

2020 Semi-Annual Report (Unaudited)

BlackRock Variable Series Funds, Inc.

- BlackRock Equity Dividend V.I. Fund

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The Markets in Review

Dear Shareholder,

The last 12 months have been a time of sudden change in global financial markets, as a long period of growth and positive returns was interrupted in early 2020 by the emergence and spread of the coronavirus. For the first part of the reporting period, U.S. equities and bonds both delivered impressive returns, despite fears and doubts about the economy that were ultimately laid to rest with unprecedented monetary stimulus and a sluggish yet resolute performance from the U.S. economy. But as the threat from the coronavirus became more apparent throughout February and March 2020, leading countries around the world took economically disruptive countermeasures, causing equity prices to fall sharply. While markets have since recovered some of these losses as countries around the world begin reopening, there is still significant uncertainty surrounding the course of the pandemic, and an uptick in U.S. infection rates caused concern late in the reporting period.

Returns for most securities were robust for the first part of the reporting period, as investors began to realize that the U.S. economy was maintaining the modest yet steady growth that had characterized this economic cycle. However, once stay-at-home orders and closures of non-essential businesses became widespread, many workers were laid off and unemployment claims spiked. With large portions of the global economy on hold, all types of international equities ended the 12-month reporting period with negative performance, while in the United States large-capitalization stocks, which investors saw as more resilient than smaller companies, delivered solid returns.

The performance of different types of fixed-income securities diverged substantially due to a reduced investor appetite for risk. Treasuries benefited from the risk-off environment, and posted healthy returns, as the 10-year U.S. Treasury yield (which is inversely related to bond prices) fell to an all-time low. Investment-grade corporate bonds also delivered a solid return, while high-yield corporate returns were flat due to credit concerns.

The U.S. Federal Reserve (the "Fed") reduced interest rates three times in 2019, to support slowing economic growth. After the coronavirus outbreak, the Fed instituted two emergency rate cuts, pushing short-term interest rates close to zero. To stabilize credit markets, the Fed also announced a new bond-buying program, as did several other central banks around the world, including the European Central Bank and the Bank of Japan.

Looking ahead, while coronavirus-related disruption has clearly hindered worldwide economic growth, we believe that the global expansion is likely to continue once the impact of the outbreak subsides. Several risks remain, however, including a potential resurgence of the virus amid loosened restrictions, policy fatigue among governments already deep into deficit spending, and structural damage to the financial system from lengthy economic interruptions.

Overall, we favor a moderately positive stance toward risk, and in particular toward credit given the extraordinary central bank measures taken in recent months. This support extends beyond investment-grade corporates and into high-yield, leading to attractive opportunities throughout the credit market. We believe that both U.S. Treasuries and sustainable investments can help provide portfolio resilience, and the disruption created by the coronavirus appears to be accelerating the shift toward sustainable investments. We remain neutral on equities overall while favoring European stocks, which are poised for a cyclical upside as re-openings continue.

In this environment, our view is that 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, 2020

| | 6-Month | 12-Month |
|--|---------|----------|
| U.S. large cap equities (S&P 500® Index) | (3.08)% | 7.51% |
| U.S. small cap equities (Russell 2000® Index) | (12.98) | (6.63) |
| International equities (MSCI Europe, Australasia, Far East Index) | (11.34) | (5.13) |
| Emerging market equities (MSCI Emerging Markets Index) | (9.78) | (3.39) |
| 3-month Treasury bills (ICE BofA 3-Month U.S. Treasury Bill Index) | 0.60 | 1.63 |
| U.S. Treasury securities (ICE BofA 10-Year U.S. Treasury Index) | 12.68 | 14.21 |
| U.S. investment grade bonds (Bloomberg Barclays U.S. Aggregate Bond Index) | 6.14 | 8.74 |
| Tax-exempt municipal bonds (S&P Municipal Bond Index) | 1.97 | 4.23 |
| U.S. high yield bonds (Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index) | (3.83) | 0.00 |

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 Equity Dividend V.I. Fund's (the "Fund") investment objective is to seek long-term total return and current income.

Portfolio Management Commentary

How did the fund perform?

For the six-month period ended June 30, 2020, the Fund outperformed its benchmark, the Russell 1000[®] Value Index, and underperformed the broad-market S&P 500[®] Index. The following discussion of relative performance pertains to the Russell 1000[®] Value Index.

What factors influenced performance?

During the period, the largest contribution to relative performance came from an elevated cash balance, which was utilized to help mitigate portfolio volatility against a turbulent stock market. Within information technology ("IT"), a combination of stock selection and allocation decisions benefited performance. Notably, overweight exposure to the software and communications equipment segments fueled relative returns, as did stock selection among hardware and IT services firms. Within the consumer discretionary sector, stock selection in multiline retail and a lack of exposure to the hotels, restaurants & leisure industry proved beneficial. Lastly, an underweight to real estate, an overweight in health care, and stock selection in energy, industrials, and communication services added to relative performance.

Conversely, a combination of stock selection and allocation decisions in the financials sector significantly detracted from relative performance. In particular, the Fund's overweight to and stock selection among banks, as well as stock selection in the capital markets industry, proved costly. Underweight positions to electric utilities and multi-utilities also weighed on relative returns as traditionally defensive sectors fared well amid a turbulent U.S. stock market during the first quarter of 2020. Other detractors included underweights to materials and consumer staples.

Describe recent portfolio activity.

During the period, a combination of portfolio trading activity and market price changes resulted in increased exposure to the utilities, IT and consumer staples sectors. Conversely, the Fund's exposures to financials, energy and industrials were reduced.

Describe portfolio positioning at period end.

In terms of sector positioning, the Fund's largest allocations were in the financials, health care and IT sectors. Relative to the Russell 1000[®] Value benchmark, the Fund's largest overweight positions were in the financials, health care and energy sectors. The Fund's largest underweights were in the industrials, real estate and materials sectors.

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, 2020

| | 6-Month Total Returns ^(a) | Average Annual Total Returns ^(a) | | |
|--|---|---|--------------|----------------------|
| | | 1 Year | 5 Years | 10 Years |
| Class I ^{(b)(c)} | (13.73)% | (4.63)% | 6.87% | 10.41% |
| Class III ^{(b)(c)} | (13.82) | (4.80) | 6.64 | 10.15 ^(d) |
| Russell 1000[®] Value Index ^(e) | (16.26) | (8.84) | 4.64 | 10.41 |
| S&P 500[®] Index ^(f) | (3.08) | 7.51 | 10.73 | 13.99 |

^(a) 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.

^(b) Average annual and cumulative total returns are based on changes in net asset value ("NAV") for the periods shown, and assume reinvestment of all distributions at NAV on the ex-dividend date. Insurance-related fees and expenses are not reflected in these returns.

^(c) The Fund seeks to achieve its objective by investing primarily in a diversified portfolio of equity securities. Under normal circumstances, the Fund will invest at least 80% of its assets in equity securities and at least 80% of its assets in dividend paying securities. The Fund's total returns prior to October 1, 2010 are the returns of the Fund when it followed a different investment objective and different investment strategies under the name BlackRock Utilities and Telecommunications V.I. Fund.

^(d) The returns for Class III Shares prior to July 1, 2011, the commencement 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 is a subset of the Russell 1000[®] Index that consists of those Russell 1000[®] securities with lower price-to-book ratios and lower expected 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 adjustments made for financial reporting purposes in accordance with U.S. generally accepted accounting principles.

Portfolio Information

SECTOR ALLOCATION

| Sector | Percent of Net Assets |
|---------------------------------------|--------------------------|
| Financials | 24% |
| Health Care | 18 |
| Information Technology | 10 |
| Energy | 8 |
| Consumer Staples | 8 |
| Communication Services | 7 |
| Industrials | 6 |
| Consumer Discretionary | 6 |
| Utilities | 5 |
| Materials | 1 |
| Short-Term Securities | 9 |
| Liabilities in Excess of Other Assets | (2) |

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 such sector sub-classifications for reporting ease.

Disclosure of Expenses

Shareholders of the Fund may incur the following charges: (a) transactional expenses; and (b) operating expenses, including investment advisory fees, service and distribution fees, including 12b-1 fees, acquired fund fees and expenses, and other fund expenses. The expense example shown below (which is based on a hypothetical investment of \$1,000 invested on January 1, 2020 and held through June 30, 2020) 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 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.

| | Actual | | | Hypothetical ^(a) | | | Annualized Expense Ratio |
|-----------|------------------------------------|---------------------------------|--|------------------------------------|---------------------------------|--|--------------------------|
| | Beginning Account Value (01/01/20) | Ending Account Value (06/30/20) | Expenses Paid During the Period ^(b) | Beginning Account Value (01/01/20) | Ending Account Value (06/30/20) | Expenses Paid During the Period ^(b) | |
| Class I | \$ 1,000.00 | \$ 862.70 | \$ 3.06 | \$ 1,000.00 | \$ 1,021.58 | \$ 3.32 | 0.66% |
| Class III | 1,000.00 | 861.80 | 4.21 | 1,000.00 | 1,020.34 | 4.57 | 0.91 |

^(a) Hypothetical 5% annual return before expenses is calculated by prorating the number of days in the most recent fiscal half year divided by 366.

