



Davis Financial Portfolio

(part of Davis Variable Account Fund, Inc.)

December 31, 2016

ANNUAL REPORT

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This Annual Report is authorized for use by existing shareholders. Prospective shareholders must receive a current Davis Financial Portfolio prospectus, which contains more information about investment strategies, risks, charges, and expenses. Please read the prospectus carefully before investing or sending money.

Shares of Davis Financial Portfolio are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested.

Portfolio Proxy Voting Policies and Procedures

The Fund has adopted Portfolio Proxy Voting Policies and Procedures under which the Fund votes proxies relating to securities held by the Fund. A description of the Fund’s Portfolio Proxy Voting Policies and Procedures is available (i) without charge, upon request, by calling the Fund toll-free at 1-800-279-0279, (ii) on the Fund’s website at www.davisfunds.com, and (iii) on the SEC’s website at www.sec.gov.

In addition, the Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. The Fund’s Form N-PX filing is available (i) without charge, upon request, by calling the Fund toll-free at 1-800-279-0279, (ii) on the Fund’s website at www.davisfunds.com, and (iii) on the SEC’s website at www.sec.gov.

Form N-Q

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund’s Form N-Q is available without charge, upon request, by calling 1-800-279-0279, on the Fund’s website at www.davisfunds.com, and on the SEC’s website at www.sec.gov. The Fund’s Form N-Q may be reviewed and copied at the SEC’s Public Reference Room in Washington, D.C., and information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Performance Overview

Davis Financial Portfolio outperformed the Standard & Poor's 500[®] Index ("S&P 500[®]") for the twelve-month period ended December 31, 2016 (the "period"). The Fund delivered a total return of 14.25%, versus an 11.96% return for the S&P 500[®]. The Fund's Financials sector underperformed the S&P 500[®] Financials sector¹ holdings (up 16%, versus up 20%).

Contributors to Performance

Diversified Financial companies represented the largest industry group in the Fund and were the most significant contributor to performance². The Fund's Diversified Financial holdings were up about 15%, compared to up 18% for the S&P 500[®] Diversified Financials industry group. *Goldman Sachs*³ (up 35%) was the Fund's overall top contributor for the period. *Berkshire Hathaway* (up 23%), *Capital One Financial* (up 24%), *State Street* (up 48%) and *Bank of New York Mellon* (up 17%) were all strong performers. *State Street* was a new addition to the Fund during the period.

Banking companies also helped performance. The Fund's Bank holdings were up about 18%, compared to up 24% for the S&P 500[®] Banking industry group. The Fund's second-largest holding, *JPMorgan Chase* (up 35%), was a key contributor, along with *U.S. Bancorp* (up 23%) and *PNC Financial Services* (up 46%).

Additional contributors included *Loews* (up 23%) and *Everest Re Group* (up 21%), both from the Insurance industry group.

Detractors from Performance

During the period, there were only four securities in the Fund that had negative performance. For this reason, key detractors from performance were largely stock specific.

The Fund's Diversified Financials holdings included the overall top detractors for the period, *Julius Baer Group* (down 6%) and *Moody's* (down 5%), respectively. *Visa* (up 1%) was also a weak performer.

When comparing industry group performance for the Fund to that of the S&P 500[®], the Capital Goods companies were the most significant detractor. The Fund suffered from an underweight position (less than 1%, versus 7%) in a strong performing industry group. The Fund's sole Capital Goods holding was *Brookfield Business Partners* (up 13%). The Fund acquired *Brookfield Business Partners* during 2016 as part of a spin off from another holding, *Brookfield Asset Management*.

Additional detractors included *ICICI Bank* (down 2%) and *Standard Chartered* (down 1%), both from the Banking industry group.

The Fund had approximately 9% of its net assets invested in foreign securities. As a whole, the Fund's foreign holdings underperformed its domestic holdings (up 3%, versus up 17%).

Davis Financial Portfolio's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. Davis Financial Portfolio's principal risks are: stock market risk, manager risk, common stock risk, large-capitalization companies risk, mid- and small-capitalization companies risk, headline risk, financial services risk, foreign country risk, emerging market risk, foreign currency risk, depositary receipts risk, focused portfolio risk, interest rate sensitivity risk, credit risk, and fees and expenses risk. See the prospectus for a full description of each risk.

Davis Financial Portfolio concentrates its investments in the financial sector, and it may be subject to greater risks than a fund that does not concentrate its investments in a particular sector. The Fund's investment performance, both good and bad, is expected to reflect the economic performance of the financial sector more than a fund that does not concentrate its portfolio.

