

SEMI-ANNUAL REPORT (UNAUDITED)

BLACKROCK®

BlackRock Variable Series Funds, Inc.

- ▶ BlackRock Capital Appreciation V.I. Fund

THIS PAGE INTENTIONALLY LEFT BLANK.

The Markets in Review

Dear Shareholder,

In the 12 months ended June 30, 2018, the strongest corporate profits in seven years drove the equity market higher, while rising interest rates constrained bond returns. Though the market's appetite for risk remained healthy, risk taking was tempered somewhat, as shorter-term, higher-quality securities led the bond market, and U.S. equities outperformed most international stock markets.

Strong equity performance worldwide was driven by synchronized economic growth across the most influential economies. However, volatility in emerging market stocks rose, as U.S.-China trade relations and debt concerns weighed heavily on the Chinese stock market.

Short-term U.S. Treasury interest rates rose the fastest, while longer-term rates slightly increased, leading to a substantial flattening of the yield curve. The annual return for the three-month U.S. Treasury bill surpassed 1.0%, but remained well below the annual headline inflation rate of 2.9%. In contrast, the ten-year U.S. Treasury — a bellwether of the bond market — posted a negative return, as rising inflation expectations drove yields higher. Although the fundamentals in credit markets remained relatively solid, investment-grade bonds declined slightly, and high-yield bonds posted modest returns.

In response to rising growth and inflation, the U.S. Federal Reserve (the "Fed") increased short-term interest rates three times during the reporting period. The Fed also announced plans to reduce its \$4.4 trillion balance sheet by \$420 billion in 2018, which began the process of gradually reversing its unprecedented stimulus measures after the financial crisis. Meanwhile, the European Central Bank announced that its bond-purchasing program would conclude at the end of the year, while also expressing an open-ended commitment to low interest rates. In contrast, the Bank of Japan continued to expand its balance sheet through bond purchasing while lowering its expectations for inflation.

The U.S. economy continued to gain momentum despite the Fed's modest reduction of economic stimulus; unemployment declined to 4.0%, wages increased, and the number of job openings reached a record high. Strong economic performance may justify a more rapid pace of rate hikes in 2018, as the headline inflation rate and investors' expectations for inflation have already surpassed the Fed's target of 2.0%.

While U.S. monetary policy is seeking to restrain economic growth and inflation, fiscal policy has produced new sources of growth that could nourish the economy for the next few years. Corporate tax cuts and repatriation of capital held abroad could encourage a virtuous cycle of business spending. Lower individual tax rates coupled with the robust job market may refresh consumer spending. Proposed infrastructure spending would deliver growth from the government sector, generate demand, and improve economic activity in other sectors.

We continue to believe the primary risks to economic expansion are trade protectionism, rapidly rising interest rates, and geopolitical tension. Given the deflationary forces of technology and globalization, a substantial increase in inflation is unlikely to materialize as long as the unemployment rate remains above 3.0%. However, we are closely monitoring trade protectionism and the rise of populism in Western nations. In particular, the outcome of trade negotiations between the United States and China is likely to influence the global growth trajectory and set the tone for free trade in many other nations.

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 June 30, 2018

	6-month	12-month
U.S. large cap equities (S&P 500® Index)	2.65%	14.37%
U.S. small cap equities (Russell 2000® Index)	7.66	17.57
International equities (MSCI Europe, Australasia, Far East Index)	(2.75)	6.84
Emerging market equities (MSCI Emerging Markets Index)	(6.66)	8.20
3-month Treasury bills (ICE BofAML 3-Month U.S. Treasury Bill Index)	0.81	1.36
U.S. Treasury securities (ICE BofAML 10-Year U.S. Treasury Index)	(2.68)	(2.69)
U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index)	(1.62)	(0.40)
Tax-exempt municipal bonds (S&P Municipal Bond Index)	(0.02)	1.61
U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index)	0.16	2.62

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 six-month period ended June 30, 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?

In sector terms, the largest contributor to the Fund's relative performance was consumer discretionary, where internet & direct marketing retail holdings had the most significant impact on results. Selection in hotels, restaurants & leisure and a lack of exposure to media also added value within the sector. The industrials and health care sectors were additional sources of positive performance. An underweight to machinery and selection in conglomerates benefited performance in industrials, while an underweight to biotechnology and positioning in pharmaceuticals drove gains in health care. Finally, positioning in consumer staples proved advantageous.

At the individual stock level, Netflix Inc. and Amazon.com Inc. were the largest contributors. Netflix outperformed after a series of strong earnings reports, and the company continues to gain scale based on original content and new subscribers. Amazon continued to perform well after a series of solid earnings reports and acceleration in several of its key segments.

While the Fund's overall security selection was notably strong for the period, an overweight position to financials weighed on results. In particular, bank and diversified financial services holdings had the most negative impact.

A position in Chinese internet conglomerate Tencent Holding Ltd. was the leading detractor. The stock pulled back amid fears of a slowdown in PC gaming and a near-term profit margin contraction. The Fund has maintained its overweight position on a positive view of the company's growth opportunities especially in payments, mobile gaming and advertising. An underweight to Apple Inc. also detracted as the company outperformed during the period. The underweight to Apple is based on the view that a mature smartphone market, increasing competition and a lack of new innovative products will limit the company's growth once the most recent iPhone product cycles are complete.

Describe recent portfolio activity.

Due to a combination of portfolio trading activity and market movement during the six-month period, the Fund's weighting in consumer discretionary increased, particularly within internet & direct marketing retail. The Fund's information technology ("IT") exposure also increased, namely within software and IT services. Exposure to materials decreased, largely with respect to chemicals. Financials, particularly banks, and health care, primarily biotechnology, saw declines 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 consumer discretionary sector, followed by financials. Industrials was the largest sector underweight, followed by consumer staples and health care.

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.

Performance Summary for the Period Ended June 30, 2018

	6-Month Total Returns ^(c)	Average Annual Total Returns		
		1 Year ^(c)	5 Years ^(c)	10 Years ^(c)
Class I ^{(a)(b)}	15.01%	30.40%	17.17%	10.54%
Class III ^{(a)(b)}	14.75	30.07	16.84	10.26 ^(d)
Russell 1000 [®] Growth Index ^(e)	7.25	22.51	16.36	11.83
S&P 500 [®] Index ^(f)	2.65	14.37	13.42	10.17

^(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) 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) For a 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.

^(d) 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.

^(e) 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.

^(f) An unmanaged index that covers 500 leading companies and captures approximately 80% coverage of available market capitalization.

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 (01/01/18)	Ending Account Value (06/30/18)	Expenses Paid During the Period ^(b)	Beginning Account Value (01/01/18)	Ending Account Value (06/30/18)	Expenses Paid During the Period ^(b)	
Class I	\$ 1,000.00	\$ 1,150.10	\$ 4.21	\$ 1,000.00	\$ 1,020.88	\$ 3.96	0.79%
Class III	1,000.00	1,147.50	5.59	1,000.00	1,019.59	5.26	1.05

^(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 181/365 (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

Sector	Percent of Net Assets
Information Technology	42%
Consumer Discretionary	23
Health Care	12
Industrials	8
Financials	6
Consumer Staples	4
Materials	3
Energy	1
Real Estate	1
Telecommunication Services	— ^(a)
Short-Term Securities	2
Liabilities in Excess of Other Assets	(2)

^(a) Representing less than 0.5% of the Fund's net assets.