^(b) For each class of the Fund, expenses are equal to the annualized expense ratio for the class, multiplied by the average account value over the period, multiplied by 182/366 (to reflect the one-half year period shown).

Schedule of Investments (unaudited)
June 30, 2020

BlackRock Equity Dividend V.I. Fund
(Percentages shown are based on Net Assets)

| Security | Shares | Value |
|--|---------|--------------|
| Common Stocks — 92.2% | | |
| Aerospace & Defense — 1.9% | | |
| BAE Systems plc | 952,321 | \$ 5,694,367 |
| Air Freight & Logistics — 0.4% | | |
| FedEx Corp. | 9,384 | 1,315,824 |
| Automobiles — 1.3% | | |
| General Motors Co. | 152,806 | 3,865,992 |
| Banks — 9.8% | | |
| Bank of America Corp. | 407,673 | 9,682,234 |
| Citigroup, Inc. | 183,640 | 9,384,004 |
| JPMorgan Chase & Co. ^(a) | 46,932 | 4,414,424 |
| Wells Fargo & Co. | 222,976 | 5,708,185 |
| | | 29,188,847 |
| Beverages — 1.3% | | |
| Constellation Brands, Inc., Class A | 22,605 | 3,954,745 |
| Capital Markets — 5.2% | | |
| Charles Schwab Corp. (The) | 108,521 | 3,661,499 |
| CME Group, Inc. | 11,510 | 1,870,835 |
| Morgan Stanley | 115,941 | 5,599,950 |
| Raymond James Financial, Inc. | 64,305 | 4,426,113 |
| | | 15,558,397 |
| Chemicals — 1.4% | | |
| Corteva, Inc. | 59,114 | 1,583,664 |
| DuPont de Nemours, Inc. | 48,229 | 2,562,407 |
| | | 4,146,071 |
| Communications Equipment — 1.7% | | |
| Cisco Systems, Inc. | 61,625 | 2,874,190 |
| Motorola Solutions, Inc. | 15,515 | 2,174,117 |
| | | 5,048,307 |
| Construction Materials — 0.2% | | |
| CRH plc | 18,465 | 633,671 |
| Consumer Finance — 0.6% | | |
| American Express Co. | 19,500 | 1,856,400 |
| Diversified Financial Services — 2.1% | | |
| Berkshire Hathaway, Inc., Class B ^(b) | 23,050 | 4,114,656 |
| Equitable Holdings, Inc. | 106,700 | 2,058,243 |
| | | 6,172,899 |
| Diversified Telecommunication Services — 3.9% | | |
| Verizon Communications, Inc. | 212,207 | 11,698,972 |
| Electric Utilities — 3.3% | | |
| Edison International | 49,660 | 2,697,035 |
| FirstEnergy Corp. | 145,342 | 5,636,363 |
| PPL Corp. | 57,903 | 1,496,213 |
| | | 9,829,611 |
| Food Products — 1.1% | | |
| Nestle SA (Registered) | 29,508 | 3,271,570 |
| Health Care Equipment & Supplies — 5.1% | | |
| Alcon, Inc. ^(b) | 47,741 | 2,743,161 |
| Koninklijke Philips NV ^(b) | 128,321 | 5,985,882 |
| Medtronic plc | 71,350 | 6,542,795 |
| | | 15,271,838 |
| Health Care Providers & Services — 6.0% | | |
| Anthem, Inc. | 23,408 | 6,155,836 |
| CVS Health Corp. ^(a) | 70,685 | 4,592,404 |
| McKesson Corp. | 16,157 | 2,478,807 |

| Security | Shares | Value |
|---|---------|------------|
| Health Care Providers & Services (continued) | | |
| Quest Diagnostics, Inc. | 7,684 | \$ 875,669 |
| UnitedHealth Group, Inc. | 12,820 | 3,781,259 |
| | | 17,883,975 |
| Household Durables — 1.5% | | |
| Newell Brands, Inc. | 117,339 | 1,863,343 |
| Sony Corp. | 35,400 | 2,443,669 |
| | | 4,307,012 |
| Industrial Conglomerates — 2.5% | | |
| General Electric Co. | 500,710 | 3,419,849 |
| Siemens AG (Registered) | 35,084 | 4,137,710 |
| | | 7,557,559 |
| Insurance — 6.7% | | |
| Allstate Corp. (The) | 21,167 | 2,052,987 |
| American International Group, Inc. ^(a) | 198,813 | 6,198,989 |
| Arthur J Gallagher & Co. | 51,215 | 4,992,951 |
| Fidelity National Financial, Inc. | 49,910 | 1,530,241 |
| MetLife, Inc. | 104,317 | 3,809,657 |
| Willis Towers Watson plc ^(a) | 6,757 | 1,330,791 |
| | | 19,915,616 |
| IT Services — 3.3% | | |
| Cognizant Technology Solutions Corp., Class A | 111,396 | 6,329,521 |
| Visa, Inc., Class A | 18,790 | 3,629,664 |
| | | 9,959,185 |
| Media — 2.8% | | |
| Comcast Corp., Class A | 143,927 | 5,610,275 |
| Fox Corp., Class A ^(a) | 93,800 | 2,515,716 |
| Fox Corp., Class B | 11,030 | 296,045 |
| | | 8,422,036 |
| Multiline Retail — 0.6% | | |
| Dollar General Corp. | 9,871 | 1,880,524 |
| Multi-Utilities — 1.6% | | |
| NiSource, Inc. | 35,210 | 800,675 |
| Public Service Enterprise Group, Inc. | 81,138 | 3,988,744 |
| | | 4,789,419 |
| Oil, Gas & Consumable Fuels — 7.9% | | |
| BP plc | 583,498 | 2,235,406 |
| ConocoPhillips | 75,530 | 3,173,771 |
| Enterprise Products Partners LP | 211,254 | 3,838,485 |
| Equinor ASA | 224,193 | 3,229,650 |
| Marathon Petroleum Corp. | 112,202 | 4,194,111 |
| Pioneer Natural Resources Co. | 41,215 | 4,026,706 |
| Williams Cos., Inc. (The) ^(a) | 153,859 | 2,926,398 |
| | | 23,624,527 |
| Personal Products — 2.1% | | |
| Unilever NV, NYRS | 116,548 | 6,208,512 |
| Pharmaceuticals — 6.6% | | |
| AstraZeneca plc ^(a) | 41,127 | 4,280,268 |
| Bayer AG (Registered) | 80,957 | 6,000,821 |
| Pfizer, Inc. | 62,434 | 2,041,592 |
| Sanofi | 71,863 | 7,328,926 |
| | | 19,651,607 |
| Road & Rail — 0.8% | | |
| Union Pacific Corp. | 13,572 | 2,294,618 |
| Semiconductors & Semiconductor Equipment — 1.2% | | |
| Applied Materials, Inc. | 25,020 | 1,512,459 |
| NXP Semiconductors NV | 18,812 | 2,145,320 |
| | | 3,657,779 |

Schedule of Investments (unaudited) (continued)
June 30, 2020

BlackRock Equity Dividend V.I. Fund
(Percentages shown are based on Net Assets)

| Security | Shares | Value |
|--|---------|--------------|
| Software — 2.2% | | |
| CDK Global, Inc. | 29,330 | \$ 1,214,849 |
| Microsoft Corp. | 24,759 | 5,038,704 |
| Open Text Corp. ^(a) | 3,530 | 149,954 |
| | | 6,403,507 |
| Specialty Retail — 2.4% | | |
| Lowe's Cos., Inc. ^(a) | 21,963 | 2,967,641 |
| Ross Stores, Inc. ^(a) | 30,250 | 2,578,510 |
| TJX Cos., Inc. (The) | 28,390 | 1,435,398 |
| | | 6,981,549 |
| Technology Hardware, Storage & Peripherals — 1.6% | | |
| Samsung Electronics Co. Ltd., GDR | 2,896 | 3,165,950 |
| Samsung Electronics Co. Ltd., GDR ^(c) | 1,344 | 1,482,432 |
| | | 4,648,382 |
| Tobacco — 2.2% | | |
| Altria Group, Inc. ^(a) | 144,409 | 5,668,053 |
| British American Tobacco plc | 18,960 | 727,170 |
| | | 6,395,223 |
| Trading Companies & Distributors — 0.9% | | |
| Ferguson plc. | 33,025 | 2,700,340 |
| | | 2,700,340 |
| Total Common Stocks — 92.2% | | |
| (Cost: \$272,833,840) | | 274,788,881 |

| Security | Shares | Value |
|---|------------|----------------|
| Preferred Stocks — 1.2% | | |
| Household Products — 1.2% | | |
| Henkel AG & Co. KGaA (Preference) | 39,658 | \$ 3,699,842 |
| | | 3,699,842 |
| Total Preferred Stocks — 1.2% | | |
| (Cost: \$3,550,169) | | 3,699,842 |
| Total Long-Term Investments — 93.4% | | |
| (Cost: \$276,384,009) | | 278,488,723 |
| Short-Term Securities — 8.7%^{(d)*} | | |
| BlackRock Liquidity Funds, T-Fund, Institutional Class, 0.11% | 19,553,826 | 19,553,826 |
| SL Liquidity Series, LLC, Money Market Series, 0.50% ^(e) | 6,271,519 | 6,276,536 |
| | | 25,830,362 |
| Total Short-Term Securities — 8.7% | | |
| (Cost: \$25,830,511) | | 25,830,362 |
| Total Investments — 102.1% | | |
| (Cost: \$302,214,520) | | 304,319,085 |
| Liabilities in Excess of Other Assets — (2.1%) | | |
| | | (6,127,411) |
| Net Assets — 100.0% | | |
| | | \$ 298,191,674 |

^(a) All or a portion of this security is on loan.