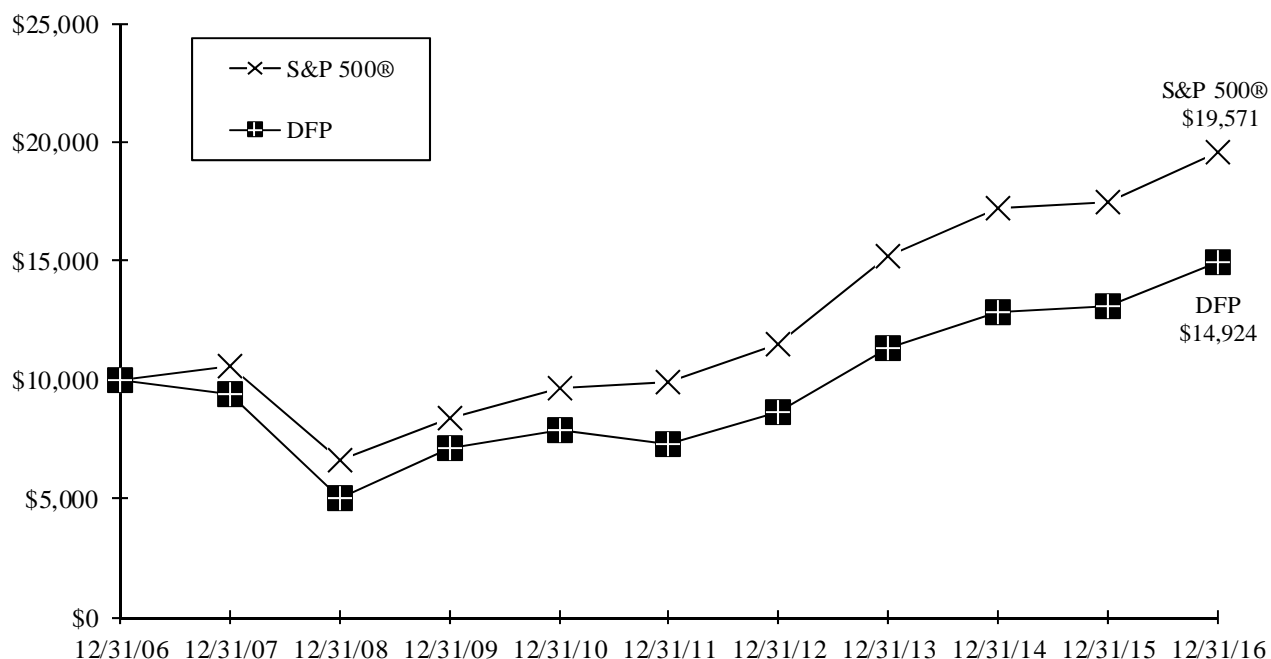
Past performance does not guarantee future results, Fund prices fluctuate, and the value of an investment may be worth more or less than the purchase price. Data provided in this performance overview is for the twelve-month period ended December 31, 2016, unless otherwise noted. Return figures for underlying Fund positions reflect the return of the security from the beginning of the period or the date of first purchase if subsequent thereto through the end of the period or the date the position is completely liquidated. The actual contribution to the Fund will vary based on a number of factors (e.g., trading activity, weighting). Portfolio holding information is as of the end of the twelve-month period, December 31, 2016, unless otherwise noted.

¹ The companies included in the Standard & Poor's 500[®] Index are divided into eleven sectors. One or more industry groups make up a sector.

² A company's or sector's contribution to or deduction from the Fund's performance is a product both of its appreciation or depreciation and its weighting within the Fund. For example, a 5% holding that rises 20% has twice as much impact as a 1% holding that rises 50%.

³ This Management Discussion of Fund Performance discusses a number of individual companies. The information provided in this report does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase, sell, or hold any particular security. The Schedule of Investments lists the Fund's holdings of each company discussed.

COMPARISON OF A \$10,000 INVESTMENT IN DAVIS FINANCIAL PORTFOLIO VERSUS THE STANDARD & POOR’S 500® INDEX OVER 10 YEARS FOR AN INVESTMENT MADE ON DECEMBER 31, 2006



AVERAGE ANNUAL TOTAL RETURN FOR PERIODS ENDED DECEMBER 31, 2016

FUND & BENCHMARK INDEX	1-YEAR	5-YEAR	10-YEAR	SINCE FUND’S INCEPTION (07/01/99)	GROSS EXPENSE RATIO	NET EXPENSE RATIO
Davis Financial Portfolio	14.25%	15.45%	4.08%	5.45%	0.70%	0.65%
Standard & Poor’s 500® Index	11.96%	14.66%	6.95%	4.79%		

The Standard & Poor’s 500® Index is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations, and represents approximately two-thirds of the total market value of all domestic common stocks. Investments cannot be made directly in the Index.

The performance data for Davis Financial Portfolio contained in this report represents past performance, assumes that all distributions were reinvested, and should not be considered as an indication of future performance from an investment in the Fund today. The investment return and principal value will fluctuate so that shares may be worth more or less than their original cost when redeemed. Fund performance changes over time and current performance may be higher or lower than stated. The operating expense ratios may vary in future years. For more current information please call Davis Funds Investor Services at 1-800-279-0279.

Fund performance numbers are net of all Fund operating expenses, but do not include any insurance charges imposed by your insurance company’s separate account. If performance included the effect of these additional charges, the return would be lower.

