



**XP Investimentos Corretora de Câmbio, Títulos
e Valores Mobiliários S.A.**

**Financial statements
December 31, 2010 and 2009**

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices derived from the Brazilian Corporation Law and rules of the Central Bank of Brazil)



XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Financial statements

December 31, 2010 and 2009

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Management report

To the
Management and Shareholders of
XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.
Rio de Janeiro - RJ

We submit for your appreciation, the financial statements for the years ended December 31, 2010 and 2009, together with the explanatory notes and independent auditors' report.

We inform you that we maintained our operating policy during the period. Considering the regulations issued by the Brazilian Central Bank, we are at your disposal for any additional information you may require.

Risk management

Risk management is structured independently from business areas and reports directly to top management to ensure that there will be no conflict of interest and that duty segregation is adequate to corporate governance and market good practices.

Organization structure is outlined in accordance with recommendations made by the Basel Agreement, where policies, procedures and methodologies that are consistent with risk tolerance and business strategy are formalized and where several risks inherent to transactions and/or processes are monitored, including market, liquidity, credit, legal and operating risks.

These risk management processes are also associated to business continuity management processes, mainly regarding the formulation of impact analysis, continuity plans, disaster recovery plans, *backup* plans, crisis management, etc.

a. Market risk

Market risk management of transactions is conducted through policies, control procedures and previous identification of risks in new products and activities, aiming at maintaining market risk exposure at levels considered acceptable by the institution and complying with the business strategy and limits defined by the Risk Committee. After rules are formalized, Risk Department intends to control, monitor and ensure compliance with pre-established limits, and may refuse to receive and/or conduct requested transactions, fully or partially, through immediate communication to customers, in addition to intervening in case of non-compliance. It will report to the Committee all atypical events.

b. Operational risk

The Brokerage House, in compliance with the provisions of Article 4, paragraph 2 of Resolution 3,380/2006 of the National Monetary Council (CMN) of June 27, 2006 has a project that encompasses institutional, process and procedures, system and contingency plans and business continuity policies for external events, and also formalizes the single structure required by the regulatory agency.

Rio de Janeiro, February 15, 2011

Executive Board

Members of the Executive Board

Júlio Cápua Ramos da Silva
Guilherme Dias Fernandes Benchimol

Marcelo Maisonave de Oliveira
Henrique de Loyola Rodrigues Alves

Vasco Manuel de Almeida e Sousa Queiroz

Hélio Mayorca Filho
Accountant
CRC SC-021.798/O-3 S-RJ



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Independent auditors' report on financial statements

(A free translation of the original report in Portuguese)

To the
Management and Shareholders of
XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.
Rio de Janeiro - RJ

We have examined the individual financial statements of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (the "Company"), comprising the balance sheet as of December 31, 2010, and the related statements of income, changes in shareholders' equity and cash flows for the year and six-month period then ended, and a summary of significant accounting practices and other accompanying notes to the financial statements.

Responsibility of Management for the financial statements

The Company's Management is responsible for the preparation and adequate presentation of these financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal controls as Management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and international standards on auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures selected to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes the evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.



Independent auditors' report on financial statements (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. as of December 31, 2010, the performance of their operations and their cash flows for the year and six-month period then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Other issues

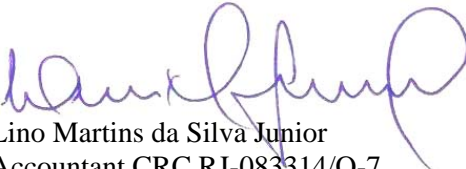
Examination of the amounts corresponding to the previous year

Amounts corresponding to the year ended December 31, 2009 presented for comparison purposes were previously audited by other independent auditors that issued a report dated March 22, 2010 without any qualification.

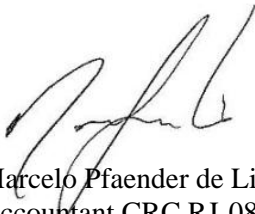
As part of our examination of the financial statements of 2010, we also examined the adjustments described in Note 3 (h). In our opinion, such adjustments are appropriated and were properly made. We were not hired to audit, review or apply any other procedures in regard to the financial statements of the Company for the year end 2009 and, accordingly, we did not express an opinion or any type of assurance in regard to the financial statements for 2009 taken as a whole.