^(b) Non-income producing security.

^(c) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.

^(d) Annualized 7-day yield as of period end.

^(e) All or a portion of this security was purchased with the cash collateral from loaned securities.

* Investments in issuers considered to be an affiliate/affiliates of the Fund during the six months ended June 30, 2020 for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliated Issuer | Shares Held at 12/31/19 | Shares Purchased | Shares Sold | Shares Held at 06/30/20 | Value at 06/30/20 | Income | Net Realized Gain (Loss) ^(a) | Change in Unrealized Appreciation (Depreciation) |
|---|-------------------------|------------------|-------------|-------------------------|-------------------|-----------------------|---|--|
| BlackRock Liquidity Funds, T-Fund, Institutional Class ^(b) | 26,786,942 | — | (7,233,116) | 19,553,826 | \$ 19,553,826 | \$ 87,882 | \$ — | \$ — |
| SL Liquidity Series, LLC, Money Market Series ^(b) | 10,950,897 | — | (4,679,378) | 6,271,519 | 6,276,536 | 28,514 ^(c) | (5,661) | (149) |
| | | | | | \$ 25,830,362 | \$ 116,396 | \$ (5,661) | \$ (149) |

^(a) Includes net capital gain distributions, if applicable.

^(b) Represents net shares purchased (sold).

^(c) All or a portion 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 rating group indexes, and/or as defined by the investment adviser. These definitions may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

Fair Value Hierarchy as of Period End

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------------|----------------------|---------------------|-----------------------|
| Assets: | | | | |
| Investments: | | | | |
| Long-Term Investments: | | | | |
| Common Stocks: | | | | |
| Aerospace & Defense | \$ — | \$ 5,694,367 | \$ — | \$ 5,694,367 |
| Air Freight & Logistics | 1,315,824 | — | — | 1,315,824 |
| Automobiles | 3,865,992 | — | — | 3,865,992 |
| Banks | 29,188,847 | — | — | 29,188,847 |
| Beverages | 3,954,745 | — | — | 3,954,745 |
| Capital Markets | 15,558,397 | — | — | 15,558,397 |
| Chemicals | 4,146,071 | — | — | 4,146,071 |
| Communications Equipment | 5,048,307 | — | — | 5,048,307 |
| Construction Materials | — | 633,671 | — | 633,671 |
| Consumer Finance | 1,856,400 | — | — | 1,856,400 |
| Diversified Financial Services | 6,172,899 | — | — | 6,172,899 |
| Diversified Telecommunication Services | 11,698,972 | — | — | 11,698,972 |
| Electric Utilities | 9,829,611 | — | — | 9,829,611 |
| Food Products | — | 3,271,570 | — | 3,271,570 |
| Health Care Equipment & Supplies | 6,542,795 | 8,729,043 | — | 15,271,838 |
| Health Care Providers & Services | 17,883,975 | — | — | 17,883,975 |
| Household Durables | 1,863,343 | 2,443,669 | — | 4,307,012 |
| Industrial Conglomerates | 3,419,849 | 4,137,710 | — | 7,557,559 |
| Insurance | 19,915,616 | — | — | 19,915,616 |
| IT Services | 9,959,185 | — | — | 9,959,185 |
| Media | 8,422,036 | — | — | 8,422,036 |
| Multiline Retail | 1,880,524 | — | — | 1,880,524 |
| Multi-Utilities | 4,789,419 | — | — | 4,789,419 |
| Oil, Gas & Consumable Fuels | 18,159,471 | 5,465,056 | — | 23,624,527 |
| Personal Products | 6,208,512 | — | — | 6,208,512 |
| Pharmaceuticals | 2,041,592 | 17,610,015 | — | 19,651,607 |
| Road & Rail | 2,294,618 | — | — | 2,294,618 |
| Semiconductors & Semiconductor Equipment | 3,657,779 | — | — | 3,657,779 |
| Software | 6,403,507 | — | — | 6,403,507 |
| Specialty Retail | 6,981,549 | — | — | 6,981,549 |
| Technology Hardware, Storage & Peripherals | — | 3,165,950 | 1,482,432 | 4,648,382 |
| Tobacco | 5,668,053 | 727,170 | — | 6,395,223 |
| Trading Companies & Distributors | — | 2,700,340 | — | 2,700,340 |
| Preferred Stocks | — | 3,699,842 | — | 3,699,842 |
| Short-Term Securities | 19,553,826 | — | — | 19,553,826 |
| Subtotal | <u>\$ 238,281,714</u> | <u>\$ 58,278,403</u> | <u>\$ 1,482,432</u> | <u>\$ 298,042,549</u> |
| Investments valued at NAV ^(a) | | | | <u>6,276,536</u> |
| Total Investments | | | <u>\$</u> | <u>\$ 304,319,085</u> |

The breakdown of the Fund's investments into major categories is disclosed in the Schedule of Investments above.

^(a) 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.

See notes to financial statements.

Statement of Assets and Liabilities (unaudited)

June 30, 2020

BlackRock
Equity Dividend
V.I. Fund

ASSETS

| | |
|--|---------------------------|
| Investments at value — unaffiliated (including securities loaned at value of \$6,148,293) (cost — \$276,384,009) | \$ 278,488,723 |
| Investments at value — affiliated (cost — \$25,830,511) | 25,830,362 |
| Foreign currency at value (cost — \$1,420) | 1,365 |
| Receivables: | |
| Securities lending income — affiliated | 1,603 |
| Capital shares sold | 89,641 |
| Dividends — affiliated | 1,676 |
| Dividends — unaffiliated | 630,303 |
| From affiliate(s) | 614 |
| Prepaid expenses | 2,560 |
| Total assets | <u>305,046,847</u> |

LIABILITIES

| | |
|---|-------------------------|
| Cash collateral on securities loaned at value | 6,277,039 |
| Payables: | |
| Capital shares redeemed | 140,385 |
| Distribution fees | 55,154 |
| Investment advisory fees | 149,133 |
| Other affiliates | 993 |
| Professional fees | 31,115 |
| Transfer agent fees | 147,789 |
| Other accrued expenses | 53,565 |
| Total liabilities | <u>6,855,173</u> |

NET ASSETS **\$ 298,191,674**

NET ASSETS CONSIST OF

| | |
|----------------------|------------------------------|
| Paid-in capital | \$ 290,807,594 |
| Accumulated earnings | 7,384,080 |
| NET ASSETS | <u>\$ 298,191,674</u> |

NET ASSET VALUE

| | |
|--|------------------------|
| Class I — Based on net assets of \$28,340,130 and 2,777,149 shares outstanding, 100 million shares authorized, \$0.10 par value | \$ 10.20 |
| Class III — Based on net assets of \$269,851,544 and 26,516,685 shares outstanding, 100 million shares authorized, \$0.10 par value | <u>\$ 10.18</u> |

See notes to financial statements.

Statement of Operations (unaudited)

Six Months Ended June 30, 2020

BlackRock
Equity Dividend
V.I. Fund

INVESTMENT INCOME

| | |
|--|------------------|
| Dividends — affiliated | \$ 87,882 |
| Dividends — unaffiliated | 4,849,503 |
| Securities lending income — affiliated — net | 28,514 |
| Foreign taxes withheld | <u>(181,236)</u> |
| Total investment income | <u>4,784,663</u> |

EXPENSES

| | |
|---|------------------|
| Investment advisory | 890,941 |
| Distribution — class specific | 334,562 |
| Transfer agent — class specific | 296,483 |
| Accounting services | 32,491 |
| Professional | 25,952 |
| Printing | 15,994 |
| Custodian | 11,869 |
| Directors and Officer | 4,142 |
| Transfer agent | 2,503 |
| Miscellaneous | <u>3,494</u> |
| Total expenses | 1,618,431 |
| Less: | |
| Fees waived and/or reimbursed by the Manager | (8,660) |
| Transfer agent fees waived and/or reimbursed — class specific | <u>(296,483)</u> |
| Total expenses after fees waived and/or reimbursed | 1,313,288 |
| Net investment income | <u>3,471,375</u> |

REALIZED AND UNREALIZED GAIN (LOSS)

| | |
|--|------------------------|
| Net realized gain (loss) from: | |
| Investments — affiliated | (5,661) |
| Investments — unaffiliated | 3,244,909 |
| Foreign currency transactions | <u>7,929</u> |
| | 3,247,177 |
| Net change in unrealized appreciation (depreciation) on: | |
| Investments — affiliated | (149) |
| Investments — unaffiliated | (52,203,698) |
| Foreign currency translations | <u>1,113</u> |
| | (52,202,734) |
| Net realized and unrealized loss | <u>(48,955,557)</u> |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | <u>\$ (45,484,182)</u> |

See notes to financial statements.