DAVIS FINANCIAL PORTFOLIO

Fund Overview
December 31, 2016

Portfolio Composition (% of Fund's 12/31/16 Net Assets)		Industry Weightings (% of 12/31/16 Stock Holdings)		
			Fund	S&P 500®
Common Stock (U.S.)	83.63%	Diversified Financials	46.74%	5.30%
Common Stock (Foreign)	8.51%	Insurance	25.63%	2.78%
Short-Term Investments	8.04%	Banks	24.77%	6.72%
Other Assets & Liabilities	(0.18)%	Information Technology	2.83%	20.78%
	100.00%	Capital Goods	0.03%	7.40%
		Health Care	–	13.63%
		Energy	–	7.56%
		Retailing	–	5.40%
		Food, Beverage & Tobacco	–	5.34%
		Utilities	–	3.17%
		Other	–	21.92%
			100.00%	100.00%

Top 10 Long-Term Holdings (% of Fund's 12/31/16 Net Assets)

Wells Fargo & Co.	Banks	6.26%
JPMorgan Chase & Co.	Banks	5.69%
Markel Corp.	Property & Casualty Insurance	5.60%
Bank of New York Mellon Corp.	Capital Markets	5.23%
Goldman Sachs Group, Inc.	Capital Markets	5.20%
American Express Co.	Consumer Finance	5.04%
Berkshire Hathaway Inc., Class A	Diversified Financial Services	4.90%
Loews Corp.	Multi-line Insurance	4.84%
Capital One Financial Corp.	Consumer Finance	4.83%
Chubb Ltd.	Property & Casualty Insurance	4.64%

New Positions Added (01/01/16-12/31/16)

Security	Industry	Date of 1 st Purchase	% of Fund's 12/31/16 Net Assets
PNC Financial Services Group, Inc.	Banks	02/08/16	2.65%
State Street Corp.	Capital Markets	02/08/16	2.71%

Positions Closed (01/01/16-12/31/16)

Security	Industry	Date of Final Sale	Realized Gain
Citizens Financial Group Inc.	Banks	11/23/16	\$ 773,536

As a shareholder of the Fund, you incur ongoing costs only, including advisory and administrative fees and other Fund expenses. The Expense Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period indicated, which for the Fund is for the six-month period ended December 31, 2016. Please note that the Expense Example is general and does not reflect charges imposed by your insurance company’s separate account or account specific costs, which may increase your total costs of investing in the Fund. If these charges or account specific costs were included in the Expense Example, the expenses would be higher.

Actual Expenses

The information represented in the row entitled “Actual” provides information about actual account values and actual expenses. You may use the information in this row, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The information represented in the row entitled “Hypothetical” 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, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the information in the row entitled “Hypothetical” is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

	Beginning Account Value (07/01/16)	Ending Account Value (12/31/16)	Expenses Paid During Period* (07/01/16-12/31/16)
Actual	\$1,000.00	\$1,188.03	\$3.79
Hypothetical	\$1,000.00	\$1,021.67	\$3.51

Hypothetical assumes 5% annual return before expenses.

* Expenses are equal to the Fund’s annualized operating expense ratio (0.69%)**, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

** The expense ratio reflects the impact, if any, of certain reimbursements.

DAVIS FINANCIAL PORTFOLIO

Schedule of Investments
December 31, 2016

	Shares	Value (Note 1)
COMMON STOCK – (92.14%)		
FINANCIALS – (89.51%)		
Banks – (22.82%)		
DBS Group Holdings Ltd. (Singapore)	92,482	\$ 1,107,370
ICICI Bank Ltd., ADR (India)	42,810	320,647
JPMorgan Chase & Co.	45,980	3,967,614
PNC Financial Services Group, Inc.	15,820	1,850,307
Standard Chartered PLC (United Kingdom)*	133,732	1,093,688
U.S. Bancorp	62,580	3,214,735
Wells Fargo & Co.	79,230	4,366,365
		<u>15,920,726</u>
Diversified Financials – (43.07%)		
Capital Markets – (23.13%)		
Bank of New York Mellon Corp.	77,040	3,650,155
Brookfield Asset Management Inc., Class A (Canada)	39,930	1,318,089
Charles Schwab Corp.	48,750	1,924,163
Goldman Sachs Group, Inc.	15,160	3,630,062
Julius Baer Group Ltd. (Switzerland)	34,304	1,523,687
Moody's Corp.	11,370	1,071,850
S&P Global Inc.	10,430	1,121,642
State Street Corp.	24,370	1,894,036
		<u>16,133,684</u>
Consumer Finance – (9.87%)		
American Express Co.	47,510	3,519,541
Capital One Financial Corp.	38,590	3,366,591
		<u>6,886,132</u>
Diversified Financial Services – (10.07%)		
Berkshire Hathaway Inc., Class A *	14	3,417,694
Cielo S.A. (Brazil)	64,593	553,507
Visa Inc., Class A	39,180	3,056,824
		<u>7,028,025</u>
		<u>30,047,841</u>
Insurance – (23.62%)		
Insurance Brokers – (2.90%)		
Marsh & McLennan Cos, Inc.	29,930	2,022,969
Multi-line Insurance – (6.68%)		
American International Group, Inc.	19,670	1,284,648
Loews Corp.	72,040	3,373,633
		<u>4,658,281</u>
Property & Casualty Insurance – (10.24%)		
Chubb Ltd.	24,516	3,239,054
Markel Corp. *	4,315	3,902,917
		<u>7,141,971</u>
Reinsurance – (3.80%)		
Everest Re Group, Ltd.	12,260	2,653,064
		<u>16,476,285</u>
TOTAL FINANCIALS		<u>62,444,852</u>

