to the current year presentation in accordance with the Regulation S-X changes.

Distributions for the year ended December 31, 2017 were classified as follows:

Share Class	Net Realized Gain
Class I	\$ (15,570,061)
Class III	(28,079,992)

Undistributed net investment income as of December 31, 2017 was \$62,282.

12. SUBSEQUENT EVENTS

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued and has determined that there were no subsequent events requiring adjustment or additional disclosure in the financial statements.

Report of Independent Registered Public Accounting Firm

To the Shareholders of BlackRock Capital Appreciation V.I. Fund and the Board of Directors of BlackRock Variable Series Funds, Inc.:

Opinion on the Financial Statements and Financial Highlights

We have audited the accompanying statement of assets and liabilities of BlackRock Capital Appreciation V.I. Fund of BlackRock Variable Series Funds, Inc. (the "Fund"), including the schedule of investments, as of December 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended, and the related notes. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, and 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.

Basis for Opinion

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements and financial highlights 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 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 and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, 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 and financial highlights. 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 and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2018, by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

Deloitte & Touche LLP
Boston, Massachusetts
February 15, 2019

We have served as the auditor of one or more BlackRock investment companies since 1992.

Glossary of Terms Used in this Report

Portfolio Abbreviations

ADR	American Depositary Receipt
NYRS	New York Registered Shares
REITs	Real Estate Investment Trusts
S&P	Standard & Poor's

Director and Officer Information

Independent Directors ^(a)

Name Year of Birth ^(b)	Position(s) Held (Length of Service) ^(c)	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Robert M. Hernandez 1944	Chair of the Board and Director (Since 2007)	Director, Vice Chairman and Chief Financial Officer of USX Corporation (energy and steel business) from 1991 to 2001; Director and non-executive Chairman, RTI International Metals, Inc. from 1990 to 2015; Director, TE Connectivity (electronics) from 2006 to 2012.	32 RICs consisting of 95 Portfolios	Chubb Limited (insurance company); Eastman Chemical Company
James H. Bodurtha 1944	Director (Since 2007)	Director, The China Business Group, Inc. (consulting and investing firm) from 1996 to 2013 and Executive Vice President thereof from 1996 to 2003; Chairman of the Board, Berkshire Holding Corporation since 1980; Director, ICI Mutual since 2010.	32 RICs consisting of 95 Portfolios	None
Bruce R. Bond 1946	Director (Since 2007)	Board Member, Amsphere Limited (software) since 2018; Trustee and Member of the Governance Committee, State Street Research Mutual Funds from 1997 to 2005; Board Member of Governance, Audit and Finance Committee, Avaya Inc. (computer equipment) from 2003 to 2007.	32 RICs consisting of 95 Portfolios	None
Honorable Stuart E. Eizenstat 1943	Director (Since 2007)	Senior Counsel of Covington and Burling LLP (law firm) since 2016; Head of International Practice thereof since 2001, and Partner thereof from 2001 to 2016; Advisory Board Member, OCP S.A. (phosphates) since 2010; International Advisory Board Member, The Coca-Cola Company from 2002 to 2011; Advisory Board Member, Veracity Worldwide, LLC (risk management) from 2007 to 2012; Member of the International Advisory Board, GML Ltd. (energy) since 2003; Board of Directors, Ferroglobe (silicon metals) since 2016.	32 RICs consisting of 95 Portfolios	Alcatel-Lucent (telecommunications); Global Specialty Metallurgical; UPS Corporation (delivery service)
Henry Gabbay 1947	Director (Since 2007)	Board Member, Equity-Liquidity and Closed-End Fund Boards from 2007 through 2014; Consultant, BlackRock, Inc. from 2007 to 2008; Managing Director, BlackRock, Inc. from 1989 to 2007; Chief Administrative Officer, BlackRock Advisors, LLC from 1998 to 2007; President of BlackRock Funds and BlackRock Allocation Target Shares (formerly, BlackRock Bond Allocation Target Shares) from 2005 to 2007 and Treasurer of certain closed-end funds in the BlackRock fund complex from 1989 to 2006.	32 RICs consisting of 95 Portfolios	None
Lena G. Goldberg 1949	Director (Since 2016)	Senior Lecturer, Harvard Business School since 2008; Director, Charles Stark Draper Laboratory, Inc. since 2013; FMR LLC/Fidelity Investments (financial services) from 1996 to 2008, serving in various senior roles including Executive Vice President — Strategic Corporate Initiatives and Executive Vice President and General Counsel; Partner, Sullivan & Worcester LLP from 1985 to 1996 and Associate thereof from 1979 to 1985.	32 RICs consisting of 95 Portfolios	None