Rio de Janeiro, February 15, 2011

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ



Lino Martins da Silva Junior
Accountant CRC RJ-083314/O-7



Marcelo Pfaender de Lima
Accountant CRC RJ-087435/O-0

XP Investimentos Corretora de Câmbio, Títulos e Valores
Mobiliários S.A.

Balance sheets

December 31, 2010 and 2009

(In thousands of Reais)

Assets	2010	2009 (Restated)	Liabilities	2010	2009 (Restated)
Current assets	<u>294,336</u>	<u>200,695</u>	Current liabilities	<u>348,438</u>	<u>208,891</u>
Cash and cash equivalents	427	1,562	Deposits:		
Interbank investments:			Deposits for investments	<u>478</u>	<u>89,805</u>
Money market repurchase agreements	<u>37,834</u>	<u>71,451</u>	Other liabilities:	<u>347,960</u>	<u>119,086</u>
Securities and derivative financial instruments:	<u>85,092</u>	<u>62,860</u>	Tax and social security	4,428	2,722
Own portfolio	69,740	39,707	Taxes and contributions payable	1	187
Derivative financial instruments	4,823	6,609	Social and statutory	1,410	-
Deposited to guarantees provided	10,529	16,544	Securities trading and brokerage accounts	330,354	108,530
Other receivable:			Other	11,767	7,647
Securities trading and brokerage accounts	<u>170,954</u>	<u>64,783</u>	Long-term liabilities		
Taxes recoverable	168,022	59,415	Other liabilities:		
Other	2,772	4,357	Tax and social security	<u>9,561</u>	<u>10,368</u>
Other assets:			Shareholders' equity	<u>32,630</u>	<u>32,603</u>
Prepaid expenses	<u>29</u>	<u>39</u>	Capital:		
Long-term assets			Domestic	4,750	1,750
Securities:	<u>84,763</u>	<u>41,221</u>	Capital reserves	4,758	4,758
Own portfolio	35,565	3,473	Profit reserve	8,779	10,544
Deposited to guarantees provided	49,198	37,748	Market adjustments -Securities and derivative financial instruments	14,343	15,551
Permanent assets	<u>11,530</u>	<u>9,946</u>			
Fixed assets for own use	7,522	5,754			
Intangible assets	4,008	4,192			
	<u>390,629</u>	<u>251,862</u>		<u>390,629</u>	<u>251,862</u>

The accompanying notes are an integral part to the financial statements.

XP Investimentos Corretora de Câmbio, Títulos e Valores
Mobiliários S.A.

Statements of income

Years ended December 31, 2010 and 2009

(In thousands of Reais, except income per share)

	2010		2009
	Semester ended December 31, 2010	Year	Year (Restated)
Financial operations income	15,599	27,689	12,475
Loan operations	-	31	-
Securities income	14,872	26,316	11,203
Income from derivative financial instruments	727	1,342	1,272
Financial intermediating expenses			
Borrowings and repass operations	(23)	(163)	(18)
Gross income from financial operations	15,576	27,526	12,457
Other operating income/expenses	462	1,845	12,035
Service fee income	70,596	140,063	96,656
Personnel expenses	(8,797)	(17,102)	(12,917)
Tax expenses	(5,674)	(10,748)	(6,539)
Other administrative expenses	(61,964)	(121,524)	(68,073)
Other operating income	6,460	12,030	4,696
Other operating expenses	(159)	(874)	(1,788)
Operating income	16,038	29,371	24,492
Income before taxation on net income and interests	16,038	29,371	24,492
Income tax and social contribution	(1,870)	(2,991)	(5,119)
Provision for income tax	(1,143)	(1,835)	(3,152)
Provision for social contribution payable	(727)	(1,156)	(1,967)
Employees' profit sharing	(10,496)	(20,743)	(12,604)
Net income for the period/year	3,672	5,637	6,769
Number of shares	175,000,000	175,000,000	175,030,030
Net income per share – R\$	0.02	0.03	0.04

The accompanying notes are an integral part to the financial statements.

XP Investimentos Corretora de Câmbio, Títulos e Valores
Mobiliários S.A.