DAVIS FINANCIAL PORTFOLIO

Schedule of Investments - (Continued)
December 31, 2016

	Shares/Units/ Principal	Value (Note 1)
COMMON STOCK – (CONTINUED)		
INDUSTRIALS – (0.03%)		
Capital Goods – (0.03%)		
Brookfield Business Partners L.P. (Canada)	888	\$ 21,365
TOTAL INDUSTRIALS		21,365
INFORMATION TECHNOLOGY – (2.60%)		
Software & Services – (2.60%)		
Alphabet Inc., Class A *	1,160	919,242
Alphabet Inc., Class C *	1,165	899,170
TOTAL INFORMATION TECHNOLOGY		1,818,412
TOTAL COMMON STOCK – (Identified cost \$36,379,226)		64,284,629
SHORT-TERM INVESTMENTS – (8.04%)		
INTL FCStone Financial Inc. Joint Repurchase Agreement, 0.62%, 01/03/17, dated 12/30/16, repurchase value of \$830,057 (collateralized by: U.S. Government agency mortgages and obligations in a pooled cash account, 0.00%-9.50%, 02/15/17-12/01/46, total market value \$846,600)	\$ 830,000	830,000
Mizuho Securities USA Inc. Joint Repurchase Agreement, 0.45%, 01/03/17, dated 12/30/16, repurchase value of \$297,015 (collateralized by: U.S. Government agency mortgage in a pooled cash account, 3.50%, 09/01/46, total market value \$302,940)	297,000	297,000
Nomura Securities International, Inc. Joint Repurchase Agreement, 0.50%, 01/03/17, dated 12/30/16, repurchase value of \$3,319,184 (collateralized by: U.S. Government agency mortgages in a pooled cash account, 2.39%-4.50%, 11/01/26-08/20/46, total market value \$3,385,380)	3,319,000	3,319,000
SunTrust Robinson Humphrey, Inc. Joint Repurchase Agreement, 0.49%, 01/03/17, dated 12/30/16, repurchase value of \$1,162,063 (collateralized by: U.S. Government agency mortgages in a pooled cash account, 2.468%-5.50%, 03/01/21-12/01/46, total market value \$1,185,240)	1,162,000	1,162,000
TOTAL SHORT-TERM INVESTMENTS – (Identified cost \$5,608,000)		5,608,000
Total Investments – (100.18%) – (Identified cost \$41,987,226) – (a)		69,892,629
Liabilities Less Other Assets – (0.18%)		(127,268)
Net Assets – (100.00%)		<u>\$ 69,765,361</u>

ADR: American Depositary Receipt

* Non-Income producing security.

(a) Aggregate cost for federal income tax purposes is \$41,999,832. At December 31, 2016, unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Unrealized appreciation	\$ 28,744,206
Unrealized depreciation	(851,409)
Net unrealized appreciation	<u>\$ 27,892,797</u>

See Notes to Financial Statements

DAVIS FINANCIAL PORTFOLIO**Statement of Assets and Liabilities
At December 31, 2016****ASSETS:**

Investments in securities at value* (see accompanying Schedule of Investments)	\$	69,892,629
Cash		1,295
Receivables:		
Capital stock sold		7,692
Dividends and interest		48,327
Prepaid expenses		1,987
Total assets		69,951,930

LIABILITIES:

Payables:		
Capital stock redeemed		124,925
Accrued audit fees		12,789
Accrued investment advisory fee		33,589
Other accrued expenses		15,266
Total liabilities		186,569

NET ASSETS **\$ 69,765,361**

SHARES OUTSTANDING **4,973,890**

NET ASSET VALUE, offering, and redemption price per share (Net assets ÷ Shares outstanding) **\$ 14.03**

NET ASSETS CONSIST OF:

Par value of shares of capital stock	\$	4,974
Additional paid-in capital		41,108,540
Distributions in excess of net investment income		(15,143)
Accumulated net realized gains from investments		761,587
Net unrealized appreciation on investments and foreign currency transactions		27,905,403
Net Assets	\$	69,765,361

***Including:**

Cost of investments	\$	41,987,226
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See Notes to Financial Statements

DAVIS FINANCIAL PORTFOLIO**Statement of Operations
For the year ended December 31, 2016****INVESTMENT INCOME:****Income:**

Dividends*	\$	1,051,500
Interest		8,078
Total income		1,059,578

Expenses:

Investment advisory fees (Note 3)	\$	343,685
Custodian fees		24,394
Transfer agent fees		9,870
Audit fees		18,918
Legal fees		1,619
Accounting fees (Note 3)		2,000
Reports to shareholders		3,887
Directors' fees and expenses		19,226
Registration and filing fees		48
Miscellaneous		10,727
Total expenses		434,374
Reimbursement of expenses by Custodian (Note 3)		(25,704)
Net expenses		408,670
Net investment income		650,908

**REALIZED & UNREALIZED GAIN (LOSS) ON INVESTMENTS
AND FOREIGN CURRENCY TRANSACTIONS:**

Net realized gain (loss) from:

Investment transactions		5,193,242
Foreign currency transactions		(912)
Net realized gain		5,192,330
Net increase in unrealized appreciation		2,323,457
Net realized and unrealized gain on investments and foreign currency transactions		7,515,787
Net increase in net assets resulting from operations	\$	8,166,695