Statements of Changes in Net Assets

| | BlackRock Equity Dividend V.I. Fund | |
|---|---|------------------------|
| | Six Months Ended 06/30/20 (unaudited) | Year Ended 12/31/19 |
| <i>INCREASE (DECREASE) IN NET ASSETS</i> | | |
| OPERATIONS | | |
| Net investment income | \$ 3,471,375 | \$ 6,104,714 |
| Net realized gain | 3,247,177 | 19,424,737 |
| Net change in unrealized appreciation (depreciation) | (52,202,734) | 50,340,126 |
| Net increase (decrease) in net assets resulting from operations | (45,484,182) | 75,869,577 |
| DISTRIBUTIONS TO SHAREHOLDERS ^(a) | | |
| Class I | (175,387) | (2,844,230) |
| Class III | (1,374,632) | (24,841,855) |
| Decrease in net assets resulting from distributions to shareholders | (1,550,019) | (27,686,085) |
| CAPITAL SHARE TRANSACTIONS | | |
| Net increase in net assets derived from capital share transactions | 4,980,282 | 11,152,752 |
| NET ASSETS | | |
| Total increase (decrease) in net assets | (42,053,919) | 59,336,244 |
| Beginning of period | 340,245,593 | 280,909,349 |
| End of period | \$ 298,191,674 | \$ 340,245,593 |

^(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 Equity Dividend V.I. Fund | | | | | | |
|--|-------------------------|-----------|-------------------------|-----------|-----------|-----------|
| Class I | | | | | | |
| | Six Months Ended | | Year Ended December 31, | | | |
| | 06/30/20 (unaudited) | 2019 | 2018 | 2017 | 2016 | 2015 |
| Net asset value, beginning of period | \$ 11.90 | \$ 10.17 | \$ 12.14 | \$ 11.15 | \$ 10.04 | \$ 10.90 |
| Net investment income ^(a) | 0.13 | 0.25 | 0.24 | 0.22 | 0.21 | 0.19 |
| Net realized and unrealized gain (loss) | (1.77) | 2.53 | (1.09) | 1.62 | 1.42 | (0.25) |
| Net increase (decrease) from investment operations | (1.64) | 2.78 | (0.85) | 1.84 | 1.63 | (0.06) |
| Distributions ^(b) | | | | | | |
| From net investment income | (0.06) | (0.24) | (0.24) | (0.21) | (0.19) | (0.18) |
| From net realized gain | — | (0.81) | (0.88) | (0.64) | (0.33) | (0.62) |
| Total distributions | (0.06) | (1.05) | (1.12) | (0.85) | (0.52) | (0.80) |
| Net asset value, end of period | \$ 10.20 | \$ 11.90 | \$ 10.17 | \$ 12.14 | \$ 11.15 | \$ 10.04 |
| Total Return ^(c) | | | | | | |
| Based on net asset value | (13.73)% ^(d) | 27.71% | (7.16)% | 16.74% | 16.40% | (0.61)% |
| Ratios to Average Net Assets ^(e) | | | | | | |
| Total expenses | 0.86% ^(f) | 0.86% | 0.87% | 0.89% | 0.89% | 1.00% |
| Total expenses after fees waived and/or reimbursed | 0.66% ^(f) | 0.65% | 0.66% | 0.68% | 0.70% | 0.79% |
| Net investment income | 2.56% ^(f) | 2.17% | 2.00% | 1.82% | 1.98% | 1.79% |
| Supplemental Data | | | | | | |
| Net assets, end of period (000) | \$ 28,340 | \$ 33,881 | \$ 30,655 | \$ 37,525 | \$ 35,256 | \$ 30,527 |
| Portfolio turnover rate | 32% | 45% | 37% | 37% | 23% | 25% |

^(a) Based on average shares outstanding.

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

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

^(d) Aggregate total return.

^(e) Excludes expenses incurred indirectly as a result of investments in underlying funds as follows:

| | Six Months Ended | | Year Ended December 31, | | | |
|---------------------------------|-------------------------|-------|-------------------------|-------|-------|------|
| | 06/30/20 (unaudited) | 2019 | 2018 | 2017 | 2016 | 2015 |
| Investments in underlying funds | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | —% |

^(f) Annualized.

See notes to financial statements.

Financial Highlights (continued)
(For a share outstanding throughout each period)

| | BlackRock Equity Dividend V.I. Fund | | | | | |
|--|---|-------------------------|------------|------------|------------|-----------|
| | Class III | | | | | |
| | Six Months Ended 06/30/20 (unaudited) | Year Ended December 31, | | | | |
| | 2019 | 2018 | 2017 | 2016 | 2015 | |
| Net asset value, beginning of period | \$ 11.88 | \$ 10.15 | \$ 12.12 | \$ 11.13 | \$ 10.03 | \$ 10.89 |
| Net investment income ^(a) | 0.12 | 0.22 | 0.21 | 0.19 | 0.18 | 0.17 |
| Net realized and unrealized gain (loss) | (1.77) | 2.53 | (1.09) | 1.62 | 1.42 | (0.25) |
| Net increase (decrease) from investment operations | (1.65) | 2.75 | (0.88) | 1.81 | 1.60 | (0.08) |
| Distributions ^(b) | | | | | | |
| From net investment income | (0.05) | (0.21) | (0.21) | (0.18) | (0.17) | (0.16) |
| From net realized gain | — | (0.81) | (0.88) | (0.64) | (0.33) | (0.62) |
| Total distributions | (0.05) | (1.02) | (1.09) | (0.82) | (0.50) | (0.78) |
| Net asset value, end of period | \$ 10.18 | \$ 11.88 | \$ 10.15 | \$ 12.12 | \$ 11.13 | \$ 10.03 |
| Total Return ^(c) | | | | | | |
| Based on net asset value | (13.82)% ^(d) | 27.46% | (7.42)% | 16.49% | 16.06% | (0.82)% |
| Ratios to Average Net Assets ^(e) | | | | | | |
| Total expenses | 1.12% ^(f) | 1.12% | 1.12% | 1.16% | 1.13% | 1.16% |
| Total expenses after fees waived and/or reimbursed | 0.91% ^(f) | 0.90% | 0.91% | 0.93% | 0.95% | 1.03% |
| Net investment income | 2.32% ^(f) | 1.91% | 1.75% | 1.57% | 1.73% | 1.59% |
| Supplemental Data | | | | | | |
| Net assets, end of period (000) | \$ 269,852 | \$ 306,365 | \$ 250,255 | \$ 287,615 | \$ 223,338 | \$ 85,163 |
| Portfolio turnover rate | 32% | 45% | 37% | 37% | 23% | 25% |

^(a) Based on average shares outstanding.

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

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

^(d) Aggregate total return.

^(e) Excludes expenses incurred indirectly as a result of investments in underlying funds as follows:

| | Six Months Ended | Year Ended December 31, | | | | |
|---------------------------------|-------------------------|-------------------------|-------|-------|-------|------|
| | 06/30/20 (unaudited) | 2019 | 2018 | 2017 | 2016 | 2015 |
| Investments in underlying funds | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | —% |

^(f) Annualized.

See notes to financial statements.

Notes to Financial Statements (unaudited)

1. ORGANIZATION

BlackRock Variable Series Funds, Inc. (the "Company") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. The Company is organized as a Maryland corporation that is comprised of 15 separate 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 Equity Dividend 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 equity, multi-asset, index and money market funds referred to as the BlackRock Multi-Asset 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 executed. Realized gains and losses on investment transactions are determined on the identified cost basis. Dividend income and non-cash dividend income, if any, are 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. 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 dates. 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). 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"). If a security's market price is not readily available or does not otherwise accurately represent the fair value of the security, the security will be valued in accordance with a policy approved by the Board as reflecting fair value. 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.

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

Notes to Financial Statements (unaudited) (continued)

exchange-traded and over-the-counter 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.
- The Fund values its investment in SL Liquidity Series, LLC, Money Market Series (the “Money Market Series”) at fair value, which is ordinarily based upon its pro rata ownership in the underlying fund’s net assets. The Money Market Series seeks current income consistent with maintaining liquidity and preserving capital. Although the Money Market Series is not registered under the 1940 Act, its investments may follow the parameters of investments by a money market fund that is subject to Rule 2a-7 under the 1940 Act.

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 pricing of all Fair Valued Investments is subsequently reported to the Board or a committee thereof on a quarterly basis.

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 the Global Valuation Committee and 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 Global Valuation Committee’s assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Investments classified within Level 3 have significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments. Level 3 investments include equity or debt issued by Private Companies.