Statements of changes in shareholders' equity

Years ended December 31, 2010 and 2009

(In thousands of Reais)

	Capital	Capital increase	Profit reserves			Adjustment to market value - Securities and derivatives	Retained earnings	Total
			Capital reserves	Legal reserve	Statutory reserve			
Balances at January 1, 2009 (Restated) - (Note 3.h)	1,750	-	4,758	242	3,834	5,500	-	16,084
Adjustment to market value - Securities (Restated) - (Note 3.h)	-	-	-	-	-	10,051	-	10,051
Net income for the year	-	-	-	-	-	-	6,769	6,769
Allocations:								
Dividends	-	-	-	-	-	-	(300)	(300)
Formation of profit reserves	-	-	-	323	6,145	-	(6,469)	(1)
Balances at December 31, 2009 - (Restated) - (Note 3.h)	<u>1,750</u>	<u>-</u>	<u>4,758</u>	<u>565</u>	<u>9,979</u>	<u>15,551</u>	<u>-</u>	<u>32,603</u>
Changes of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>	<u>6,145</u>	<u>10,051</u>	<u>-</u>	<u>16,519</u>
Balances at January 1, 2010	1,750	-	4,758	565	9,979	15,551	-	32,603
Capital increase	3,000	-	-	-	-	-	-	3,000
Transfer of funds among reserves	-	-	5,992	-	(5,992)	-	-	-
Repurchase and cancellation of own shares	-	-	(5,992)	-	-	-	-	(5,992)
Adjustment to market value - Securities	-	-	-	-	-	(1,208)	-	(1,208)
Net income for the year	-	-	-	-	-	-	5,637	5,637
Allocations:								
Dividends	-	-	-	-	-	-	(1,410)	(1,410)
Constitution of profit reserves	-	-	-	282	3,945	-	(4,227)	-
Balances at December 31, 2010	<u>4,750</u>	<u>-</u>	<u>4,758</u>	<u>847</u>	<u>7,932</u>	<u>14,343</u>	<u>-</u>	<u>32,630</u>
Changes of the year	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>282</u>	<u>(2,047)</u>	<u>(1,208)</u>	<u>-</u>	<u>27</u>
Balances at July 1, 2010	1,750	1,510	4,758	565	3,987	12,408	1,965	26,943
Paid-up capital	-	1,490	-	-	-	-	-	1,490
Capital increase	3,000	(3,000)	-	-	-	-	-	-
Adjustment to market value - TVM	-	-	-	-	-	1,935	-	1,935
Net income for the semester	-	-	-	-	-	-	3,672	3,672
Allocations:								
Dividends	-	-	-	-	-	-	(1,410)	(1,410)
Constitution of profit reserves	-	-	-	282	3,945	-	(4,227)	-
Balances at December 31, 2010	<u>4,750</u>	<u>-</u>	<u>4,758</u>	<u>847</u>	<u>7,932</u>	<u>14,343</u>	<u>(0)</u>	<u>32,630</u>
Changes in the period	<u>3,000</u>	<u>(1,510)</u>	<u>-</u>	<u>282</u>	<u>3,945</u>	<u>1,935</u>	<u>(1,965)</u>	<u>5,687</u>

The accompanying notes are an integral part to the financial statements.

XP Investimentos Corretora de Câmbio, Títulos e Valores
Mobiliários S.A.

Statements of cash flows

Years ended December 31, 2010 and 2009

(In thousands of Reais)

	2010		2009
	Semester ended	Year	Year
	December 31, 2010		
Cash flow used in operating activities			
Net income for the period/year	3,672	5,637	6,768
Adjustment to net income:			
Depreciation and amortization	1,545	3,033	1,769
Variation in operating assets and liabilities			
Interbank investments	24,353	33,617	(28,432)
Securities and derivative financial instruments	(22,092)	(66,983)	(61,619)
Other assets	1,722	2,446	(36,610)
Deposits for investments	(16)	(89,327)	89,448
Social charge requirement	(9,262)	715	8,624
Securities trading and brokerage accounts	(423)	113,217	16,307
Other liabilities	582	4,120	5,552
Net cash generated by operating activities	<u>81</u>	<u>6,475</u>	<u>1,807</u>
Cash flow from investment activities			
Sales of investments	-	-	380
Acquisition of fixed assets	-	(1,866)	(3,081)
Sale of fixed assets	762	762	-
Acquisition of intangible assets	(2,968)	(3,514)	(1,818)
Net cash used in investment activities	<u>(2,206)</u>	<u>(4,618)</u>	<u>(4,519)</u>
Cash flow from financing activities			
Capital increase	1,490	3,000	-
Repurchase and cancellation of own shares	-	(5,992)	-
Dividends paid	-	-	(300)
Net cash generated by (used in) financing activities	<u>1,490</u>	<u>(2,992)</u>	<u>(300)</u>
Decrease in cash and cash equivalents	(635)	(1,135)	(3,012)
Cash and cash equivalents at the beginning of the period/year	<u>1,062</u>	<u>1,562</u>	<u>4,574</u>
Cash and cash equivalents at the end of the period/year	<u><u>427</u></u>	<u><u>427</u></u>	<u><u>1,562</u></u>

The accompanying notes are an integral part to the financial statements.