*Net of foreign taxes withheld as follows \$ 6,659

See Notes to Financial Statements

DAVIS FINANCIAL PORTFOLIO

Statements of Changes in Net Assets

	Year ended December 31,	
	2016	2015
OPERATIONS:		
Net investment income	\$ 650,908	\$ 592,102
Net realized gain from investments and foreign currency transactions	5,192,330	7,985,080
Net increase (decrease) in unrealized appreciation on investments and foreign currency transactions	2,323,457	(7,310,026)
Net increase in net assets resulting from operations	8,166,695	1,267,156
DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(648,852)	(605,773)
Realized gains from investment transactions	(4,785,862)	(8,237,628)
CAPITAL SHARE TRANSACTIONS:		
Net decrease in net assets resulting from capital share transactions (Note 4)	(507,771)	(2,742,090)
Total increase (decrease) in net assets	2,224,210	(10,318,335)
NET ASSETS:		
Beginning of year	67,541,151	77,859,486
End of year*	\$ 69,765,361	\$ 67,541,151
*Including distributions in excess of net investment income	\$ (15,143)	\$ (16,170)

See Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund is a separate series of Davis Variable Account Fund, Inc. (a Maryland corporation), which is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The Fund follows the reporting guidance of the Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification Topic 946, Financial Services – Investment Companies*. Only insurance companies, for the purpose of funding variable annuity or variable life insurance contracts, may purchase shares of the Fund. The Fund concentrates its investments in the financial sector, and it may be subject to greater risks than a fund that does not concentrate its investments in a particular sector. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Security Valuation - The Fund calculates the net asset value of its shares as of the close of the New York Stock Exchange (“Exchange”), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. Securities listed on the Exchange (and other national exchanges including NASDAQ) are valued at the last reported sales price on the day of valuation. Listed securities for which no sale was reported on that date are valued at the average of closing bid and asked prices. Securities traded on foreign exchanges are valued based upon the last sales price on the principal exchange on which the security is traded prior to the time when the Fund’s assets are valued. Securities (including restricted securities) for which market quotations are not readily available or securities whose values have been materially affected by what Davis Selected Advisers, L.P. (“Davis Advisers” or “Adviser”), the Fund’s investment adviser, identifies as a significant event occurring before the Fund’s assets are valued, but after the close of their respective exchanges will be fair valued using a fair valuation methodology applicable to the security type or the significant event as previously approved by the Fund’s Pricing Committee and Board of Directors. The Pricing Committee considers all facts it deems relevant that are reasonably available, through either public information or information available to the Adviser’s portfolio management team, when determining the fair value of a security. To assess the appropriateness of security valuations, the Adviser may consider (i) comparing prior day prices and/or prices of comparable securities; (ii) comparing sale prices to the prior or current day prices and challenge those prices exceeding certain tolerance levels with the third-party pricing service or broker source; (iii) new rounds of financing; (iv) the performance of the market or the issuer’s industry; (v) the liquidity of the security; (vi) the size of the holding in a fund; and/or (vii) any other appropriate information. The determination of a security’s fair value price often involves the consideration of a number of subjective factors and is therefore subject to the unavoidable risk that the value assigned to a security may be higher or lower than the security’s value would be if a reliable market quotation of the security was readily available. Fair value determinations are subject to review, approval, and ratification by the Fund’s Board of Directors at its next regularly scheduled meeting covering the period in which the fair valuation was determined.

Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value.

The Fund’s valuation procedures are reviewed and subject to approval by the Board of Directors. There have been no significant changes to the fair valuation procedures during the period.

Fair Value Measurements - Fair value is defined as the price that the Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal market for the investment. Various inputs are used to determine the fair value of the Fund’s investments. These inputs are summarized in the three broad levels listed below.

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

The inputs or methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities nor can it be assured that the Fund can obtain the fair value assigned to a security if it were to sell the security.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value Measurements - (Continued)

The following is a summary of the inputs used as of December 31, 2016 in valuing the Fund's investments carried at value:

	Investments in Securities at Value			Total
	Valuation Inputs			
	Level 1: Quoted Prices	Level 2: Other Significant Observable Inputs	Level 3: Significant Unobservable Inputs	
<u>Equity securities:</u>				
Financials	\$ 62,444,852	\$ –	\$ –	\$ 62,444,852
Industrials	21,365	–	–	21,365
Information Technology	1,818,412	–	–	1,818,412
Short-term securities	–	5,608,000	–	5,608,000
Total Investments	\$ 64,284,629	\$ 5,608,000	\$ –	\$ 69,892,629

There were no transfers of investments between Level 1 and Level 2 of the fair value hierarchy during the year ended December 31, 2016.

Master Repurchase Agreements - The Fund, along with other affiliated funds, may transfer uninvested cash balances into one or more master repurchase agreement accounts. These balances are invested in one or more repurchase agreements, secured by U.S. Government securities. A custodian bank holds securities pledged as collateral for repurchase agreements until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal; however, in the event of default by the other party to the agreement, retention of the collateral may be subject to legal proceedings.

Currency Translation - The market values of all assets and liabilities denominated in foreign currencies are recorded in the financial statements after translation to the U.S. Dollar based upon the mean between the bid and offered quotations of the currencies against U.S. Dollars on the date of valuation. The cost basis of such assets and liabilities is determined based upon historical exchange rates. Income and expenses are translated at average exchange rates in effect as accrued or incurred.