Notes to Financial Statements (unaudited) (continued)

There may not be a secondary market, and/or there are a limited number of investors. 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, 2020, certain investments of the Fund were fair valued using NAV per share or its equivalent 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 ^(a)</i> | <i>Net Amount</i> |
|--|---------------------------------------|--|-----------------------|
| Citigroup Global Markets, Inc. | \$ 541,203 | \$ (541,203) | — |
| Deutsche Bank Securities, Inc. | 47,030 | (47,030) | — |
| Goldman Sachs & Co. | 305,979 | (305,979) | — |
| JP Morgan Securities LLC. | 4,840,486 | (4,840,486) | — |
| Morgan Stanley & Co. LLC | 413,595 | (413,595) | — |
| | <u>\$ 6,148,293</u> | <u>\$ (6,148,293)</u> | <u>—</u> |

^(a) Collateral received in excess of the market value of securities on loan is not presented in this table. The total cash collateral received by the Fund is disclosed in the Fund's Statement of Assets and Liabilities.

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 to the extent 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. Such losses are borne entirely by the Fund.

5. INVESTMENT ADVISORY AGREEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Advisory: The Company, on behalf of the Fund, entered into an Investment Advisory Agreement with the Manager, the Fund's investment adviser and an indirect, wholly-owned subsidiary of BlackRock, Inc. ("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.

Notes to Financial Statements (unaudited) (continued)

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 | 0.60% |
| \$1 Billion - \$3 Billion | 0.56 |
| \$3 Billion - \$5 Billion | 0.54 |
| \$5 Billion - \$10 Billion | 0.52 |
| Greater than \$10 Billion | 0.51 |

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

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

For the six months ended June 30, 2020, the class specific distribution fees borne directly by Class III were \$334,562.

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 underlying investor accounts. 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, 2020, 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, 2020, the following table shows the class specific transfer agent fees borne directly by each share class of the Fund:

| | |
|---------------------|-------------------|
| Class I | \$ 29,044 |
| Class III | 267,439 |
| | <u>\$ 296,483</u> |

Expense Limitations, Waivers and Reimbursements: The Manager contractually 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") through April 30, 2021. The contractual agreement may be terminated upon 90 days' notice by a majority of the directors who are not "interested persons" of the Company, as defined in the 1940 Act ("Independent Directors"), or by a vote of a majority of the outstanding voting securities of the Fund. The amount of waivers and/or reimbursements of fees and expenses made pursuant to the expense limitation described below will be reduced by the amount of the affiliated money market fund waiver. Prior to May 1, 2020, this waiver was voluntary. This amount is included in fees waived and/or reimbursed by the Manager in the Statement of Operations. For the six months ended June 30, 2020, the amount waived was \$8,660.

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, 2021. The contractual agreement may be terminated upon 90 days' notice by a majority of the Independent Directors, or by a vote of a majority of the outstanding voting securities of the Fund. For the six months ended June 30, 2020, there were no fees waived and/or reimbursed by the Manager pursuant to this arrangement.

For the six months ended June 30, 2020, the Fund reimbursed the Manager \$1,867 for certain accounting services, which is included in accounting services in the Statement of Operations.

The Manager has contractually agreed to reimburse all transfer agent fees for Class I and III. The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2021 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 are included in transfer agent fees waived and/or reimbursed — class specific in the Statement of Operations. For the six months ended June 30, 2020, class specific expense waivers and/or reimbursements were as follows:

| | <i>Transfer Agent Fees Waived and/or Reimbursed</i> |
|---------------------|---|
| Class I | \$ 29,044 |
| Class III | 267,439 |
| | <u>\$ 296,483</u> |

Notes to Financial Statements (unaudited) (continued)

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:

| | |
|---------------------|-------|
| Class I | 1.25% |
| Class III | 1.50% |

The Manager has agreed not to reduce or discontinue this contractual expense limitation through April 30, 2021, 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. For the six months ended June 30, 2020, 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 the current securities lending agreement, the Fund retains 75% of securities lending income (which excludes collateral investment expenses), and this amount retained can never be less than 70% 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 BlackRock Multi-Asset 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 80% of securities lending income (which excludes collateral investment expenses), and this amount retained can never be less than 70% 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, 2020, the Fund paid BIM \$9,034 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 period ended June 30, 2020, 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, 2020, purchases and sales of investments, excluding short-term securities, were \$102,981,486 and \$88,807,955, 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, 2019. 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, 2020, inclusive of the open tax return years, and does not believe that 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, 2020, gross unrealized appreciation and depreciation for investments based on cost for U.S. federal income tax purposes were as follows:

| | |
|--|----------------|
| Tax cost | \$ 303,687,944 |
| Gross unrealized appreciation | \$ 24,382,182 |
| Gross unrealized depreciation | (23,751,041) |
| Net unrealized appreciation (depreciation) | \$ 631,141 |

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 2021 unless extended or renewed. 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, 2020, 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. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the Fund and its investments. The Fund's prospectus provides details of the risks to which the Fund is subject.

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

Valuation Risk: The market values of equities, such as common stocks and preferred securities or equity related investments, such as futures and options, may decline due to general market conditions which are not specifically related to a particular company. They may also decline due to factors which affect a particular industry or industries. The Fund may invest in illiquid investments. An illiquid investment is any investment that the Fund reasonably expects cannot be sold or disposed of in current market conditions in seven calendar days or less without the sale or disposition significantly changing the market value of the investment. The Fund may experience difficulty in selling illiquid 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.

An outbreak of respiratory disease caused by a novel coronavirus has developed into a global pandemic and has resulted in closing borders, quarantines, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of this pandemic, and other global health crises that may arise in the future, could affect the economies of many nations, individual companies and the market in general in ways that cannot necessarily be foreseen at the present time. This pandemic may result in substantial market volatility and may adversely impact the prices and liquidity of a fund's investments. The duration of this pandemic and its effects cannot be determined with certainty.

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

10. CAPITAL SHARE TRANSACTIONS

Transactions in capital shares for each class were as follows:

| | Six Months Ended 06/30/20 | | Year Ended 12/31/19 | |
|--|------------------------------|---------------|------------------------|----------------|
| | Shares | Amount | Shares | Amount |
| Class I | | | | |
| Shares sold | 155,572 | \$ 1,571,224 | 154,159 | \$ 1,782,814 |
| Shares issued in reinvestment of distributions | 18,520 | 175,387 | 242,563 | 2,844,230 |
| Shares redeemed | (243,604) | (2,512,175) | (563,670) | (6,465,248) |
| Net decrease | (69,512) | \$ (765,564) | (166,948) | \$ (1,838,204) |
| Class III | | | | |
| Shares sold | 3,438,009 | \$ 34,124,400 | 2,676,030 | \$ 29,909,100 |
| Shares issued in reinvestment of distributions | 145,464 | 1,374,632 | 2,122,845 | 24,841,855 |
| Shares redeemed | (2,864,838) | (29,753,186) | (3,651,660) | (41,759,999) |
| Net increase | 718,635 | \$ 5,745,846 | 1,147,215 | \$ 12,990,956 |
| Total Net Increase | 649,123 | \$ 4,980,282 | 980,267 | \$ 11,152,752 |

11. SUBSEQUENT EVENTS

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

Glossary of Terms Used in this Report

Portfolio Abbreviations

| | |
|------|----------------------------|
| GDR | Global Depositary Receipts |
| NYRS | New York Registered Shares |

Disclosure of Investment Advisory Agreement and Sub-Advisory Agreements

The Board of Directors (the “Board,” the members of which are referred to as “Board Members”) of BlackRock Variable Series Funds, Inc. (the “Corporation”) met on April 7, 2020 (the “April Meeting”) and May 11-13, 2020 (the “May Meeting”) to consider the approval of the investment advisory agreement (the “Advisory Agreement”) between the Corporation, on behalf of BlackRock Advantage Large Cap Core V.I. Fund (the “Large Cap Core V.I. Fund”), BlackRock Advantage Large Cap Value V.I. Fund (the “Large Cap Value V.I. Fund”), BlackRock Advantage U.S. Total Market V.I. Fund (the “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 International V.I. Fund (the “International V.I. Fund”), BlackRock International Index V.I. Fund (the “International Index V.I. Fund”), BlackRock 60/40 Target Allocation ETF V.I. Fund (the “60/40 Target Allocation ETF 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 Small Cap Index V.I. Fund (the “Small Cap Index V.I. Fund”) and BlackRock S&P 500 Index V.I. Fund (the “S&P 500 Index V.I. Fund”) (each, a “Fund,” and collectively the “Funds”), each a series of the Corporation, and BlackRock Advisors, LLC (the “Manager”), the Corporation’s investment advisor. The Board also considered the approval of the sub-advisory agreements between the Manager and (a) BlackRock International Limited (“BIL”) with respect to International V.I. Fund and Managed Volatility V.I. Fund (the “BIL Sub-Advisory Agreements”); (b) BlackRock Asset Management North Asia Limited (“BNA”) with respect to Managed Volatility V.I. Fund (the “BNA Sub-Advisory Agreement”); and (c) BlackRock (Singapore) Limited (“BSL” and together with BIL and BNA, the “Sub-Advisors”) with respect to Managed Volatility V.I. Fund (the “BSL Sub-Advisory Agreement” and together with the BIL Sub-Advisory Agreements and the BNA Sub-Advisory Agreement, the “Sub-Advisory Agreements”). The Manager and the Sub-Advisors are referred to herein as “BlackRock.” The Advisory Agreement 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 fourteen individuals, twelve 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 Corporation 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 Ad Hoc Topics Committee, each of which is chaired by an Independent Board Member and composed of Independent Board Members (except for the Ad Hoc Topics Committee, which also has one interested Board Member).