Director and Officer Information (continued)

Independent Directors ^(a) (continued)

Name Year of Birth ^(b)	Position(s) Held (Length of Service) ^(c)	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Henry R. Keizer 1956	Director (Since 2016)	Director, Park Indemnity Ltd. (captive insurer) since 2010; Director, MUFG Americas Holdings Corporation and MUFG Union Bank, N.A. (financial and bank holding company) from 2014 to 2016; Director, American Institute of Certified Public Accountants from 2009 to 2011; Director, KPMG LLP (audit, tax and advisory services) from 2004 to 2005 and 2010 to 2012; Director, KPMG International in 2012, Deputy Chairman and Chief Operating Officer thereof from 2010 to 2012 and U.S. Vice Chairman of Audit thereof from 2005 to 2010; Global Head of Audit, KPMGI (consortium of KPMG firms) from 2006 to 2010; Director, YMCA of Greater New York from 2006 to 2010.	32 RICs consisting of 95 Portfolios	Hertz Global Holdings (car rental); Montpelier Re Holdings, Ltd. (publicly held property and casual reinsurance) from 2013 until 2015; Sealed Air Corp. (packaging); WABCO (commercial vehicle safety systems)
John F O'Brien 1943	Director (Since 2007)	Trustee, Woods Hole Oceanographic Institute since 2003 and Chairman thereof from 2009 to 2015; Co-Founder and Managing Director, Board Leaders LLC (director education) since 2005.	32 RICs consisting of 95 Portfolios	Cabot Corporation (chemicals); LKQ Corporation (auto parts manufacturing); TJX Companies, Inc. (retailer)
Donald C. Opatrny 1952	Director (Since 2015)	Trustee, Vice Chair, Member of the Executive Committee and Chair of the Investment Committee, Cornell University since 2004; President, Trustee and Member of the Investment Committee, The Aldrich Contemporary Art Museum from 2007 to 2014; Member of the Board and Investment Committee, University School from 2007 to 2018; Member of the Investment Committee, Mellon Foundation from 2009 to 2015; Trustee, Artstor (a Mellon Foundation affiliate) from 2010 to 2015; President and Trustee, the Center for the Arts, Jackson Hole from 2011 to 2018; Director, Athena Capital Advisors LLC (investment management firm) since 2013; Trustee and Chair of the Investment Committee, Community Foundation of Jackson Hole since 2014; Member of Affordable Housing Supply Board of Jackson, Wyoming since 2017; Member, Investment Funds Committee, State of Wyoming since 2017; Trustee, Phoenix Art Museum since 2018.	32 RICs consisting of 95 Portfolios	None

Interested Directors ^{(a)(d)}

Name Year of Birth ^(b)	Position(s) Held (Length of Service) ^(c)	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
Robert Fairbairn 1965	Director (Since 2015)	Senior Managing Director of BlackRock, Inc. since 2010; oversees BlackRock's Strategic Partner Program and Strategic Product Management Group; Member of BlackRock's Global Executive and Global Operating Committees; Co-Chair of BlackRock's Human Capital Committee; Member of the Board of Managers of BlackRock Investments, LLC since 2011; Global Head of BlackRock's Retail and iShares® businesses from 2012 to 2016.	127 RICs consisting of 304 Portfolios	None

Director and Officer Information (continued)

Interested Directors ^{(a)(d)} (continued)

Name Year of Birth ^(b)	Position(s) Held (Length of Service) ^(c)	Principal Occupation(s) During Past Five Years	Number of BlackRock-Advised Registered Investment Companies ("RICs") Consisting of Investment Portfolios ("Portfolios") Overseen	Public Company and Other Investment Company Directorships Held During Past Five Years
John M. Perlowski 1964	Director (Since 2015) and President and Chief Executive Officer (Since 2010)	Managing Director of BlackRock, Inc. since 2009; Head of BlackRock Global Accounting and Product Services since 2009; Advisory Director of Family Resource Network (charitable foundation) since 2009.	127 RICs consisting of 304 Portfolios	None

^(a) The address of each Director is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.