Foreign Currency - The Fund may enter into forward purchases or sales of foreign currencies to hedge certain foreign currency denominated assets and liabilities against declines in market value relative to the U.S. Dollar. Forward currency contracts are marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the forward currency contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the forward currency contract at the time it was opened and value at the time it was closed. Investments in forward currency contracts may expose the Fund to risks resulting from unanticipated movements in foreign currency exchange rates or failure of the counter-party to the agreement to perform in accordance with the terms of the contract.

Reported net realized foreign exchange gains or losses arise from the sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on security transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the U.S. Dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at fiscal year end, resulting from changes in the exchange rate. The Fund includes foreign currency gains and losses realized on the sales of investments together with market gains and losses on such investments in the Statement of Operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Federal Income Taxes - It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute substantially all of its taxable income, including any net realized gains on investments not offset by loss carryovers, to shareholders. Therefore, no provision for federal income or excise tax is required. The Adviser has analyzed the Fund's tax positions taken on federal and state income tax returns for all open tax years and has concluded that as of December 31, 2016, no provision for income tax is required in the Fund's financial statements related to these tax positions. The Fund's federal and state (Arizona) income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state department of revenue. The earliest tax year that remains subject to examination by these jurisdictions is 2013.

Securities Transactions and Related Investment Income - Securities transactions are accounted for on the trade date (date the order to buy or sell is executed) with realized gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned.

Dividends and Distributions to Shareholders - Dividends and distributions to shareholders are recorded on the ex-dividend date. Net investment income (loss), net realized gains (losses), and net unrealized appreciation (depreciation) on investments may differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, Directors' deferred compensation payments, and partnership income. The character of dividends and distributions made during the fiscal year from net investment income and net realized securities gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which income or realized gain was recorded by the Fund. The Fund adjusts certain components of capital to reflect permanent differences between financial statement amounts and net income and realized gains/losses determined in accordance with income tax rules. Accordingly, during the year ended December 31, 2016, amounts have been reclassified to reflect an increase in distributions in excess of net investment income of \$1,029 and a corresponding increase in accumulated net realized gains from investments and foreign currency transactions. The Fund's net assets have not been affected by this reclassification.

The tax character of distributions paid during the years ended December 31, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Ordinary income	\$ 648,852	\$ 828,407
Long-term capital gain	4,785,862	8,014,994
Total	<u>\$ 5,434,714</u>	<u>\$ 8,843,401</u>

As of December 31, 2016, the components of distributable earnings on a tax basis were as follows:

Undistributed net investment income	\$ 19,881
Undistributed long-term capital gain	757,982
Net unrealized appreciation on investments	<u>27,892,797</u>
Total	<u>\$ 28,670,660</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Indemnification - Under the Fund's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, some of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined and the Fund has no historical basis for predicting the likelihood of any such claims.

Use of Estimates in Financial Statements - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

Directors Fees and Expenses - The Fund set up a Rabbi Trust to provide for the deferred compensation plan for Independent Directors that enables them to elect to defer receipt of all or a portion of annual fees they are entitled to receive. The value of an eligible Director's account is based upon years of service and fees paid to each Director during the years of service. The amount paid to the Director by the Trust under the plan will be determined based upon the performance of the Davis Funds in which the amounts are invested.

NOTE 2 - PURCHASES AND SALES OF SECURITIES

The cost of purchases and proceeds from sales of investment securities (excluding short-term securities) during the year ended December 31, 2016 were \$7,365,781 and \$16,886,725, respectively.

NOTE 3 - FEES AND OTHER TRANSACTIONS WITH SERVICE PROVIDERS (INCLUDING AFFILIATES)

Davis Selected Advisers-NY, Inc. ("DSA-NY"), a wholly-owned subsidiary of the Adviser, acts as sub-adviser to the Fund. DSA-NY performs research and portfolio management services for the Fund under a Sub-Advisory Agreement with the Adviser. The Fund pays no fees directly to DSA-NY.

Certain directors and officers of the Fund are also directors and officers of the general partner of the Adviser.

Investment Advisory Fees - Advisory fees are paid monthly to the Adviser at an annual rate of 0.55% of the Fund's average net assets. The Adviser is contractually committed to waive fees and/or reimburse the Fund's expenses to the extent necessary to cap total annual Fund operating expenses at 1.00%.

Accounting Fees - State Street Bank and Trust Company ("State Street Bank") is the Fund's primary accounting provider. Fees for accounting services are included in the custodian fees as State Street Bank also serves as the Fund's custodian. The Adviser is also paid for certain accounting services. The fee paid to the Adviser for these services during the year ended December 31, 2016 amounted to \$2,000.

Custodian Fees - State Street Bank reimbursed the Fund in 2016 for certain out of pocket expenses that were erroneously billed from 1998-2015. This reimbursement, including interest, amounted to \$28,132.