The Agreements

Consistent with the requirements of the 1940 Act, the Board considers 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. While the Board also has a fifth one-day meeting to consider specific information surrounding the renewal of the Agreements, the Board’s consideration entails a year-long deliberative process whereby the Board and its committees assess BlackRock’s services to the Funds. In particular, 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 services; accounting oversight; administrative and shareholder services; oversight of each Fund’s service providers; risk management and oversight; and legal, regulatory and compliance services. Throughout the year, including during the contract renewal process, the Independent Board Members were advised by independent legal counsel, and met with independent legal counsel in various executive sessions outside of the presence of BlackRock’s management.

During the year, the Board, acting directly and through its committees, considers information that is 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 in the section titled “Board Considerations in Approving the Agreements.” Among the matters the Board considered were: (a) with respect to each Fund, investment performance for one-year, three-year, five-year, and/or since inception periods, as applicable, against peer funds, an applicable benchmark, and other performance metrics, as applicable, as well as BlackRock senior management’s and portfolio managers’ analyses of the reasons for any outperformance 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, policies and restrictions, and meeting regulatory requirements; (e) BlackRock’s and the Corporation’s adherence to applicable 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 the Corporation’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 Independent Board Members are continuously engaged in a process with their independent legal counsel and BlackRock to review the nature and scope of the information provided to the Board 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”) and the investment performance of each Fund as compared with a peer group of funds (“Performance Peers”); (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 analysis provided by BlackRock concerning investment management fees received in connection with other types of investment products, such as institutional accounts,

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

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) a review of non-management fees; (f) the existence, impact and sharing of potential economies of scale, if any, with the Funds; (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 questions and requests with additional written information in advance of the May Meeting.

At the May Meeting, the Board concluded its assessment of, among other things: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund as compared to its Performance Peers and to 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 the Funds; (d) each Fund's fees and expenses compared to its Expense Peers; (e) the existence and sharing of potential economies of scale; (f) any fall-out benefits to BlackRock and its affiliates as a result of BlackRock's relationship with the Funds; 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 relating to securities lending and cash management, and BlackRock's services related to the valuation and pricing of each Fund's portfolio holdings. 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 each Fund's performance to the performance of a comparable group of mutual funds, 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 the Fund's performance, investment 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; 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 nature and quality of the administrative and other non-investment advisory services provided to each Fund. BlackRock and its affiliates provide the Funds with certain administrative, shareholder and other services (in addition to any such services provided to the Funds by third-parties) and officers and other personnel as are necessary for the operations of the Funds. In particular, BlackRock and its affiliates provide the Funds 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 third-party 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 or managing 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 the Funds 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 an analysis of each Fund's performance as of December 31, 2019, as compared to its Performance Peers. 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 60/40 Target Allocation ETF V.I. Fund, Large Cap Focus Growth V.I. Fund, Capital Appreciation V.I. Fund, Large Cap Core V.I. Fund, Large Cap Value V.I. Fund, Global Allocation V.I. Fund, Basic Value V.I. Fund, U.S. Total Market V.I. Fund and International V.I. Fund, the respective Morningstar open-end fund category ("Morningstar Open-End Category"); with respect to Managed Volatility V.I. Fund, in light of the Fund's outcome-oriented investment objective, certain performance metrics ("Outcome-Oriented Performance Metrics"); with respect to International Index V.I. Fund, Small Cap Index V.I. Fund and S&P 500 Index V.I. Fund, the performance of the Fund as compared with its benchmark; and, with respect to Government Money Market V.I. Fund, a weighted average benchmark of similar funds, as defined by BlackRock ("Benchmark Weighted Average"). 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 focused particular attention on funds with less favorable performance records. The Board also noted that while it found the data provided by Broadridge generally useful, it recognized the limitations of such data, including in particular, that notable differences may exist between a fund and its Performance Peers (for example, the investment objectives and strategies). Further, 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. The Board also acknowledged that long-term performance could be impacted by even one period of significant outperformance or underperformance, and that a single investment theme could have the ability to disproportionately affect long-term performance.

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

The Board noted that for the one-, three-, and five-year periods reported, 60/40 Target Allocation ETF V.I. Fund ranked in the first, first and second quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the

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

Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board noted that for the one-, three- and five-year periods reported, International V.I. Fund ranked in the first, first and second quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board noted that for the one-, three- and five-year periods reported, Large Cap Focus Growth V.I. Fund ranked in the second, first and first quartile, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board noted that for each of the one-, three- and five-year periods reported, Global Allocation V.I. Fund ranked in the second quartile against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board noted significant changes to the Fund's portfolio management team under the senior leadership of BlackRock's Global Fixed Income Chief Investment Officer and an expansion of resources.

The Board noted that for the one-, three- and five-year periods reported, Capital Appreciation V.I. Fund ranked in the third, first and first quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods.

The Board noted that for the one-, three- and five-year periods reported, Large Cap Core V.I. Fund ranked in the third, second and second quartiles, respectively against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods.

The Board noted that for the one-, three- and five-year periods reported, Large Cap Value V.I. Fund ranked in the third, second and second quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods.

The Board noted that for the one-, three- and five-year periods reported, U.S. Total Market V.I. Fund ranked in the third, fourth and third quartiles, respectively against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods.

The Board noted that for the one-, three- and five-year periods reported, Basic Value V.I. Fund ranked in the third, fourth and fourth quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods. The Board was informed that, among other things, longer-term performance was impacted by the investment team's focus on value and related positioning in more volatile areas of the market.

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

The Board noted that for each of the one- and three-year periods reported, Government Money Market V.I. Fund outperformed its Benchmark Weighted Average. The Board noted that BlackRock believes that the Benchmark Weighted Average is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board reviewed and considered the Fund's performance relative to Managed Volatility V.I. Fund's Outcome-Oriented Performance Metrics including a total return target. The Board noted that for each of the one-, three- and five-year periods reported, the Fund underperformed its total return target. The Board noted that BlackRock believes that the Outcome-Oriented Performance Metrics are an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's underperformance relative to its total return target during the applicable periods.

The Board noted that for the one-year period reported, S&P 500 Index V.I. Fund's net performance was within the tolerance range of its benchmark. The Board noted that BlackRock believes that net performance relative to the benchmark is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board noted that for the one-year period reported, International Index V.I. Fund's net performance above the tolerance range of its benchmark. The Board noted that BlackRock believes that net performance relative to the benchmark is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's above tolerance performance relative to its benchmark over the period.

The Board noted that for the one-year period reported, Small Cap Index V.I. Fund's net performance was above the tolerance range of its benchmark. The Board noted that BlackRock believes that net performance relative to the benchmark is an appropriate performance metric for the Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Fund's above tolerance performance relative to its benchmark over the 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 the Funds: 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

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

reimbursements or fee waivers, and the actual management fee rate gives effect to any management fee reimbursements or waivers. 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, 2019 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 BlackRock 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 BlackRock, the types of funds managed, precision of expense allocations and business mix. The Board thus recognized that calculating and comparing profitability at the individual fund level 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.

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 the Funds, including 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 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 Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that Small Cap 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 Fund's Expense Peers. The Board also noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that 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 Fund's Expense Peers. The Board also noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that International 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 Fund's Expense Peers. The Board also noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that Basic Value 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 second quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the 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 60/40 Target Allocation ETF 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 second quartiles, respectively, relative to the Fund's Expense Peers. Additionally, the Board noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that 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 second quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that Equity Dividend 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 second quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that 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 Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis. In addition, the Board noted that BlackRock and the Board agreed to a lower contractual expense cap, on a class-by-class basis. After discussions between the Board, including Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of the contractual cap.

The Board noted that 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 ranked in the third and second quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that 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 each ranked in the second quartile relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

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

The Board noted that Large Cap Focus Growth 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 fourth quartiles, respectively, relative to the Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that 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 Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that U.S. Total 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 Fund's Expense Peers. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

The Board noted that the Large Cap Value V.I. Fund's contractual management fee rate ranked in the fourth quartile, and that the actual management fee rate and total expense ratio each ranked in the first quartile relative to the Fund's Expense Peers. Additionally, the Board noted that BlackRock had voluntarily agreed to waive a portion of the advisory fee payable by the Fund. The Board further noted that BlackRock and the Board have contractually agreed to a cap on the Fund's total expenses as a percentage of the Fund's average daily net assets on a class-by-class basis.