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, such as sales charges; 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 January 1, 2018 and held through June 30, 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 (unaudited)

June 30, 2018

BlackRock Capital Appreciation V.I. Fund

(Percentages shown are based on Net Assets)

Security	Shares	Value
Common Stocks — 98.9%		
Aerospace & Defense — 1.0%		
TransDigm Group, Inc.	9,521	\$ 3,286,078
Automobiles — 1.1%		
Tesla, Inc. ^(a)	10,143	3,478,542
Banks — 1.9%		
Bank of America Corp.	112,155	3,161,649
First Republic Bank	30,349	2,937,480
		6,099,129
Beverages — 2.8%		
Constellation Brands, Inc., Class A	27,192	5,951,513
Dr Pepper Snapple Group, Inc.	22,684	2,767,448
		8,718,961
Biotechnology — 0.9%		
Vertex Pharmaceuticals, Inc. ^(a)	17,030	2,894,419
Capital Markets — 3.0%		
E*TRADE Financial Corp. ^(a)	80,000	4,892,800
S&P Global, Inc.	23,271	4,744,724
		9,637,524
Chemicals — 1.8%		
DowDuPont, Inc.	27,700	1,825,984
Sherwin-Williams Co. (The)	9,408	3,834,419
		5,660,403
Construction Materials — 1.2%		
Vulcan Materials Co.	28,421	3,668,014
Diversified Financial Services — 1.2%		
Berkshire Hathaway, Inc., Class B ^(a)	20,838	3,889,413
Diversified Telecommunication Services — 0.4%		
Zayo Group Holdings, Inc. ^(a)	34,928	1,274,173
Electrical Equipment — 0.4%		
Rockwell Automation, Inc. ^(b)	8,441	1,403,147
Equity Real Estate Investment Trusts (REITs) — 1.4%		
SBA Communications Corp. ^(a)	27,402	4,524,618
Food Products — 0.8%		
Bunge Ltd.	36,930	2,574,390
Health Care Equipment & Supplies — 3.9%		
Becton Dickinson and Co.	26,912	6,447,039
Boston Scientific Corp. ^(a)	184,139	6,021,345
		12,468,384
Health Care Providers & Services — 4.6%		
UnitedHealth Group, Inc.	58,687	14,398,269
Hotels, Restaurants & Leisure — 1.1%		
Domino's Pizza, Inc.	12,797	3,610,930
Household Durables — 0.8%		
Mohawk Industries, Inc. ^(a)	11,040	2,365,541
Industrial Conglomerates — 1.8%		
Honeywell International, Inc.	19,090	2,749,915
Roper Technologies, Inc.	10,717	2,956,927
		5,706,842
Internet & Direct Marketing Retail — 15.6%^(a)		
Amazon.com, Inc.	16,778	28,519,245
Booking Holdings, Inc.	4,759	9,646,921
Netflix, Inc.	28,238	11,053,200
		49,219,366

Security	Shares	Value
Internet Software & Services — 13.7%		
Alibaba Group Holding Ltd., ADR ^{(a)(b)}	11,931	\$ 2,213,559
Alphabet, Inc., Class A ^(a)	14,097	15,918,191
Facebook, Inc., Class A ^(a)	51,973	10,099,393
MercadoLibre, Inc. ^(b)	14,317	4,279,781
Tencent Holdings Ltd.	218,200	10,957,001
		43,467,925
IT Services — 8.5%		
Mastercard, Inc., Class A	34,739	6,826,908
PayPal Holdings, Inc. ^(a)	61,372	5,110,447
Visa, Inc., Class A	113,347	15,012,810
		26,950,165
Life Sciences Tools & Services — 1.5%		
Illumina, Inc. ^(a)	17,054	4,763,012
Machinery — 0.2%		
Xylem, Inc.	7,100	478,398
Oil, Gas & Consumable Fuels — 1.0%		
Pioneer Natural Resources Co.	16,262	3,077,421
Pharmaceuticals — 1.0%		
Zoetis, Inc.	35,186	2,997,495
Professional Services — 3.0%		
CoStar Group, Inc. ^(a)	13,568	5,598,564
Equifax, Inc.	32,099	4,015,906
		9,614,470
Road & Rail — 1.8%		
Union Pacific Corp.	39,800	5,638,864
Semiconductors & Semiconductor Equipment — 3.5%		
ASML Holding NV (Registered), NYRS	23,599	4,671,894
Broadcom, Inc.	6,345	1,539,551
NVIDIA Corp.	20,996	4,973,952
		11,185,397
Software — 14.8%		
Activision Blizzard, Inc.	52,133	3,978,791
Adobe Systems, Inc. ^(a)	29,890	7,287,481
Autodesk, Inc. ^(a)	35,943	4,711,768
Electronic Arts, Inc. ^(a)	42,467	5,988,696
Intuit, Inc.	7,910	1,616,052
Microsoft Corp.	181,872	17,934,398
salesforce.com, Inc. ^(a)	38,572	5,261,221
		46,778,407
Specialty Retail — 3.1%		
Home Depot, Inc. (The)	18,723	3,652,857
Ulta Beauty, Inc. ^(a)	25,817	6,027,237
		9,680,094
Textiles, Apparel & Luxury Goods — 1.1%		
NIKE, Inc., Class B	43,547	3,469,825
Total Common Stocks — 98.9%		
(Cost: \$214,493,853)		312,979,616
Preferred Stocks — 0.8%		
Software — 0.8%		
Palantir Technologies, Inc., Series I (Acquired 02/07/14, cost \$2,858,020), 0.00% ^{(a)(c)(d)}	466,235	2,694,838
Total Preferred Stocks — 0.8%		
(Cost: \$2,858,020)		2,694,838
Total Long-Term Investments — 99.7%		
(Cost: \$217,351,873)		315,674,454

Schedule of Investments (unaudited) (continued)

June 30, 2018

BlackRock Capital Appreciation V.I. Fund

(Percentages shown are based on Net Assets)

Security	Shares	Value
Short-Term Securities — 2.0% ^{(e)(g)}		
BlackRock Liquidity Funds, T-Fund, Institutional Class, 1.80%	2,652,903	\$ 2,652,903
SL Liquidity Series, LLC, Money Market Series, 2.16% ^(f)	3,787,268	3,787,647
Total Short-Term Securities — 2.0% (Cost: \$6,440,550)		6,440,550
Total Investments — 101.7% (Cost: \$223,792,423)		322,115,004
Liabilities in Excess of Other Assets — (1.7)%		(5,528,280)
Net Assets — 100.0%		\$316,586,724

- (a) Non-income producing security.
- (b) Security, or a portion of the security, is on loan.
- (c) Restricted security as to resale, excluding 144A securities. The Fund held restricted securities with a current value of \$2,694,838, representing 0.85% 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 six months ended June 30, 2018, investments in issuers considered to be an affiliate 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 06/30/18	Value at 06/30/18	Income	Net Realized Gain (Loss) ^(a)	Change in Unrealized Appreciation (Depreciation)
BlackRock Liquidity Funds, T-Fund, Institutional Class	2,708,926	(56,023)	2,652,903	\$2,652,903	\$15,149	\$ —	\$ —
SL Liquidity Series, LLC, Money Market Series	15,256,731	(11,469,463)	3,787,268	3,787,647	21,985 ^(b)	(487)	—
				<u>\$6,440,550</u>	<u>\$37,134</u>	<u>\$ (487)</u>	<u>\$ —</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 advisor. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Portfolio Abbreviations

ADR	American Depositary Receipts
NYRS	New York Registered Shares
REIT	Real Estate Investment Trust

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:				
Aerospace & Defense	\$3,286,078	\$ —	\$ —	\$3,286,078
Automobiles	3,478,542	—	—	3,478,542
Banks	6,099,129	—	—	6,099,129
Beverages	8,718,961	—	—	8,718,961
Biotechnology	2,894,419	—	—	2,894,419
Capital Markets	9,637,524	—	—	9,637,524
Chemicals	5,660,403	—	—	5,660,403
Construction Materials	3,668,014	—	—	3,668,014
Diversified Financial Services	3,889,413	—	—	3,889,413
Diversified Telecommunication Services	1,274,173	—	—	1,274,173
Electrical Equipment	1,403,147	—	—	1,403,147
Equity Real Estate Investment Trusts (REITs)	4,524,618	—	—	4,524,618
Food Products	2,574,390	—	—	2,574,390

June 30, 2018

	Level 1	Level 2	Level 3	Total
Health Care Equipment & Supplies	\$ 12,468,384	\$ —	\$ —	\$ 12,468,384
Health Care Providers & Services	14,398,269	—	—	14,398,269
Hotels, Restaurants & Leisure	3,610,930	—	—	3,610,930
Household Durables	2,365,541	—	—	2,365,541
Industrial Conglomerates	5,706,842	—	—	5,706,842
Internet & Direct Marketing Retail	49,219,366	—	—	49,219,366
Internet Software & Services	32,510,924	10,957,001	—	43,467,925
IT Services	26,950,165	—	—	26,950,165
Life Sciences Tools & Services	4,763,012	—	—	4,763,012
Machinery	478,398	—	—	478,398
Oil, Gas & Consumable Fuels	3,077,421	—	—	3,077,421
Pharmaceuticals	2,997,495	—	—	2,997,495
Professional Services	9,614,470	—	—	9,614,470
Road & Rail	5,638,864	—	—	5,638,864
Semiconductors & Semiconductor Equipment	11,185,397	—	—	11,185,397
Software	46,778,407	—	—	46,778,407
Specialty Retail	9,680,094	—	—	9,680,094
Textiles, Apparel & Luxury Goods	3,469,825	—	—	3,469,825
Preferred Stocks	—	—	2,694,838	2,694,838
Short-Term Securities	2,652,903	—	—	2,652,903
Subtotal	<u>\$304,675,518</u>	<u>\$10,957,001</u>	<u>\$2,694,838</u>	<u>\$318,327,357</u>
Investments valued at NAV ^(a)				\$ 3,787,647
Total Investments				<u>\$322,115,004</u>

^(a) As of June 30, 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 six month ended June 30, 2018, there were no transfers between Level 1 and Level 2.