NOTE 4 - CAPITAL STOCK

At December 31, 2016, there were 500 million shares of capital stock (\$0.001 par value per share) authorized. Transactions in capital stock were as follows:

	Year ended December 31, 2016			
	Sold	Reinvestment of Distributions	Redeemed	Net Decrease
Shares:	572,282	385,988	(1,059,918)	(101,648)
Value:	\$ 8,081,772	\$ 5,434,714	\$ (14,024,257)	\$ (507,771)

	Year ended December 31, 2015			
	Sold	Reinvestment of Distributions	Redeemed	Net Decrease
Shares:	377,808	654,582	(1,155,693)	(123,303)
Value:	\$ 5,851,073	\$ 8,843,401	\$ (17,436,564)	\$ (2,742,090)

NOTE 5 - BANK BORROWINGS

The Fund may borrow up to 5% of its assets from a bank to purchase portfolio securities, or for temporary and emergency purposes. The purchase of securities with borrowed funds creates leverage in the Fund. The Fund has entered into an agreement, which enables it to participate with certain other funds managed by the Adviser in an unsecured line of credit with a bank, which permits borrowings of up to \$50 million, collectively. Interest is charged based on its borrowings, at a rate equal to the higher of the Federal Funds Rate or the one month LIBOR Rate, plus 1.25%. The Fund had no borrowings during the year ended December 31, 2016.

NOTE 6 - NEW PRONOUNCEMENTS

In October 2016, the SEC voted to approve rules to modernize and enhance reporting of information provided by registered investment companies (“Reporting Modernization Rules”). The new rules also make certain amendments to Regulation S-X to require standardized, more detailed disclosure in registered investment company financial statements. The compliance date for the amendments to Regulation S-X is August 1, 2017. The Adviser is currently evaluating the amendments and their impacts, if any, on the Fund’s financial statements.

FEDERAL INCOME TAX INFORMATION (UNAUDITED)

During the calendar year ended December 31, 2016, the Fund declared and paid long-term capital gain distributions in the amount of \$4,785,862.

During the calendar year ended December 31, 2016, \$648,852 of dividends paid by the Fund constituted income dividends for federal income tax purposes. The Fund designates \$648,852 or 100% as income qualifying for the corporate dividends-received deduction.

The following financial information represents selected data for each share of capital stock outstanding throughout each period:

	Year ended December 31,				
	2016	2015	2014	2013	2012
Net Asset Value, Beginning of Period	\$ 13.31	\$ 14.98	\$ 15.08	\$ 11.55	\$ 9.98
Income from Investment Operations:					
Net Investment Income	0.14	0.13	0.17	0.13	0.12
Net Realized and Unrealized Gains	1.76	0.20	1.79	3.48	1.75
Total from Investment Operations	1.90	0.33	1.96	3.61	1.87
Dividends and Distributions:					
Dividends from Net Investment Income	(0.14)	(0.14)	(0.20)	(0.08)	(0.23)
Distributions from Realized Gains	(1.04)	(1.86)	(1.86)	–	– ^a
Return of Capital	–	–	–	–	(0.07)
Total Dividends and Distributions	(1.18)	(2.00)	(2.06)	(0.08)	(0.30)
Net Asset Value, End of Period	\$ 14.03	\$ 13.31	\$ 14.98	\$ 15.08	\$ 11.55
Total Return ^b	14.25%	2.01%	12.85%	31.26%	18.83%
Ratios/Supplemental Data:					
Net Assets, End of Period (in thousands)	\$ 69,765	\$ 67,541	\$ 77,859	\$ 80,881	\$ 67,255
Ratio of Expenses to Average Net Assets:					
Gross	0.70%	0.68%	0.68%	0.68%	0.69%
Net ^c	0.65%	0.68%	0.68%	0.68%	0.69%
Ratio of Net Investment Income to Average					
Net Assets	1.04%	0.82%	0.96%	0.90%	0.98%
Portfolio Turnover Rate ^d	12%	12%	32%	2%	16%

a Less than \$0.005 per share.

b Assumes hypothetical initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

c The Net Ratio of Expenses to Average Net Assets reflects the impact, if any, of the reduction of expenses paid indirectly and of certain reimbursements.

d The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation.

See Notes to Financial Statements

The Shareholders and Board of Directors**Davis Variable Account Fund, Inc.:**

We have audited the accompanying statement of assets and liabilities of Davis Financial Portfolio (a separate series of Davis Variable Account Fund, Inc.), including the schedule of investments, as of December 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2016, by correspondence with the custodian or by other appropriate auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Davis Financial Portfolio as of December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Denver, Colorado

February 8, 2017

DAVIS FINANCIAL PORTFOLIO

Directors and Officers

For the purposes of their service as directors to the Davis Funds, the business address for each of the directors is 2949 E. Elvira Road, Suite 101, Tucson, AZ 85756. Each Director serves until their retirement, resignation, death, or removal. Subject to exceptions and exemptions, which may be granted by the Independent Directors, Directors must retire at the close of business on the last day of the calendar year in which the Director attains age seventy-eight (78).