^(b) Each Independent Director holds office until his or her successor is duly elected and qualifies or until his or her earlier death, resignation, retirement or removal as provided by the Company's by-laws or charter or statute, or until December 31 of the year in which he or she turns 75. The Board may determine to extend the terms of Independent Directors on a case-by-case basis, as appropriate. Interested Directors serve until their successor is duly elected and qualifies or until their earlier death, resignation, retirement or removal as provided by the Company's by-laws or statute, or until December 31 of the year in which they turn 72.

^(c) Following the combination of Merrill Lynch Investment Managers, L.P. ("MLIM") and BlackRock, Inc. in September 2006, the various legacy MLIM and legacy BlackRock fund boards were realigned and consolidated into three new fund boards in 2007. As a result, although the chart shows certain Independent Directors as joining the Company's board in 2007, those Directors first became members of the boards of other legacy MLIM or legacy BlackRock funds as follows: James H. Bodurtha, 1995; Bruce R. Bond, 2005; Honorable Stuart E. Eizenstat, 2001; Robert M. Hernandez, 1996; and John F. O'Brien, 2005. For BlackRock Total Return V.I. Fund, BlackRock High Yield V.I. Fund, and BlackRock U.S. Government Bond V.I. Fund, Length of Service includes service as director of the Predecessor/Target Funds.

^(d) Mr. Fairbairn and Mr. Perlowski are both "interested persons," as defined in the 1940 Act, of the Company based on their positions with BlackRock, Inc. and its affiliates. Mr. Fairbairn and Mr. Perlowski are also board members of the BlackRock Closed-End Complex and the BlackRock Equity-Liquidity Complex.

Officers Who Are Not Directors ^(a)

Name Year of Birth ^(b)	Position(s) Held (Length of Service)	Principal Occupation(s) During Past Five Years
Jennifer McGovern 1977	Vice President (Since 2014)	Managing Director of BlackRock, Inc. since 2016; Director of BlackRock, Inc. from 2011 to 2015; Head of Product Structure and Oversight for BlackRock's U.S. Wealth Advisory Group since 2013.
Neal J. Andrews 1966	Chief Financial Officer (Since 2007)	Managing Director of BlackRock, Inc. since 2006.
Jay M. Fife 1970	Treasurer (Since 2007)	Managing Director of BlackRock, Inc. since 2007.
Charles Park 1967	Chief Compliance Officer (Since 2014)	Anti-Money Laundering Compliance Officer for the BlackRock-advised Funds in the Equity-Bond Complex, the Equity-Liquidity Complex and the Closed-End Complex from 2014 to 2015; Chief Compliance Officer of BlackRock Advisors, LLC and the BlackRock-advised Funds in the Equity-Bond Complex, the Equity-Liquidity Complex and the Closed-End Complex since 2014; Principal of and Chief Compliance Officer for iShares [®] Delaware Trust Sponsor LLC since 2012 and BlackRock Fund Advisors ("BFA") since 2006; Chief Compliance Officer for the BFA-advised iShares [®] exchange traded funds since 2006; Chief Compliance Officer for BlackRock Asset Management International Inc. since 2012.
John MacKessy 1972	Anti-Money Laundering Compliance Officer (Since 2018)	Director of BlackRock, Inc. since 2017; Global Head of Anti-Money Laundering at BlackRock, Inc. since 2017; Director of AML Monitoring and Investigations Group of Citibank from 2015 to 2017; Global Anti-Money Laundering and Economic Sanctions Officer for MasterCard from 2011 to 2015.
Benjamin Archibald 1975	Secretary (Since 2012)	Managing Director of BlackRock, Inc. since 2014; Director of BlackRock, Inc. from 2010 to 2013; Secretary of the iShares [®] exchange traded funds since 2015; Secretary of the BlackRock-advised mutual funds since 2012.

^(a) The address of each Officer is c/o BlackRock, Inc., 55 East 52nd Street, New York, NY 10055.

^(b) Officers of the Company serve at the pleasure of the Board.

Further information about the Company's Directors and Officers is available in the Company's Statement of Additional Information, which can be obtained without charge by calling (800)-441-7762.

At a special meeting of shareholders held on November 21, 2018, each Fund's shareholders elected Directors who took office on January 1, 2019. For BlackRock Variable Series Funds, Inc., the newly elected Directors include seven former Directors and eight individuals who served as directors/trustees of the funds in the BlackRock Equity-Liquidity Complex. For BlackRock Variable Series Funds II, Inc., the newly elected Directors include three former Directors and eight individuals who served as directors/trustees of the funds in the BlackRock Closed-End Complex. Information regarding the individuals who began serving as Directors effective January 1, 2019 can be found in the proxy statement for the special meeting of shareholders, which is available on the SEC's EDGAR Database at <http://www.sec.gov>.