See notes to financial statements.

Statement of Assets and Liabilities (unaudited)

June 30, 2018

BlackRock Capital
Appreciation
V.I. Fund

ASSETS

Investments at value — unaffiliated (including securities loaned at value of \$3,694,056) (cost — \$217,351,873)	\$315,674,454
Investments at value — affiliated (cost — \$6,440,550)	6,440,550
Cash	193
Foreign currency at value (cost — \$41)	41
Receivables:	
Investments sold	1,007,746
Securities lending income — affiliated	2,526
Capital shares sold	7,617
Dividends — affiliated	3,286
Dividends — unaffiliated	11,390
From the Manager	3,528
Prepaid expenses	853
Total assets	<u>323,152,184</u>

LIABILITIES

Cash collateral on securities loaned at value	3,792,956
Payables:	
Investments purchased	1,991,153
Capital shares redeemed	374,875
Distribution fees	37,844
Board realignment and consolidation	12,531
Investment advisory fees	203,159
Directors' and Officer's fees	2,626
Other affiliates	802
Other accrued expenses	149,514
Total liabilities	<u>6,565,460</u>

NET ASSETS **\$316,586,724**

NET ASSETS CONSIST OF

Paid-in capital	\$148,855,134
Accumulated net investment loss	(484,071)
Accumulated net realized gain	69,893,080
Net unrealized appreciation (depreciation)	98,322,581
NET ASSETS	<u>\$316,586,724</u>

NET ASSET VALUE

Class I — Based on net assets of \$144,842,440 and 12,279,940 shares outstanding, 100 million shares authorized, \$0.10 par value.	\$ 11.80
Class III — Based on net assets of \$171,744,284 and 14,716,922 shares outstanding, 100 million shares authorized, \$0.10 par value.	\$ 11.67

See notes to financial statements.

Statement of Operations (unaudited)

Six Months Ended June 30, 2018

BlackRock Capital
Appreciation
V.I. Fund

INVESTMENT INCOME

Dividends — affiliated	\$ 15,149
Dividends — unaffiliated	1,158,522
Securities lending income — affiliated — net	21,985
Total investment income	1,195,656

EXPENSES

Investment advisory	1,195,322
Transfer agent — class specific	377,146
Distribution — class specific	278,016
Printing	33,445
Accounting services	30,051
Professional	27,759
Board realignment and consolidation	12,531
Directors and Officer	10,253
Custodian	8,623
Transfer agent	2,479
Miscellaneous	4,941
Total expenses	1,980,566
Less:	
Fees waived and/or reimbursed by the Manager	(1,259)
Transfer agent fees waived and/or reimbursed — class specific	(237,298)
Total expenses after fees waived and/or reimbursed	1,742,009
Net investment loss	(546,353)

REALIZED AND UNREALIZED GAIN (LOSS)

Net realized gain (loss) from:	
Investments — affiliated	(487)
Investments — unaffiliated	59,340,379
Foreign currency transactions	(268)
	59,339,624
Net change in unrealized depreciation on investments — unaffiliated	(11,083,672)
Net realized and unrealized gain	48,255,952
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 47,709,599

See notes to financial statements.

Statements of Changes in Net Assets

BlackRock Capital Appreciation V.I. Fund	
Six Months Ended 06/30/2018 (unaudited)	Year Ended 12/31/2017

INCREASE (DECREASE) IN NET ASSETS

OPERATIONS

Net investment loss	\$ (546,353)	\$ (685,408)
Net realized gain	59,339,624	48,210,072
Net change in unrealized appreciation (depreciation)	(11,083,672)	62,728,743
Net increase in net assets resulting from operations	<u>47,709,599</u>	<u>110,253,407</u>

DISTRIBUTIONS TO SHAREHOLDERS^(a)

From net realized gain:		
Class I	—	(15,570,061)
Class III	—	(28,079,992)
Decrease in net assets resulting from distributions to shareholders	<u>—</u>	<u>(43,650,053)</u>

CAPITAL SHARE TRANSACTIONS

Net decrease in net assets derived from capital share transactions	<u>(133,337,828)</u>	<u>(20,276,483)</u>
--	----------------------	---------------------

NET ASSETS

Total increase (decrease) in net assets	(85,628,229)	46,326,871
Beginning of period	<u>402,214,953</u>	<u>355,888,082</u>
End of period	<u>\$ 316,586,724</u>	<u>\$402,214,953</u>
Undistributed (accumulated) net investment income (loss), end of period	<u>\$ (484,071)</u>	<u>\$ 62,282</u>

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

See notes to financial statements.

Financial Highlights

(For a share outstanding throughout each period)

	BlackRock Capital Appreciation V.I. Fund					
	Class I					
	Six Months Ended 06/30/2018 (unaudited)	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 10.26	\$ 8.63	\$ 8.86	\$ 9.02	\$ 9.80	\$ 8.50
Net investment loss ^(a)	(0.01)	(0.00) ^{(b)(c)}	(0.00) ^{(b)(d)}	(0.01)	(0.01)	(0.00) ^(b)
Net realized and unrealized gain	1.55	2.86	0.01	0.63	0.87	2.86
Net increase from investment operations	1.54	2.86	0.01	0.62	0.86	2.86
Distributions^(e)						
From net investment income	—	—	—	—	—	(0.00) ^(b)
From net realized gain	—	(1.23)	(0.24)	(0.78)	(1.64)	(1.56)
Total distributions	—	(1.23)	(0.24)	(0.78)	(1.64)	(1.56)
Net asset value, end of period	\$ 11.80	\$ 10.26	\$ 8.63	\$ 8.86	\$ 9.02	\$ 9.80
Total Return^(f)						
Based on net asset value	15.01% ^(g)	33.22%	0.10%	6.73%	9.02%	33.82%
Ratios to Average Net Assets						
Total expenses	0.93% ^{(h)(i)}	0.92%	0.92%	0.93%	0.91%	0.93%
Total expenses after fees waived and/or reimbursed	0.79% ^{(h)(i)}	0.79%	0.80%	0.79%	0.79%	0.80%
Net investment loss	(0.13)% ^{(h)(i)}	(0.00)% ^{(c)(j)}	(0.06)% ^(d)	(0.15)%	(0.10)%	(0.00)% ^(j)
Supplemental Data						
Net assets, end of period (000)	\$144,842	\$142,246	\$124,752	\$139,045	\$166,586	\$180,580
Portfolio turnover rate	22%	48%	89%	70%	102%	158%

(a) Based on average shares outstanding.

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

(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 special 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 \$0.01 per share and 0.07%, respectively, resulting from a special 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 reinvestments of distributions.

(g) Aggregate total return.

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

(i) Annualized.