With respect to Large Cap Core V.I. Fund, Large Cap Value V.I. Fund, U.S. Total Market V.I. Fund, Basic Value V.I. Fund, Capital Appreciation V.I. Fund, Equity Dividend V.I. Fund, Global Allocation V.I. Fund, Government Money Market V.I. Fund, International V.I. Fund, 60/40 Target Allocation ETF V.I. Fund, Large Cap Focus Growth V.I. Fund and Managed Volatility V.I. Fund, the Board noted that each Fund has an advisory fee arrangement that includes breakpoints that adjust the fee rate downward as the size of the pertinent Fund increases above certain contractually specified levels. The Board noted that if the size of the pertinent Fund were to decrease, the Fund could lose the benefit of one or more breakpoints.

With respect to Large Cap Core V.I. Fund, Large Cap Value V.I. Fund, U.S. Total Market V.I. Fund, Basic Value V.I. Fund, Capital Appreciation V.I. Fund, Equity Dividend V.I. Fund, Global Allocation V.I. Fund, International V.I. Fund, International Index V.I. Fund, Large Cap Focus Growth V.I. Fund, Managed Volatility V.I. Fund, Small Cap Index V.I. Fund and S&P 500 Index V.I. Fund, the Board noted that BlackRock and the Board have contractually agreed to a cap on certain operational and recordkeeping fees for each Fund on a class-by-class basis.

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 the Funds increase, including the existence of fee waivers and/or expense caps, as applicable, noting that any contractual fee waivers and contractual expense caps had been approved by the Board. In its consideration, the Board further considered the continuation and/or implementation of fee waivers and/or expense caps, as applicable. The Board also considered the extent to which each Fund benefits from such economies of scale in a variety of ways and whether there should be changes in the advisory fee rate or breakpoint structure in order to enable the Funds 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.

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 the Funds, both tangible and intangible, such as BlackRock's ability to leverage its investment professionals who manage other portfolios and its 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 the Funds, 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.

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 the pertinent Fund's fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

Conclusion

The Board, including the Independent Board Members, unanimously approved the continuation of (i) the Advisory Agreement between the Manager and the Corporation, on behalf of each Fund, (ii) the BIL Sub-Advisory Agreements between the Manager and BIL with respect to International V.I. Fund and Managed Volatility V.I. Fund, (iii) the BNA Sub-Advisory Agreement between the Manager and BNA with respect to Managed Volatility V.I. Fund and (iv) BSL Sub-Advisory Agreement between the Manager and BSL with respect to Managed Volatility V.I. Fund, each for a one-year term ending June 30, 2021. 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, as pertinent, 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.

Disclosure of Investment Advisory Agreement

The Board of Directors (the “Board,” the members of which are referred to as “Board Members”) of BlackRock Variable Series Funds II, Inc. (the “Company”) met on April 16, 2020 (the “April Meeting”) and May 20-21, 2020 (the “May Meeting”) to consider the approval of the investment advisory agreement (the “Advisory Agreement” or the “Agreement”) between the Company, on behalf of BlackRock High Yield V.I. Fund (the “High Yield 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” and together with the High Yield V.I. Fund and the Total Return V.I. Fund, the “Funds” and each, a “Fund”), and BlackRock Advisors, LLC (the “Manager” or “BlackRock”), each Fund’s investment advisor.

Activities and Composition of the Board

On the date of the May Meeting, the Board consisted of ten individuals, eight of whom were not “interested persons” of the Company 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 each Fund 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 Co-Chairs of the Board are Independent Board Members. 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 Executive Committee, which also has one interested Board Member).

The Agreement

Consistent with the requirements of the 1940 Act, the Board considers the continuation of the Agreement 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. While the Board also has a fifth one-day meeting to consider specific information surrounding the renewal of the Agreement, the Board’s consideration entails a year-long deliberative process whereby the Board and its committees assess BlackRock’s services to each Fund. In particular, 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 services; accounting oversight; administrative and shareholder services; oversight of each Fund’s service providers; risk management and oversight; and legal, regulatory and compliance services. Throughout the year, including during the contract renewal process, the Independent Board Members were advised by independent legal counsel, and met with independent legal counsel in various executive sessions outside of the presence of BlackRock’s management.

During the year, the Board, acting directly and through its committees, considers information that is relevant to its annual consideration of the renewal of the Agreement, 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 in the section titled “Board Considerations in Approving the Agreement.” Among the matters the Board considered were: (a) investment performance for one-year, three-year, five-year, and/or since inception periods, as applicable, against peer funds, applicable benchmarks, and other performance metrics, as applicable, as well as BlackRock senior management’s and portfolio managers’ analyses of the reasons for any outperformance 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, policies and restrictions, and meeting regulatory requirements; (e) BlackRock’s and each Fund’s adherence to applicable 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) 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 Agreement

The Approval Process: Prior to the April Meeting, the Board requested and received materials specifically relating to the Agreement. The Independent Board Members are continuously engaged in a process with their independent legal counsel and BlackRock to review the nature and scope of the information provided to the Board 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”) and the investment performance of each Fund as compared with a peer group of funds (“Performance Peers”); (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 Agreement and a discussion of fall-out benefits to BlackRock and its affiliates; (d) a general 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) a review of non-management fees; (f) the existence, impact and sharing of potential economies of scale, if any, 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 Agreement. 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 questions and requests with additional written information in advance of the May Meeting. Topics covered included: (a) the methodology for measuring estimated fund profitability; (b) economies of scale; (c) fund expenses and potential fee waivers; and (d) differences in services provided and management fees between open-end funds and other product channels.

At the May Meeting, the Board concluded its assessment of, among other things: (a) the nature, extent and quality of the services provided by BlackRock; (b) the investment performance of each Fund as compared to its Performance Peers and to other metrics, as applicable; (c) the advisory fee and the estimated cost of the services and

Disclosure of Investment Advisory Agreement (continued)

estimated profits realized by BlackRock and its affiliates from their relationship with each Fund; (d) each Fund's fees and expenses compared to its Expense Peers; (e) the existence and sharing of potential economies of scale; (f) any 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 relating to securities lending and cash management, and BlackRock's services related to the valuation and pricing of Fund portfolio holdings. The Board noted the willingness of BlackRock's 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, relevant benchmarks, 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, investment 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; 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 nature and 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 third-party 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 or managing 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 an analysis of each Fund's performance as of December 31, 2019, as compared to its Performance Peers. 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 the respective Morningstar open-end fund category ("Morningstar Open-End Category"). 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 focused particular attention on funds with less favorable performance records. The Board also noted that while it found the data provided by Broadridge generally useful, it recognized the limitations of such data, including in particular, that notable differences may exist between a fund and its Performance Peers (for example, the investment objectives and strategies). Further, 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. The Board also acknowledged that long-term performance could be impacted by even one period of significant outperformance or underperformance, and that a single investment theme could have the ability to disproportionately affect long-term performance.

The Board noted that for each of the one-, three- and five-year periods reported, the High Yield V.I. Fund ranked in the first quartile against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the High Yield V.I. Fund, and that BlackRock has explained its rationale for this belief to the Board.

The Board noted that for the one-, three- and five-year periods reported, the Total Return V.I. Fund ranked in the second, second, and third quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the Total Return V.I. Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the Total Return V.I. Fund's underperformance relative to its Morningstar Open-End Category during the applicable period.

The Board noted that for the one-, three- and five-year periods reported, the U.S. Government Bond V.I. Fund ranked in the second, third and third quartiles, respectively, against its Morningstar Open-End Category. The Board noted that BlackRock believes that the Morningstar Open-End Category is an appropriate performance metric for the U.S. Government Bond V.I. Fund, and that BlackRock has explained its rationale for this belief to the Board. The Board and BlackRock reviewed the U.S. Government Bond V.I. Fund's underperformance relative to its Morningstar Open-End Category during the applicable periods.

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, and the actual management fee rate gives effect to any management fee reimbursements or waivers. The Board considered the services

Disclosure of Investment Advisory Agreement (continued)

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, 2019 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. The Board thus recognized that calculating and comparing profitability at the individual fund level 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.

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 Agreement 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, including 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 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 the Total Return V.I. Fund, increase above certain contractually specified levels. The Board noted that if the size of the High Yield V.I. Fund or the Total Return V.I. Fund were to decrease, the High Yield V.I. Fund could lose the benefit of one or more breakpoints. 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 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 each ranked in the first quartile, 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 the High Yield V.I. Fund, increase above certain contractually specified levels. The Board noted that if the size of the Total Return V.I. Fund or the High Yield V.I. Fund were to decrease, the Total Return V.I. Fund could lose the benefit of one or more breakpoints. 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 first quartile, and that the actual management fee rate and total expense ratio ranked in the first and third 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 noted that if the size of the U.S. Government Bond V.I. Fund were to decrease, the U.S. Government Bond V.I. Fund could lose the benefit of one or more breakpoints. 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. An advisory fee waiver has been in effect since 2016, that amount of which may have varied from time to time. After discussion between the Board, including the Independent Board Members, and BlackRock, the Board and BlackRock agreed to a continuation of the current 26 basis point 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 contractual expense caps had been approved by the Board. In its consideration, the Board further considered the continuation and/or implementation of fee waivers and/or expense caps, as applicable. The Board also considered the extent to which each Fund benefits from such economies of scale 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.