Investment Adviser and Administrator

BlackRock Advisors, LLC
Wilmington, DE 19809

Accounting Agent

JPMorgan Chase Bank, N.A.
New York, NY 10179

Transfer Agent

BNY Mellon Investment Servicing (US) Inc.
Wilmington, DE 19809

Custodians

JPMorgan Chase Bank, N.A.^(c)
New York, NY 10179

Brown Brothers Harriman & Co.^(d)
Boston, MA 02109

Sub-Advisers

BlackRock International Limited^(a)
Edinburgh, Scotland EH3 8BL

BlackRock Asset Management
North Asia Limited^(b)
Hong Kong

BlackRock (Singapore) Limited^(b)
079912 Singapore

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Boston, MA 02116

Distributor

BlackRock Investments, LLC
New York, NY 10022

Legal Counsel

Willkie Farr & Gallagher LLP
New York, NY 10019

Address of the Funds

100 Bellevue Parkway
Wilmington, DE 19809

^(a) For BlackRock International V.I. Fund and BlackRock Managed Volatility V.I. Fund.

^(b) For BlackRock Managed Volatility V.I. Fund.

^(c) For all Funds except BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Focus Growth V.I. Fund.

^(d) For BlackRock Global Allocation V.I. Fund, BlackRock International V.I. Fund and BlackRock Large Cap Focus Growth V.I. Fund.

Additional Information

Proxy Results

BlackRock Variable Series Funds, Inc.

A Special Meeting of Shareholders was held on November 21, 2018 for shareholders of record on September 24, 2018, to elect a Board of Directors of the Funds. The newly elected Directors took office effective January 1, 2019.

Shareholders approved the Directors* of BlackRock Variable Series Funds, Inc. with voting results as follows:

	<i>Votes For</i>	<i>Votes Against</i>	<i>Votes Abstained</i>
Bruce R. Bond	853,415,418	20,821,487	54,328,090
Susan J. Carter	859,039,119	17,819,914	51,705,962
Collette Chilton	856,423,656	20,742,083	51,399,256
Neil A. Cotty	852,591,474	20,690,305	55,283,216
Robert Fairbairn	852,542,660	20,795,311	55,227,025
Lena G. Goldberg	854,847,802	21,644,125	52,073,069
Robert M. Hernandez	850,400,415	23,756,329	54,408,250
Henry R. Keizer	852,907,817	20,662,329	54,994,850
Cynthia A. Montgomery	858,485,209	18,681,453	51,398,333
Donald C. Opatmy	852,092,270	20,950,922	55,521,803
John M. Perkowski	853,364,573	20,553,365	54,647,057
Joseph P. Platt	852,037,460	22,003,638	54,523,898
Mark Stalneckner	853,005,625	20,799,654	54,759,717
Kenneth L. Urish	851,983,013	21,087,065	55,494,917
Claire A. Walton	858,718,970	18,461,950	51,384,075

* Denotes Company-wide proposal and voting results.

The above Directors, referred to as the BlackRock Multi-Asset Board, have also been elected to serve as directors for other BlackRock-advised equity, multi-asset, index and money market funds.

BlackRock Variable Series Funds II, Inc.

A Special Meeting of Shareholders was held on November 21, 2018 for shareholders of record on September 24, 2018, to elect a Board of Directors of the Funds. The newly elected Directors took office effective January 1, 2019.

Shareholders approved the Directors* of BlackRock Variable Series Funds II, Inc. with voting results as follows:

	<i>Votes For</i>	<i>Votes Against</i>	<i>Votes Abstained</i>
Michael J. Castellano	59,887,070	1,387,922	4,893,829
Richard E. Cavanagh	59,649,768	1,455,828	5,063,225
Cynthia L. Egan	59,918,319	1,345,231	4,905,271
Frank J. Fabozzi	59,851,485	1,328,783	4,988,553
Robert Fairbairn	59,950,088	1,221,911	4,996,822
Henry Gabbay	59,979,137	1,094,954	5,094,730
R. Glenn Hubbard	60,054,180	1,149,136	4,965,505
W. Carl Kester	59,878,572	1,214,536	5,075,713
Catherine A. Lynch	60,029,677	1,220,289	4,918,855
John M. Perkowski	60,044,864	1,136,151	4,987,806
Karen P. Robards	60,316,551	1,000,326	4,851,944

* Denotes Company-wide proposal and voting results.