(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						
	Six Months Ended 06/30/2018 (unaudited)	Year Ended December 31,				
		2017	2016	2015	2014	2013
Net asset value, beginning of period	\$ 10.17	\$ 8.56	\$ 8.81	\$ 8.97	\$ 9.76	\$ 8.48
Net investment loss ^(a)	(0.02)	(0.03) ^(b)	(0.03) ^(c)	(0.04)	(0.03)	(0.03)
Net realized and unrealized gain	1.52	2.84	0.02	0.63	0.86	2.84
Net increase (decrease) from investment operations	1.50	2.81	(0.01)	0.59	0.83	2.81
Distributions^(d)						
From net investment income	—	—	—	—	—	(0.00) ^(e)
From net realized gain	—	(1.20)	(0.24)	(0.75)	(1.62)	(1.53)
Total distributions	—	(1.20)	(0.24)	(0.75)	(1.62)	(1.53)
Net asset value, end of period	\$ 11.67	\$ 10.17	\$ 8.56	\$ 8.81	\$ 8.97	\$ 9.76
Total Return^(f)						
Based on net asset value	14.75% ^(g)	32.94%	(0.13)%	6.49%	8.68%	33.40%
Ratios to Average Net Assets						
Total expenses	1.17% ^{(h)(i)}	1.17%	1.18%	1.17%	1.18%	1.19%
Total expenses after fees waived and/or reimbursed	1.05% ^{(h)(i)}	1.05%	1.06%	1.05%	1.05%	1.06%
Net investment loss	(0.40)% ^{(h)(i)}	(0.27)% ^(b)	(0.32)% ^(c)	(0.40)%	(0.35)%	(0.27)%
Supplemental Data						
Net assets, end of period (000)	\$171,744	\$259,969	\$231,136	\$233,706	\$233,723	\$207,582
Portfolio turnover rate	22%	48%	89%	70%	102%	158%

(a) Based on average shares outstanding.

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

(c) 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 special dividend from TransDigm Group, Inc. in October 2016.

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

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

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

(g) Aggregate total return.

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

(i) Annualized.

See 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 19 separate funds.

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. The character and timing of distributions are determined in accordance with U.S. federal income tax regulations, which may differ from U.S. GAAP.

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) (or if the reporting date falls on a day the NYSE is closed, investments are valued at fair value as of the period end). 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.

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.

Notes to Financial Statements (unaudited) (continued)

- 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)
- 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.

Notes to Financial Statements (unaudited) (continued)

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 June 30, 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:

<i>Counterparty</i>	<i>Securities Loaned at Value</i>	<i>Cash Collateral Received</i> ^(a)	<i>Net Amount</i>
Deutsche Bank Securities Inc.	\$ 1,524,543	\$ (1,524,543)	\$ —
JP Morgan Securities LLC	16,623	(16,623)	—
State Street Bank & Trust Co.	2,152,890	(2,152,890)	—
	\$ 3,694,056	\$ (3,694,056)	\$ —

^(a) Cash collateral with a value of \$3,792,956 has been received in connection with securities lending agreements. Collateral received in excess of the value of securities loaned from the individual counterparty is not shown for financial reporting purposes.

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 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

The PNC Financial Services Group, Inc. is the largest stockholder and an affiliate of BlackRock, Inc. ("BlackRock") for 1940 Act purposes.

Investment Advisory: The Company, on behalf of the Fund, entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser, 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.

For the six months ended June 30, 2018, the class specific distribution fees borne directly by Class III were \$278,016.

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 six months ended June 30, 2018, the Fund did not pay any 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 six months ended June 30, 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>
\$153,095	\$224,051	\$377,146

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 six months ended June 30, 2018, the amount waived was \$1,259.

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 six months ended June 30, 2018, there were no fees waived by the Manager.

For the six months ended June 30, 2018, the Fund reimbursed the Manager \$2,152 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.

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 six months ended June 30, 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	\$102,213	\$135,085	\$237,298

Notes to Financial Statements (unaudited) (continued)

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 six months ended June 30, 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 six months ended June 30, 2018, the Fund paid BIM \$2,298 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 six months ended June 30, 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 six months ended June 30, 2018, purchases and sales of investments, excluding short-term securities, were \$80,527,075 and \$213,602,155, 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.

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, 2017. 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 June 30, 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.

Notes to Financial Statements (unaudited) (continued)

As of June 30, 2018, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

Tax cost	\$223,877,533
Gross unrealized appreciation	\$ 99,428,644
Gross unrealized depreciation	(1,191,173)
Net unrealized appreciation (depreciation)	\$ 98,237,471

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. Certain provisions of the Act were effective upon enactment with the remainder becoming effective for tax years beginning after December 31, 2017. Although the Act does not amend any provisions directly related to the qualification or taxation of regulated investment companies ("RICs"), the Act does change the taxation of entities in which some RICs invest, the tax treatment of income derived from those entities and the taxation of RIC shareholders. While management does not anticipate significant impact to the Fund or to its shareholders, there is uncertainty in the application of certain provisions in the Act. Specifically, provisions in the Act may increase the amount of or accelerate the recognition of taxable income and may limit the deductibility of certain expenses by RICs. Until full clarity around these provisions is obtained, the impact on the Fund's financial statements, if any, cannot be fully determined.

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 six months ended June 30, 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 and 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.

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.

Concentration Risk: As of period end, the Fund invested a significant portion of its assets in securities in the information technology sector. Changes in economic conditions affecting such sector would have a greater impact on the Fund and could affect the value, income and/or liquidity of positions in such securities.

10. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for each class were as follows:

	<i>Six Months Ended</i> <i>06/30/2018</i>		<i>Year Ended</i> <i>12/31/2017</i>	
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>
Class I				
Shares sold	112,114	\$ 1,287,669	334,343	\$ 3,268,914
Shares issued in reinvestment of distributions	—	—	1,510,157	15,570,061
Shares redeemed	(1,693,623)	(18,911,615)	(2,438,122)	(24,590,116)
Net decrease	<u>(1,581,509)</u>	<u>\$ (17,623,946)</u>	<u>(593,622)</u>	<u>\$ (5,751,141)</u>
Class III				
Shares sold	167,943	\$ 1,819,975	608,475	\$ 5,912,633
Shares issued in reinvestment of distributions	—	—	2,750,278	28,079,992
Shares redeemed	(11,024,469)	(117,533,857)	(4,789,157)	(48,517,967)
Net decrease	<u>(10,856,526)</u>	<u>\$(115,713,882)</u>	<u>(1,430,404)</u>	<u>\$(14,525,342)</u>
Total Net Decrease	<u>(12,438,035)</u>	<u>\$(133,337,828)</u>	<u>(2,024,026)</u>	<u>\$(20,276,483)</u>

11. SUBSEQUENT EVENTS

Management's evaluation of the impact of all subsequent events on the Fund's financial statements was completed through the date the financial statements were issued and the following items were noted:

The Fund paid short-term capital gain and long-term capital gain distributions in the following amounts per share on July 20, 2018 to the shareholders of record on July 18, 2018.

	<i>Short-Term</i> <i>Capital Gain</i>	<i>Long-Term</i> <i>Capital Gain</i>
Class I	\$ 0.087260	\$ 0.316304
Class III	0.087260	0.316304

THIS PAGE INTENTIONALLY LEFT BLANK.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements

The Board of Directors (the “Board,” the members of which are referred to as “Board Members”) of BlackRock Variable Series Fund, Inc. (the “Corporation”) met in person on April 10, 2018 (the “April Meeting”) and May 8, 2018 (the “May Meeting”) to consider the approval of the investment advisory agreements (collectively, the “Advisory Agreements”) between the Corporation, on behalf of BlackRock Advantage Large Cap Core V.I. Fund (the “Advantage Large Cap Core V.I. Fund”), BlackRock Advantage Large Cap Value V.I. Fund (the “Advantage Large Cap Value V.I. Fund”), BlackRock Advantage U.S. Total Market V.I. Fund (the “Advantage U.S. Total Market V.I. Fund”), BlackRock Basic Value V.I. Fund (the “Basic Value V.I. Fund”), BlackRock Capital Appreciation V.I. Fund (the “Capital Appreciation V.I. Fund”), BlackRock Equity Dividend V.I. Fund (the “Equity Dividend V.I. Fund”), BlackRock Global Allocation V.I. Fund (the “Global Allocation V.I. Fund”), BlackRock Government Money Market V.I. Fund (the “Government Money Market V.I. Fund”), BlackRock High Yield V.I. Fund (the “High Yield V.I. Fund”), BlackRock International V.I. Fund (the “International V.I. Fund”), BlackRock iShares Alternative Strategies V.I. Fund (the “iShares Alternative Strategies V.I. Fund”), BlackRock iShares Dynamic Allocation V.I. Fund (the “iShares Dynamic Allocation V.I. Fund”), BlackRock Large Cap Focus Growth V.I. Fund (the “Large Cap Focus Growth V.I. Fund”), BlackRock Managed Volatility V.I. Fund (the “Managed Volatility V.I. Fund”), BlackRock S&P 500 Index V.I. Fund (the “S&P 500 Index V.I. Fund”), BlackRock Total Return V.I. Fund (the “Total Return V.I. Fund”) and BlackRock U.S. Government Bond V.I. Fund (the “U.S. Government Bond V.I. Fund”) (each, a “Fund,” and collectively, the “Funds”), each a series of the Corporation, and BlackRock Advisors, LLC (the “Manager”), each Fund’s investment advisor. The Board also considered the approval of the sub-advisory agreements (collectively, the “Sub-Advisory Agreements”) between the Manager and (a) BlackRock International Limited; (b) BlackRock Asset Management North Asia Limited; and (c) BlackRock (Singapore) Limited (collectively, the “Sub-Advisors”), respectively with respect to the Funds, as applicable. The Manager and the Sub-Advisors are referred to herein as “BlackRock.” The Advisory Agreements and the Sub-Advisory Agreements are referred to herein as the “Agreements.”