Name (birthdate)	Position(s) Held With Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios Overseen	Other Directorships
<i>Independent Directors</i>					
Marc P. Blum (09/09/42)	Director	Director since 1986	Chief Executive Officer, World Total Return Fund, LLLP; of Counsel to Gordon Feinblatt LLC (law firm).	13	Director, Rodney Trust Company (trust and asset management company).
John S. Gates, Jr. (08/02/53)	Director	Director since 2007	Chairman and Chief Executive Officer of PortaeCo LLC (private investment company).	13	Director, Care Capital Properties (REIT); Trustee, DCT Industrial Trust (REIT).
Thomas S. Gayner (12/16/61)	Director/ Chairman	Director since 2004/Chairman since 2009	Co-CEO, Markel Corp. (diversified financial holding company).	13	Director, Graham Holdings Company (educational and media company); Director, Colfax Corp. (engineering and manufacturer of pumps and fluid handling equipment); Director, Cable ONE Inc. (cable service provider).
Samuel H. Iapalucci (07/19/52)	Director	Director since 2006	Retired; Executive Vice President and Chief Financial Officer, CH2M-HILL Companies, Ltd. (engineering) until 2008.	13	none
Robert P. Morgenthau (03/22/57)	Director	Director since 2002	Principal, Spears Abacus Advisors, LLC (investment management firm) since 2011; Chairman, NorthRoad Capital Management, LLC (investment management firm) 2002-2011.	13	none
Marsha Williams (03/28/51)	Director	Director since 1999	Retired; Senior Vice President and Chief Financial Officer, Orbitz Worldwide, Inc. (travel-service provider) 2007-2010.	13	Lead Director, Modine Manufacturing Company (heat transfer technology); Director, Chicago Bridge & Iron Company, N.V. (industrial construction and engineering); Chairman/Director, Fifth Third Bancorp (diversified financial services).

Name (birthdate)	Position(s) Held With Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Portfolios Overseen	Other Directorships
<i>Interested Directors*</i>					
Andrew A. Davis (06/25/63)	Director	Director since 1997	President or Vice President of each Davis Fund and Selected Fund; President, Davis Selected Advisers, L.P., and also serves as an executive officer of certain companies affiliated with the Adviser.	16	Director, Selected Funds (consisting of two portfolios) since 1998; Trustee of Clipper Funds Trust (consisting of one portfolio) since 2014.
Christopher C. Davis (07/13/65)	Director	Director since 1997	President or Vice President of each Davis Fund, Selected Fund, Clipper Fund, and Davis Fundamental ETF; Chairman, Davis Selected Advisers, L.P., and also serves as an executive officer of certain companies affiliated with the Adviser, including sole member of the Adviser's general partner, Davis Investments, LLC.	16	Director, Selected Funds (consisting of two portfolios) since 1998; Trustee of Clipper Funds Trust (consisting of one portfolio) since 2014; Director, Graham Holdings Company (educational and media company).

* Andrew A. Davis and Christopher C. Davis own partnership units (directly, indirectly, or both) of the Adviser and are considered to be "interested persons" of the Funds as defined in the Investment Company Act of 1940. Andrew A. Davis and Christopher C. Davis are brothers.

Officers

Andrew A. Davis (born 06/25/63, Davis Funds officer since 1997). See description in the section on Interested Directors.

Christopher C. Davis (born 07/13/65, Davis Funds officer since 1997). See description in the section on Interested Directors.

Kenneth C. Eich (born 08/14/53, Davis Funds officer since 1997). Executive Vice President and Principal Executive Officer of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of two portfolios), and Clipper Funds Trust (consisting of one portfolio); Trustee/Chairman, Executive Vice President, and Principal Executive Officer of Davis Fundamental ETF Trust (consisting of three portfolios); Chief Operating Officer, Davis Selected Advisers, L.P., and also serves as an executive officer of certain companies affiliated with the Adviser.

Douglas A. Haines (born 03/04/71, Davis Funds officer since 2004). Vice President, Treasurer, Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of two portfolios), Clipper Funds Trust (consisting of one portfolio), and Davis Fundamental ETF Trust (consisting of three portfolios); Vice President and Director of Fund Accounting, Davis Selected Advisers, L.P.

Sharra L. Haynes (born 09/25/66, Davis Funds officer since 1997). Vice President and Chief Compliance Officer of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of two portfolios), Clipper Funds Trust (consisting of one portfolio), and Davis Fundamental ETF Trust (consisting of three portfolios); Vice President and Chief Compliance Officer, Davis Selected Advisers, L.P., and also serves as an executive officer of certain companies affiliated with the Adviser.

Ryan M. Charles (born 07/25/78, Davis Funds officer since 2014). Vice President and Secretary of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of two portfolios), Clipper Funds Trust (consisting of one portfolio), and Davis Fundamental ETF Trust (consisting of three portfolios); Vice President, Chief Legal Officer, and Secretary, Davis Selected Advisers, L.P., and also serves as an executive officer of certain companies affiliated with the Adviser.

DAVIS FINANCIAL PORTFOLIO

Investment Adviser

Davis Selected Advisers, L.P. (Doing business as “Davis Advisors”)
2949 East Elvira Road, Suite 101
Tucson, Arizona 85756
(800) 279-0279

Distributor

Davis Distributors, LLC
2949 East Elvira Road, Suite 101
Tucson, Arizona 85756

Transfer Agent

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c/o The Davis Funds
P.O. Box 8406
Boston, Massachusetts 02266-8406

Custodian

State Street Bank and Trust Co.
One Lincoln Street
Boston, Massachusetts 02111

Counsel

Greenberg Traurig, LLP
77 West Wacker Drive, Suite 3100
Chicago, Illinois 60601

Independent Registered Public Accounting Firm

KPMG LLP
1225 Seventeenth Street, Suite 800
Denver, Colorado 80202

For more information about Davis Financial Portfolio, including management fee, charges, and expenses, see the current prospectus, which must precede or accompany this report. The Fund's Statement of Additional Information contains additional information about the Fund's Directors and is available without charge, upon request, by calling 1-800-279-0279 and on the Fund's website at www.davisfunds.com. Quarterly Fact Sheets are available on the Fund's website at www.davisfunds.com.



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