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 its 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 Agreement, 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.

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

Disclosure of Investment Advisory Agreement (continued)

and expenses are too high or if they are dissatisfied with the performance of each Fund.

Conclusion

The Board, including the Independent Board Members, unanimously approved the continuation of the Advisory Agreement between the Manager and the Company, on behalf of each Fund, for a one-year term ending June 30, 2021. 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 Agreement were fair and reasonable and in the best interest of each Fund and its shareholders. In arriving at its decision to approve the Agreement, 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.

Disclosure of Sub-Advisory Agreements

The Board of Directors (the “Board,” and the members of which are referred to as “Board Members”) of BlackRock Variable Series Funds II, Inc. (the “Company”), on behalf of its series BlackRock High Yield V.I. Fund (the “Fund”), met in person on February 19, 2020 (the “February Meeting”) to consider the initial approval of the sub-advisory agreement (the “Sub-Advisory Agreement”) between BlackRock Advisors, LLC (the “Manager”), the Fund’s investment advisor, and BlackRock International Limited, with respect to the Fund. The Sub-Advisory Agreement was substantially similar to the sub-advisory agreements previously approved with respect to certain other portfolios in the BlackRock Fixed-Income Complex.

On the date of the February Meeting, the Board consisted of ten individuals, eight of whom were not “interested persons” of the Company as defined in the Investment Company Act of 1940, as amended (the “1940 Act”) (the “Independent Board Members”). Pursuant to the 1940 Act, the Board is required to consider the initial approval of the Sub-Advisory Agreement.

At the February Meeting, the Board reviewed materials relating to its consideration of the proposed Sub-Advisory Agreement. The Fund’s investment advisory agreement with the Manager was most recently approved by the Board at in-person meetings on May 1, 2019 (the “May Meeting”) and June 5-6, 2019 (the “June Meeting”). A discussion of the basis for the Board’s approval of this agreement at the May and June Meetings is included in the Fund’s semi-annual shareholder report for the reporting period ended June 30, 2019. The factors considered by the Board at the February Meeting in connection with approval of the proposed Sub-Advisory Agreement were substantially the same as the factors considered at the May and June Meetings.

Following discussion, all the Board Members present at the February Meeting, including all the Independent Board Members present, approved the Sub-Advisory Agreement between the Manager and BlackRock International Limited, with respect to the Fund for a two-year term beginning on the effective date of the Sub-Advisory Agreement. Based upon its evaluation of all of the aforementioned factors in their totality, the Board, including the Independent Board Members, was satisfied that the terms of the Sub-Advisory Agreement were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Sub-Advisory Agreement, 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.

Disclosure of Sub-Advisory Agreements (continued)

The Board of Directors (the “Board,” and the members of which are referred to as “Board Members”) of BlackRock Variable Series Funds II, Inc. (the “Company”), on behalf of its series BlackRock U.S. Government Bond V.I. Fund (the “Fund”), met on April 16, 2020 (the “April Meeting”) to consider the initial approval of the sub-advisory agreement (the “Sub-Advisory Agreement”) between BlackRock Advisors, LLC (the “Manager”), the Fund’s investment advisor, and BlackRock International Limited, with respect to the Fund. The Sub-Advisory Agreement was substantially similar to the sub-advisory agreements previously approved with respect to certain other portfolios in the BlackRock Fixed-Income Complex.

On the date of the April Meeting, the Board consisted of ten individuals, eight of whom were not “interested persons” of the Company as defined in the Investment Company Act of 1940, as amended (the “1940 Act”) (the “Independent Board Members”). Pursuant to the 1940 Act, the Board is required to consider the initial approval of the Sub-Advisory Agreement.

At the April Meeting, the Board reviewed materials relating to its consideration of the proposed Sub-Advisory Agreement. The Fund’s investment advisory agreement with the Manager was most recently approved by the Board at in-person meetings on May 1, 2019 (the “May Meeting”) and June 5-6, 2019 (the “June Meeting”). A discussion of the basis for the Board’s approval of this agreement at the May and June Meetings is included in the Fund’s semi-annual shareholder report for the reporting period ended June 30, 2019. The factors considered by the Board at the April Meeting in connection with approval of the proposed Sub-Advisory Agreement were substantially the same as the factors considered at the May and June Meetings.

Following discussion, all the Board Members present at the April Meeting, including all the Independent Board Members present, approved the Sub-Advisory Agreement between the Manager and BlackRock International Limited, with respect to the Fund for a two-year term beginning on the effective date of the Sub-Advisory Agreement. Based upon its evaluation of all of the aforementioned factors in their totality, the Board, including the Independent Board Members, was satisfied that the terms of the Sub-Advisory Agreement were fair and reasonable and in the best interest of the Fund and its shareholders. In arriving at its decision to approve the Sub-Advisory Agreement, 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

BlackRock Variable Series Funds, Inc.

Mark Stalneck, Chair of the Board and Director
Bruce R. Bond, Director
Susan J. Carter, Director
Collette Chilton, Director
Neil A. Cotty, Director
Lena G. Goldberg, Director
Henry R. Keizer, Director
Cynthia A. Montgomery, Director
Donald C. Opatmy, Director
Joseph P. Platt, Director
Kenneth L. Urish, Director
Claire A. Walton, 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
Lisa Belle, Anti-Money Laundering Compliance Officer
Janey Ahn, Secretary

Investment Adviser and Administrator

BlackRock Advisors, LLC
Wilmington, DE 19809

Sub-Advisers

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

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

BlackRock (Singapore) Limited ^(b)
079912 Singapore

Accounting Agent

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

Transfer Agent

BNY Mellon Investment Servicing (US) Inc.
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 BlackRock 60/40 Target Allocation ETF V.I. Fund, BlackRock Advantage Large Cap Core V.I. Fund, BlackRock Advantage Large Cap Value V.I. Fund, BlackRock Advantage U.S. Total Market V.I. Fund, BlackRock Basic Value V.I. Fund, BlackRock Capital Appreciation V.I. Fund, BlackRock Equity Dividend V.I. Fund, BlackRock Government Money Market V.I. Fund, BlackRock International Index V.I. Fund, BlackRock Managed Volatility V.I. Fund, BlackRock S&P 500 Index V.I. Fund and BlackRock Small Cap Index 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.

Custodians

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

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

Independent Registered Public Accounting Firm

Deloitte & Touche LLP
Boston, MA 02116

Distributor

BlackRock Investments, LLC
New York, NY 10022

Legal Counsel

Sidley Austin LLP
New York, NY 10019

Address of the Funds

100 Bellevue Parkway
Wilmington, DE 19809

Director and Officer Information

BlackRock Variable Series Funds II, Inc.

Richard E. Cavanagh, Co-Chair of the Board and Director
Karen P. Robards, Co-Chair of the Board and Director
Michael J. Castellano, Director
Cynthia L. Egan, Director
Frank J. Fabozzi, Director
R. Glenn Hubbard, Director
W. Carl Kester, Director
Catherine A. Lynch, Director
Robert Fairbairn, Director
John M. Perowski, 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
Lisa Belle, Anti-Money Laundering Compliance Officer
Janey Ahn, Secretary

Effective February 19, 2020, Henry Gabbay resigned as a Director of the Company.

Investment Adviser and Administrator

BlackRock Advisors, LLC
Wilmington, DE 19809

Sub-Advisers

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

BlackRock (Singapore) Limited ^(b)
079912 Singapore

Accounting Agent

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New York, NY 10179

Transfer Agent

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Legal Counsel

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Address of the Funds

100 Bellevue Parkway
Wilmington, DE 19809

^(a) For BlackRock High Yield V.I. Fund, BlackRock Total Return V.I. Fund and BlackRock U.S. Government Bond V.I. Fund.

^(b) For BlackRock Total Return 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 (except BlackRock Government Money Market V.I. Fund) file their complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to their reports on Form N-PORT. The Funds' Forms N-PORT are available on the SEC's website at sec.gov.

The BlackRock Government Money Market V.I. Fund files its complete schedule of portfolio holdings with the SEC each month on Form N-MFP. The Fund's reports on Form N-MFP are available on the SEC's website at sec.gov. The Fund makes portfolio holdings available to shareholders on its website at blackrock.com.

Availability of Proxy Voting Policies and Procedures

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

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.

Additional Information (continued)

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.

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This report is only for distribution to shareholders of the Funds of BlackRock Variable Series Funds, Inc. and BlackRock Variable Series Funds II, 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. You could lose money by investing in the Funds. Although BlackRock Government Money Market V.I. Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in BlackRock Government Money Market V.I. Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. BlackRock Government Money Market V.I. Fund's sponsor has no legal obligation to provide financial support to the Fund at any time. Performance data quoted represents past performance and does not guarantee future results. Total return information assumes reinvestment of all distributions. Current performance may be higher or lower than the performance data quoted. For current month-end performance information, call (800) 626-1960. BlackRock Government Money Market V.I. Fund's current 7-day yield more closely reflects the current earnings of the Fund than the total returns quoted. Statements and other information herein are as dated and are subject to change.

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