Activities and Composition of the Board

On the date of the May Meeting, the Board consisted of eleven individuals, nine of whom were not “interested persons” of the Corporation as defined in the Investment Company Act of 1940, as amended (the “1940 Act”) (the “Independent Board Members”). The Board Members are responsible for the oversight of the operations of the Funds and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Independent Board Members have retained independent legal counsel to assist them in connection with their duties. The Chair of the Board is an Independent Board Member. The Board has established five standing committees: an Audit Committee, a Governance and Nominating Committee, a Compliance Committee, a Performance Oversight Committee and an Executive Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Performance Oversight Committee and the Executive Committee, each of which also has one interested Board Member).

The Agreements

Pursuant to the 1940 Act, the Board is required to consider the continuation of the Agreements on an annual basis. The Board has four quarterly meetings per year, each typically extending for two days, and additional in-person and telephonic meetings throughout the year, as needed. The Board also has a fifth one-day meeting to consider specific information surrounding the consideration of renewing the Agreements. The Board’s consideration of the Agreements is a year-long deliberative process, during which the Board assessed, among other things, the nature, extent and quality of the services provided to each Fund by BlackRock, BlackRock’s personnel and affiliates, including (as applicable): investment management; accounting, administrative and shareholder services; oversight of each Fund’s service providers; marketing and promotional services; risk management and oversight; legal and compliance services; and ability to meet applicable legal and regulatory requirements.

The Board, acting directly and through its committees, considers at each of its meetings, and from time to time as appropriate, factors that are relevant to its annual consideration of the renewal of the Agreements, including the services and support provided by BlackRock to each Fund and its shareholders. BlackRock also furnished additional information to the Board in response to specific questions from the Board. This additional information is discussed further below in the section titled “Board Considerations in Approving the Agreements.” Among the matters the Board considered were: (a) investment performance for one-year, three-year, five-year, ten-year, and/or since inception periods, as applicable, against peer funds, applicable benchmark, and performance metrics, as applicable, as well as senior management’s and portfolio managers’ analysis of the reasons for any over-performance or underperformance relative to its peers, benchmarks, and other performance metrics, as applicable; (b) fees, including advisory, administration, if applicable, and other amounts paid to BlackRock and its affiliates by each Fund for services; (c) Fund operating expenses and how BlackRock allocates expenses to each Fund; (d) the resources devoted to, risk oversight of, and compliance reports relating to, implementation of each Fund’s investment objective(s), policies and restrictions, and meeting regulatory requirements; (e) each Fund’s adherence to its compliance policies and procedures; (f) the nature, character and scope of non-investment management services provided by BlackRock and its affiliates and the estimated cost of such services; (g) BlackRock’s and other service providers’ internal controls and risk and compliance oversight mechanisms; (h) BlackRock’s implementation of the proxy voting policies approved by the Board; (i) the use of brokerage commissions and execution quality of portfolio transactions; (j) BlackRock’s implementation of each Fund’s valuation and liquidity procedures; (k) an analysis of management fees for products with similar investment mandates across the open-end fund, exchange-traded fund (“ETF”), closed-end fund, sub-advised mutual fund, separately managed account, collective investment trust, and institutional separate account product channels, as applicable, and the similarities and differences between these products and the services provided as compared to each Fund; (l) BlackRock’s compensation methodology for its investment professionals and the incentives and accountability it creates, along with investment professionals’ investments in the fund(s) they manage; and (m) periodic updates on BlackRock’s business.

Board Considerations in Approving the Agreements

The Approval Process: Prior to the April Meeting, the Board requested and received materials specifically relating to the Agreements. The Board is continuously engaged in a process with its independent legal counsel and BlackRock to review the nature and scope of the information provided to better assist its deliberations. The materials provided in connection with the April Meeting included, among other things: (a) information independently compiled and prepared by Broadridge Financial Solutions, Inc. (“Broadridge”), based on either a Lipper classification or Morningstar category, regarding each Fund’s fees and expenses as compared with a peer group of funds as determined by Broadridge (“Expense Peers”), the investment performance of each Fund as compared with a peer group of funds (“Performance Peers”) and other metrics, as applicable; (b) information on the composition of the Expense Peers and Performance Peers, and a description of Broadridge’s methodology; (c) information on the estimated profits realized by BlackRock and its affiliates pursuant to the Agreements and a discussion of fall-out benefits to BlackRock and its affiliates; (d) a general

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

analysis provided by BlackRock concerning investment management fees received in connection with other types of investment products, such as institutional accounts, sub-advised mutual funds, ETFs, closed-end funds, open-end funds, and separately managed accounts, under similar investment mandates, as well as the performance of such other products, as applicable; (e) review of non-management fees; (f) the existence and impact of potential economies of scale, if any, and the sharing of potential economies of scale with each Fund; (g) a summary of aggregate amounts paid by each Fund to BlackRock; (h) sales and redemption data regarding each Fund's shares; and (i) various additional information requested by the Board as appropriate regarding BlackRock's and each Fund's operations.

At the April Meeting, the Board reviewed materials relating to its consideration of the Agreements. As a result of the discussions that occurred during the April Meeting, and as a culmination of the Board's year-long deliberative process, the Board presented BlackRock with questions and requests for additional information. BlackRock responded to these requests with additional written information in advance of the May Meeting.

At the May Meeting, the Board considered, among other things: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund as compared with Performance Peers and other metrics, as applicable; (c) the advisory fee and the estimated cost of the services and estimated profits realized by BlackRock and its affiliates from their relationship with each Fund; (d) each Fund's fees and expenses compared to Expense Peers; (e) the sharing of potential economies of scale; (f) fall-out benefits to BlackRock and its affiliates as a result of BlackRock's relationship with each Fund; and (g) other factors deemed relevant by the Board Members.

The Board also considered other matters it deemed important to the approval process, such as other payments made to BlackRock or its affiliates, securities lending and cash management, services related to the valuation and pricing of Fund portfolio holdings, and advice from independent legal counsel with respect to the review process and materials submitted for the Board's review. The Board noted the willingness of BlackRock personnel to engage in open, candid discussions with the Board. The Board did not identify any particular information as determinative, and each Board Member may have attributed different weights to the various items considered.

A. Nature, Extent and Quality of the Services Provided by BlackRock: The Board, including the Independent Board Members, reviewed the nature, extent and quality of services provided by BlackRock, including the investment advisory services and the resulting performance of each Fund. Throughout the year, the Board compared Fund performance to the performance of a comparable group of mutual funds, a relevant benchmark, and performance metrics, as applicable. The Board met with BlackRock's senior management personnel responsible for investment activities, including the senior investment officers. The Board also reviewed the materials provided by each Fund's portfolio management team discussing each Fund's performance and each Fund's investment objective(s), strategies and outlook.

The Board considered, among other factors, with respect to BlackRock: the number, education and experience of investment personnel generally and each Fund's portfolio management team; BlackRock's research capabilities; investments by portfolio managers in the funds they manage; portfolio trading capabilities; use of technology; commitment to compliance; credit analysis capabilities; risk analysis and oversight capabilities; and the approach to training and retaining portfolio managers and other research, advisory and management personnel. The Board also considered BlackRock's overall risk management program, including the continued efforts of BlackRock and its affiliates to address cybersecurity risks and the role of BlackRock's Risk & Quantitative Analysis Group. The Board engaged in a review of BlackRock's compensation structure with respect to each Fund's portfolio management team and BlackRock's ability to attract and retain high-quality talent and create performance incentives.