The above Directors, referred to as the BlackRock Fixed-Income Board, have also been elected to serve as directors for other BlackRock-advised non-index fixed-income mutual funds and all of the BlackRock-advised closed-end funds.

General Information

Householding

The Funds will mail only one copy of shareholder documents, including prospectuses, annual and semi-annual reports and proxy statements, to shareholders with multiple accounts at the same address. This practice is commonly called "householding" and is intended to reduce expenses and eliminate duplicate mailings of shareholder documents. Mailings of your shareholder documents may be householded indefinitely unless you instruct us otherwise. If you do not want the mailing of these documents to be combined with those for other members of your household, please call the Funds at (800) 441-7762.

Additional Information (continued)

Availability of Quarterly Schedule of Investments

The Funds file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on the SEC's website at <http://www.sec.gov>. The Funds' Forms N-Q may also be obtained upon request and without charge by calling (800) 441-7762.

Availability of Proxy Voting Policies and Procedures

A description of the policies and procedures that the Funds use to determine how to vote proxies relating to portfolio securities is available upon request and without charge (1) by calling (800) 441-7762; (2) at <http://www.blackrock.com/prospectus/insurance>; and (3) on the SEC's website at <http://www.sec.gov>.

Availability of Proxy Voting Record

Information about how the Funds voted proxies relating to securities held in the Funds' portfolios during the most recent 12-month period ended June 30 is available upon request and without charge (1) at <http://www.blackrock.com/prospectus/insurance> or by calling (800) 441-7762 and (2) on the SEC's website at <http://www.sec.gov>.

BlackRock's Mutual Fund Family

BlackRock offers a diverse lineup of open-end mutual funds crossing all investment styles and managed by experts in equity, fixed-income and tax-exempt investing. Visit <http://www.blackrock.com> for more information.

Shareholder Privileges

Account Information

Call us at (800) 441-7762 from 8:00 AM to 6:00 PM ET on any business day to get information about your account balances, recent transactions and share prices. You can also reach us on the Web at <http://www.blackrock.com>.

Automatic Investment Plans

Investor Class shareholders who want to invest regularly can arrange to have \$50 or more automatically deducted from their checking or savings account and invested in any of the BlackRock funds.

Systematic Withdrawal Plans

Investor Class shareholders can establish a systematic withdrawal plan and receive periodic payments of \$50 or more from their BlackRock funds, as long as their account balance is at least \$10,000.

Retirement Plans

Shareholders may make investments in conjunction with Traditional, Rollover, Roth, Coverdell, Simple IRAs, SEP IRAs and 403(b) Plans.

BlackRock Privacy Principles

BlackRock is committed to maintaining the privacy of its current and former fund investors and individual clients (collectively, "Clients") and to safe-guarding their non-public personal information. The following information is provided to help you understand what personal information BlackRock collects, how we protect that information and why in certain cases we share such information with select parties.

If you are located in a jurisdiction where specific laws, rules or regulations require BlackRock to provide you with additional or different privacy-related rights beyond what is set forth below, then BlackRock will comply with those specific laws, rules or regulations.

BlackRock obtains or verifies personal non-public information from and about you from different sources, including the following: (i) information we receive from you or, if applicable, your financial intermediary, on applications, forms or other documents; (ii) information about your transactions with us, our affiliates, or others; (iii) information we receive from a consumer reporting agency; and (iv) from visits to our websites.

BlackRock does not sell or disclose to non-affiliated third parties any non-public personal information about its Clients, except as permitted by law or as is necessary to respond to regulatory requests or to service Client accounts. These non-affiliated third parties are required to protect the confidentiality and security of this information and to use it only for its intended purpose.

We may share information with our affiliates to service your account or to provide you with information about other BlackRock products or services that may be of interest to you. In addition, BlackRock restricts access to non-public personal information about its Clients to those BlackRock employees with a legitimate business need for the information. BlackRock maintains physical, electronic and procedural safeguards that are designed to protect the non-public personal information of its Clients, including procedures relating to the proper storage and disposal of such information.

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This report is only for distribution to shareholders of the Funds of BlackRock Variable Series Funds, Inc. Past performance results shown in this report should not be considered a representation of future performance. Investment return and principal value of non-money market fund shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. An investment in the BlackRock Government Money Market V.I. Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in money market funds. Statements and other information herein are as dated and are subject to change.

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