In addition to investment advisory services, the Board considered the quality of the administrative and other non-investment advisory services provided to each Fund. BlackRock and its affiliates provide each Fund with certain administrative, shareholder and other services (in addition to any such services provided to each Fund by third parties) and officers and other personnel as are necessary for the operations of each Fund. In particular, BlackRock and its affiliates provide each Fund with administrative services including, among others: (i) responsibility for disclosure documents, such as the prospectus, the summary prospectus (as applicable), the statement of additional information and periodic shareholder reports; (ii) oversight of daily accounting and pricing; (iii) responsibility for periodic filings with regulators; (iv) overseeing and coordinating the activities of other service providers including, among others, each Fund's custodian, fund accountant, transfer agent, and auditor; (v) organizing Board meetings and preparing the materials for such Board meetings; (vi) providing legal and compliance support; (vii) furnishing analytical and other support to assist the Board in its consideration of strategic issues such as the merger, consolidation or repurposing of certain open-end funds; and (viii) performing administrative functions necessary for the operation of each Fund, such as tax reporting, expense management, fulfilling regulatory filing requirements, overseeing each Fund's distribution partners, and shareholder call center and other services. The Board reviewed the structure and duties of BlackRock's fund administration, shareholder services, and legal & compliance departments and considered BlackRock's policies and procedures for assuring compliance with applicable laws and regulations.

B. The Investment Performance of each Fund and BlackRock: The Board, including the Independent Board Members, also reviewed and considered the performance history of each Fund. In preparation for the April Meeting, the Board was provided with reports independently prepared by Broadridge, which included a comprehensive analysis of each Fund's performance as of December 31, 2017. Broadridge ranks funds in quartiles, ranging from first to fourth, where first is the most desirable quartile position and fourth is the least desirable. In connection with its review, the Board received and reviewed information regarding the investment performance of each Fund as compared to its Performance Peers, and, with respect to Advantage Large Cap Core V.I. Fund, Advantage Large Cap Value V.I. Fund, Advantage U.S. Total Market V.I. Fund, Basic Value V.I. Fund, Capital Appreciation V.I. Fund, International V.I. Fund, and Large Cap Focus Growth V.I. Fund, a custom peer group of funds as defined by BlackRock ("Customized Peer Group"). The Board and its Performance Oversight Committee regularly review, and meet with Fund management to discuss, the performance of each Fund throughout the year.

In evaluating performance, the Board recognized that the performance data reflects a snapshot of a period as of a particular date and that selecting a different performance period could produce significantly different results. Further, the Board recognized that it is possible that long-term performance can be impacted by even one period of significant outperformance or underperformance, so that a single investment theme has the ability to affect long-term performance disproportionately.

The Board noted that for the one-, three- and five-year periods reported, the Advantage Large Cap Core V.I. Fund ranked in the first, second, and second quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Advantage Large Cap Core V.I. Fund. The Board noted that effective June 12, 2017, the Advantage Large Cap Core V.I. Fund had undergone changes in its investment strategy and portfolio management team, and in connection with such changes, the Fund changed its name from BlackRock Large Cap Core V.I. Fund to BlackRock Advantage Large Cap Core V.I. Fund.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

The Board noted that for each of the one-, three- and five-year periods reported, the Advantage Large Cap Value V.I. Fund ranked in the second quartile against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Advantage Large Cap Value V.I. Fund. The Board noted that effective June 12, 2017, the Advantage Large Cap Value V.I. Fund had undergone changes in its investment objective, investment strategy and portfolio management team, and in connection with such changes, the Fund changed its name from BlackRock Large Cap Value V.I. Fund to BlackRock Advantage Large Cap Value V.I. Fund.

The Board noted that for the one-, three- and five-year periods reported, the Advantage U.S. Total Market V.I. Fund ranked in the second, second, and first quartiles, respectively against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Advantage U.S. Total Market V.I. Fund. The Board noted that effective June 12, 2017, the Advantage U.S. Total Market V.I. Fund had undergone changes in its investment strategy and portfolio management team, and in connection with such changes, the Fund changed its name from BlackRock Value Opportunities V.I. Fund to BlackRock Advantage U.S. Total Market V.I. Fund.

The Board noted that for the one-, three- and five-year periods reported, the Basic Value V.I. Fund ranked in the fourth, fourth, and third quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Basic Value V.I. Fund. The Board and BlackRock reviewed the Basic Value V.I. Fund's underperformance during the applicable periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Basic Value V.I. Fund's investment performance. Discussions covered topics such as performance attribution, the Basic Value V.I. Fund's investment personnel, and the resources appropriate to support the Basic Value V.I. Fund's investment processes. BlackRock and the Board previously had discussed changes within the portfolio management team, which occurred in March of 2017. Both BlackRock and the Board expect these changes to result in improved performance going forward, although there can be no assurance that will be the case. The Board will continue to monitor the Basic Value V.I. Fund's performance.

The Board noted that for the one-, three- and five-year periods reported, the Capital Appreciation V.I. Fund ranked in the first, second, and second quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Capital Appreciation V.I. Fund.

The Board noted that for the one-, three- and five-year periods reported, the Equity Dividend V.I. Fund ranked in the first, first and second quartiles, respectively, against its Performance Peers.

The Board noted that for the one-, three- and five-year periods reported, the Global Allocation V.I. Fund ranked in the second, second and third quartiles, respectively, against its Performance Peers. The Board and BlackRock reviewed the Global Allocation V.I. Fund's underperformance during the applicable period. The Board noted the risk profile of the Global Allocation V.I. Fund over the one-, three-, and five-year periods.

The Board noted that for each of the one-, three- and five-year periods reported, the Government Money Market V.I. Fund ranked in the first quartile against its Performance Peers. The Board reviewed the Government Money Market V.I. Fund's performance within the context of the low yield environment that has existed over the past few years.

The quartile standing of the Government Money Market V.I. Fund against its Performance Peers takes into account the Government Money Market V.I. Fund's current yield only. BlackRock has reviewed with the Board that a money market fund can only be understood holistically, accounting for current yield and risk. While the Board reviews the Government Money Market V.I. Fund's current yield performance, it also examines the liquidity, duration, and credit quality of the Government Money Market V.I. Fund's portfolio. In the Board's view, BlackRock's money market funds have performed well over the one-, three- and five-year periods given BlackRock's emphasis on preserving capital and seeking as high a level of current income as is consistent with liquidity while simultaneously managing risk.

The Board noted that for the one-, three- and five-year periods reported, the High Yield V.I. Fund ranked in the second, third and first quartiles, respectively, against its Performance Peers. The Board and BlackRock reviewed the High Yield V.I. Fund's underperformance during the applicable period.

The Board noted that for the one-, three- and five-year periods reported, the International V.I. Fund ranked in the first, second, and first quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the International V.I. Fund.

The Board noted that for the one-year, three-year, and since-inception periods reported, the iShares Alternative Strategies V.I. Fund ranked in the second, first and first quartiles, respectively, against its Performance Peers.

The Board noted that for the one-year, three-year and since-inception periods reported, the iShares Dynamic Allocation V.I. Fund ranked in the second, second and third quartiles, respectively, against its Performance Peers. The Board and BlackRock reviewed the iShares Dynamic Allocation V.I. Fund's underperformance during the applicable period.

The Board noted that for the one-, three- and five-year periods reported, the Large Cap Focus Growth V.I. Fund ranked in the second, second and first quartiles, respectively, against its Customized Peer Group. BlackRock believes that the Customized Peer Group is an appropriate performance metric for the Large Cap Focus Growth V.I. Fund. The Board noted that effective June 12, 2017 the Large Cap Focus Growth V.I. Fund had undergone changes in its investment strategy and portfolio management team, and in connection with such changes, the Fund changed its name from BlackRock Large Cap Growth V.I. Fund to BlackRock Large Cap Focus Growth V.I. Fund.

The Board noted that for each of the one-, three- and five-year periods reported, the Managed Volatility V.I. Fund ranked in the third quartile against its Performance Peers. The Board and BlackRock reviewed the Managed Volatility V.I. Fund's underperformance during the applicable periods.

The Board and BlackRock discussed BlackRock's strategy for improving the Managed Volatility V.I. Fund's investment performance. Discussions covered topics such as performance attribution, the Managed Volatility V.I. Fund's investment personnel, and the resources appropriate to support the Managed Volatility V.I. Fund's investment processes.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

The Board noted that for each of the one-, three-, and five-year periods reported, the S&P 500 Index V.I. Fund ranked in the second quartile against its Performance Peers.

The Board noted that for the one-, three- and five-year periods reported, the Total Return V.I. Fund ranked in the third, third, and second quartiles, respectively, against its Performance Peers. The Board and BlackRock reviewed the Total Return V.I. Fund's underperformance during the applicable periods.

The Board noted that for the one-, three- and five-year periods reported, the U.S. Government Bond V.I. Fund ranked in the third, second and second quartiles, respectively, against its Performance Peers. The Board and BlackRock reviewed the U.S. Government Bond V.I. Fund's underperformance during the applicable period.

C. Consideration of the Advisory/Management Fees and the Estimated Cost of the Services and Estimated Profits Realized by BlackRock and its Affiliates from their Relationship with each Fund: The Board, including the Independent Board Members, reviewed each Fund's contractual management fee rate compared with those of its Expense Peers. The contractual management fee rate represents a combination of the advisory fee and any administrative fees, before taking into account any reimbursements or fee waivers. The Board also compared each Fund's total expense ratio, as well as its actual management fee rate, to those of its Expense Peers. The total expense ratio represents a fund's total net operating expenses, including any 12b-1 or non 12b-1 service fees. The total expense ratio gives effect to any expense reimbursements or fee waivers that benefit a fund, and the actual management fee rate gives effect to any management fee reimbursements or waivers that benefit a fund. The Board considered the services provided and the fees charged by BlackRock and its affiliates to other types of clients with similar investment mandates, as applicable, including institutional accounts and sub-advised mutual funds (including mutual funds sponsored by third parties).

The Board received and reviewed statements relating to BlackRock's financial condition. The Board reviewed BlackRock's profitability methodology and was also provided with an estimated profitability analysis that detailed the revenues earned and the expenses incurred by BlackRock for services provided to each Fund. The Board reviewed BlackRock's estimated profitability with respect to each Fund and other funds the Board currently oversees for the year ended December 31, 2017 compared to available aggregate estimated profitability data provided for the prior two years. The Board reviewed BlackRock's estimated profitability with respect to certain other U.S. fund complexes managed by the Manager and/or its affiliates. The Board reviewed BlackRock's assumptions and methodology of allocating expenses in the estimated profitability analysis, noting the inherent limitations in allocating costs among various advisory products. The Board recognized that profitability may be affected by numerous factors including, among other things, fee waivers and expense reimbursements by the Manager, the types of funds managed, precision of expense allocations and business mix. As a result, calculating and comparing profitability at individual fund levels is difficult.

The Board noted that, in general, individual fund or product line profitability of other advisors is not publicly available. The Board reviewed BlackRock's overall operating margin, in general, compared to that of certain other publicly-traded asset management firms. The Board considered the differences between BlackRock and these other firms, including the contribution of technology at BlackRock, BlackRock's expense management, and the relative product mix.

In addition, the Board considered the estimated cost of the services provided to each Fund by BlackRock, and BlackRock's and its affiliates' estimated profits relating to the management and distribution of each Fund and the other funds advised by BlackRock and its affiliates. As part of its analysis, the Board reviewed BlackRock's methodology in allocating its costs of managing each Fund, to each Fund. The Board considered whether BlackRock has the financial resources necessary to attract and retain high quality investment management personnel to perform its obligations under the Agreements and to continue to provide the high quality of services that is expected by the Board. The Board further considered factors including but not limited to BlackRock's commitment of time, assumption of risk, and liability profile in servicing each Fund in contrast to what is required of BlackRock with respect to other products with similar investment mandates across the open-end fund, ETF, closed-end fund, sub-advised mutual fund, separately managed account, collective investment trust, and institutional separate account product channels, as applicable.

The Board noted that the Advantage Large Cap Core V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Advantage Large Cap Core V.I. Fund's Expense Peers. The Board also noted that the Advantage Large Cap Core V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Advantage Large Cap Core V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Advantage Large Cap Core V.I. Fund's total expenses as a percentage of the Advantage Large Cap Core V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Advantage Large Cap Core V.I. Fund on a class-by-class basis.

The Board noted that the Advantage Large Cap Value V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Advantage Large Cap Value V.I. Fund's Expense Peers. The Board also noted that the Advantage Large Cap Value V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Advantage Large Cap Value V.I. Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock had voluntarily agreed to waive a portion of the advisory fee payable by the Advantage Large Cap Value V.I. Fund. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Advantage Large Cap Value V.I. Fund's total expenses as a percentage of the Advantage Large Cap Value V.I. Fund's average daily net assets on a class-by-class basis. In addition, the Board noted that, in connection with the changes to the Advantage Large Cap Value V.I. Fund's investment strategy, BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. This contractual expense cap reduction was implemented on June 12, 2017. Finally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Advantage Large Cap Value V.I. Fund on a class-by-class basis.

The Board noted that the Advantage U.S. Total Market V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Advantage U.S. Total Market V.I. Fund's Expense Peers. The Board also noted that the Advantage U.S. Total Market V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Advantage U.S. Total Market V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Advantage U.S. Total Market V.I. Fund's total expenses as a percentage of the Advantage U.S. Total Market V.I. Fund's average daily net assets on a class-by-class basis. In addition, the Board noted that, in connection with the changes to the Advantage U.S. Total Market V.I. Fund's investment strategy, BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class-by-class basis. This contractual expense cap reduction was implemented on June 12, 2017. Additionally, the

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Advantage U.S. Total Market V.I. Fund on a class-by-class basis.

The Board noted that the Basic Value V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio ranked in the second and third quartiles, respectively, relative to the Basic Value V.I. Fund's Expense Peers. The Board also noted that the Basic Value V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Basic Value V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Basic Value V.I. Fund's total expenses as a percentage of the Basic Value V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Basic Value V.I. Fund on a class-by-class basis.

The Board noted that the Capital Appreciation V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the first and third quartiles, respectively, relative to the Capital Appreciation V.I. Fund's Expense Peers. The Board also noted that the Capital Appreciation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Capital Appreciation V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Capital Appreciation V.I. Fund's total expenses as a percentage of the Capital Appreciation V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Capital Appreciation V.I. Fund on a class-by-class basis.

The Board noted that the Equity Dividend V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio each ranked in the second quartile, relative to the Equity Dividend V.I. Fund's Expense Peers. The Board also noted that the Equity Dividend V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Equity Dividend V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Equity Dividend V.I. Fund's total expenses as a percentage of the Equity Dividend V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Equity Dividend V.I. Fund on a class-by-class basis.

The Board noted that the Global Allocation V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio ranked in the fourth and second quartiles, respectively, relative to the Global Allocation V.I. Fund's Expense Peers. The Board also noted that the Global Allocation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Global Allocation V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Global Allocation V.I. Fund's total expenses as a percentage of the Global Allocation V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Global Allocation V.I. Fund on a class-by-class basis.

The Board noted that the Government Money Market V.I. Fund's contractual management fee rate ranked in the third quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Government Money Market V.I. Fund's Expense Peers. The Board reviewed the Government Money Market V.I. Fund's expenses within the context of the low yield environment and consequent expense waivers and reimbursements. The Board also noted that the Government Money Market V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Government Money Market V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Government Money Market V.I. Fund's total expenses as a percentage of the Government Money Market V.I. Fund's average daily net assets on a class-by-class basis. Finally, the Board noted that, to enable the Government Money Market V.I. Fund to maintain minimum levels of daily net investment income, BlackRock has voluntarily agreed to waive a portion of its fees and/or reimburse the Government Money Market V.I. Fund's operating expenses as necessary.

The Board noted that the High Yield V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the High Yield V.I. Fund's Expense Peers. The Board also noted that the High Yield V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the aggregate assets of the High Yield V.I. Fund, combined with the assets of Total Return V.I. Fund, increase above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the High Yield V.I. Fund's total expenses as a percentage of the High Yield V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the High Yield V.I. Fund on a class-by-class basis.

The Board noted that the International V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the second and fourth quartiles, respectively, relative to the International V.I. Fund's Expense Peers. The Board also noted that the International V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the International V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the International V.I. Fund's total expenses as a percentage of the International V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the International V.I. Fund on a class-by-class basis.

BlackRock has reviewed with the Board that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board noted that the iShare Alternative Strategies V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio ranked in the second and first quartiles, respectively, relative to the iShare Alternative Strategies V.I. Fund's Expense Peers. The Board further noted that the iShare Alternative Strategies V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the iShare Alternative Strategies V.I. Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on the iShare Alternative Strategies V.I. Fund's total expenses as a percentage of the iShare Alternative Strategies V.I. Fund's average daily net assets on a class-by-class basis.

BlackRock has reviewed with the Board that the varying fee structure for fund of funds can limit the value of management fee comparisons. The Board noted that the iShares Dynamic Allocation V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

ranked in the second and first quartiles, respectively, relative to the iShares Dynamic Allocation V.I. Fund's Expense Peers. The Board further noted that the iShares Dynamic Allocation V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the iShares Dynamic Allocation V.I. Fund increases above certain contractually specified levels. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on the iShares Dynamic Allocation V.I. Fund's total expenses as a percentage of the iShares Dynamic Allocation V.I. Fund's average daily net assets on a class-by-class basis.

The Board noted that the Large Cap Focus Growth V.I. Fund's contractual management fee rate ranked in the third quartile, and that the actual management fee rate and total expense ratio ranked in the third and fourth quartiles, respectively, relative to the Large Cap Focus Growth V.I. Fund's Expense Peers. The Board also noted that the Large Cap Focus Growth V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Large Cap Focus Growth V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Large Cap Focus Growth V.I. Fund's total expenses as a percentage of the Large Cap Focus Growth V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Large Cap Focus Growth V.I. Fund on a class-by-class basis.

The Board noted that the Managed Volatility V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the Managed Volatility V.I. Fund's Expense Peers. The Board also noted that the Managed Volatility V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the Managed Volatility V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Managed Volatility V.I. Fund's total expenses as a percentage of the Managed Volatility V.I. Fund's average daily net assets on a class-by-class basis. The Board also noted that the Managed Volatility V.I. Fund was the acquiring fund in a reorganization with a non-BlackRock fund, which closed on April 23, 2018. In connection with this reorganization, the Board noted that BlackRock proposed, and the Board agreed to, a lower contractual expense cap on a class by class basis. The contractual expense cap reduction was implemented on April 23, 2018. Finally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Managed Volatility V.I. Fund on a class-by-class basis.

The Board noted that the S&P 500 Index V.I. Fund's contractual management fee rate ranked in the first quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile, relative to the S&P 500 Index V.I. Fund's Expense Peers. The Board also noted that BlackRock and the Board have contractually agreed to a cap on the S&P 500 Index V.I. Fund's total expenses as a percentage of the S&P 500 Index V.I. Fund's average daily net assets on a class-by-class basis. The Board also noted that the S&P 500 Index V.I. Fund was the acquiring fund in a reorganization with a non-BlackRock fund, which closed on April 23, 2018. In connection with this merger, the Board noted that BlackRock proposed, and the Board agreed to, a lower contractual advisory fee rate and a lower contractual expense cap on a class by class basis. These expense reductions were implemented on April 23, 2018. Finally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the S&P 500 Index V.I. Fund on a class-by-class basis.

The Board noted that the Total Return V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio ranked in the third and first quartiles, respectively, relative to the Total Return V.I. Fund's Expense Peers. The Board also noted that the Total Return V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the aggregate assets of the Total Return V.I. Fund, combined with the assets of High Yield V.I. Fund, increase above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Total Return V.I. Fund's total expenses as a percentage of the Total Return V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the Total Return V.I. Fund on a class-by-class basis.

The Board noted that the U.S. Government Bond V.I. Fund's contractual management fee rate ranked in the second quartile, and that the actual management fee rate and total expense ratio ranked in the first and fourth quartiles, respectively, relative to the U.S. Government Bond V.I. Fund's Expense Peers. The Board also noted that the U.S. Government Bond V.I. Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the U.S. Government Bond V.I. Fund increases above certain contractually specified levels. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the U.S. Government Bond V.I. Fund's total expenses as a percentage of the U.S. Government Bond V.I. Fund's average daily net assets on a class-by-class basis. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for the U.S. Government Bond V.I. Fund on a class-by-class basis. In addition, the Board noted that BlackRock has voluntarily agreed to waive a portion of the advisory fee payable by the U.S. Government Bond V.I. Fund. After discussion between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of the voluntary advisory fee waiver.

D. Economies of Scale: The Board, including the Independent Board Members, considered the extent to which economies of scale might be realized as the assets of each Fund increase, including the existence of fee waivers and/or expense caps, as applicable, noting that any contractual fee waivers and expense caps had been approved by the Board. The Board also considered the extent to which each Fund benefits from such economies in a variety of ways, and whether there should be changes in the advisory fee rate or breakpoint structure in order to enable each Fund to more fully participate in these economies of scale. The Board considered each Fund's asset levels and whether the current fee schedule was appropriate. In its consideration, the Board Members took into account the existence of any expense caps and further considered the continuation and/or implementation, as applicable, of such caps.

E. Other Factors Deemed Relevant by the Board Members: The Board, including the Independent Board Members, also took into account other ancillary or "fall-out" benefits that BlackRock or its affiliates may derive from BlackRock's respective relationships with each Fund, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and risk management personnel, an increase in BlackRock's profile in the investment advisory community, and the engagement of BlackRock's affiliates as service providers to each Fund, including for administrative, distribution, securities lending and cash management services. The Board also considered BlackRock's overall operations and its efforts to expand the scale of, and improve the quality of, its operations. The Board also noted that, subject to applicable law, BlackRock may use and benefit from third party research obtained by soft dollars generated by certain registered fund transactions to assist in managing all or a number of its other client accounts.

In connection with its consideration of the Agreements, the Board also received information regarding BlackRock's brokerage and soft dollar practices. The Board received reports from BlackRock which included information on brokerage commissions and trade execution practices throughout the year.

Disclosure of Investment Advisory Agreements and Sub-Advisory Agreements (continued)

The Board noted the competitive nature of the open-end fund marketplace, and that shareholders are able to redeem their Fund shares if they believe that each Fund's fees and expenses are too high or if they are dissatisfied with the performance of each Fund.

Conclusion

The Board, including the Independent Board Members, approved the continuation of the Advisory Agreements between the Manager and the Corporation, on behalf of each Fund, for a one-year term ending June 30, 2019, and the Sub-Advisory Agreements between the Manager and the Sub-Advisors, with respect to each Fund, as applicable, for a one-year term ending June 30, 2019. Based upon its evaluation of all of the aforementioned factors in their totality, as well as other information, the Board, including the Independent Board Members, was satisfied that the terms of the Agreements were fair and reasonable and in the best interest of each Fund and its shareholders. In arriving at its decision to approve the Agreements, the Board did not identify any single factor or group of factors as all-important or controlling, but considered all factors together, and different Board Members may have attributed different weights to the various factors considered. The Independent Board Members were also assisted by the advice of independent legal counsel in making this determination.

Director and Officer Information

Robert M. Hernandez, Chair of the Board and Director
James H. Bodurtha, Director
Bruce R. Bond, Director
Honorable Stuart E. Eizenstat, Director
Henry Gabbay, Director
Lena G. Goldberg, Director
Henry R. Keizer, Director
John F. O'Brien, Director
Donald C. Opatmy, Director
Robert Fairbairn, Director
John M. Perlowski, Director, President and Chief Executive Officer
Jennifer McGovern, Vice President
Neal J. Andrews, Chief Financial Officer
Jay M. Fife, Treasurer
Charles Park, Chief Compliance Officer
John MacKessy, Anti-Money Laundering Compliance Officer
Benjamin Archibald, Secretary

Effective May 08, 2018, John MacKessy replaced Fernanda Piedra as the Anti-Money Laundering Compliance Officer of the Company.

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

Wilkie 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

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 househanded 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.

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> and may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room or how to access documents on the SEC's website without charge may be obtained by calling (800) SEC-0330. 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 Fund 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 safeguarding 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.

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

THIS PAGE INTENTIONALLY LEFT BLANK.

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.

Go paperless. . .



It's Easy, Economical and Green!

Go to www.blackrock.com/edelivery