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

Years ended December 31, 2010 and 2009

(In thousands of Reais)

1 Operations

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A (the “Company”) is a privately held Company engaged in conducting transactions within BM&FBOVESPA S.A - Bolsa de Valores, Mercadorias e Futuros (“BM&FBOVESPA S.A”) on its own and on behalf of third parties, in addition to managing investment clubs portfolios.

2 Presentation of the financial statements

The Company’s financial statements are the responsibility of their Management, were prepared in accordance with accounting principles of the Brazilian corporate law and regulations and instructions of the Central Bank of Brazil (BACEN), and are presented in conformity with the Accounting Chart for Instructions of the National Financial System (COSIF).

Some balances of assets, liabilities and income for the year ended December 31, 2009 have been reclassified for better comparability. Additionally, adjustments were made in Note 3(h).

The authorization for the completion of these financial statements was given by the Executive Board of the Company on February 15, 2011.

3 Significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis.

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

b. Current and long-term assets

Interbank investments

Interbank investments are stocked at cost, plus income accrued up to the balance sheet date.

Securities

Securities are classified based on a set of criteria for recording and valuing the securities portfolio as defined in BACEN Circular 3,068/01, in accordance with Management's intention in three specific categories, considering the following accounting criteria:

- **Trading securities** - Securities acquired for the purpose of being actively and frequently traded. They are, adjusted to fair value, with the increase or decrease arising from this adjustment being recorded on income;
- **Held to maturity securities** - Securities for which Management has the intention and the financial capacity to hold in portfolio until maturity. These are valued at cost of acquisitions, interest earned, recorded as corresponding entries on income ; and
- **A available for sale securities** - Securities that are not for classified as "trading securities" nor as "held to maturity". These securities are adjusted to fair value, with the increase or decrease arising from this adjustment recorded in a separate account in shareholders' equity, net of tax effects. Gains and losses, when realized, are recognized in income recognized in income (loss).

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

Derivative financial instruments (assets and liabilities)

Derivative transactions carried out by the Company are recorded in balance sheet and notional amount of the contracts is recorded in a memorandum account. Adjustments futures contract are calculated daily by type of asset and respective maturity and recognized on income for the period. Forward contracts of stocks are recorded by the price traded at the spot market, being the future amounts payable or receivable published for a future date adjusted to present value. Premiums on option are recorded at cost and adjusted to fair value based on market quotation or pricing model.

Securities Trading and Brokerage Accounts

Represented by transactions in the Stock and Commodities Exchange. Brokerage fees for these transactions are classified as revenues, and service provision expenses are recognized upon transactions occurrence.

Other current and long-term assets

Stated at their net realization value.

c. Permanent assets

Property, plant and equipment

Recorded at the cost of acquisition. Depreciation is calculated by the straight-line method at annual rates which reflect the estimated useful lives of the assets.

Intangible assets

Deferred organization and expansion costs correspond basically to leasehold improvements and acquisition of software programs. Stated at acquisition and formation cost less amortization calculated under the straight-line method at rates based on intangible assets' useful lives or rent period.

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

In accordance with CMN Resolution 3,617/08, financial institutions should record in deferred assets only preoperating expenses and restructuring expenditures that will effectively contribute to increase results for more than one year and that do not comprise only cost reduction or increase in operating efficiency, permitting the maintenance of balances existing on September 30, 2008 until their effective write-off.

d. Current and long-term liabilities

Stated at known or estimated amounts, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet.

e. Income and social contribution taxes

The provision for income tax, is calculated based on the taxable income, at the rate of 15%, plus an additional 10% on the annual taxable income in excluding of R\$ 240. The provision for social contribution is calculated at the a rate of 15%.

Deferred taxes were recognized at the rate of 25% for income tax and 15% for social contribution.

f. Impairment

According to the CPC 01 - Impairment of assets (CPC 01), approved by CMN Resolution 3,566 of May 29, 2008, based on Management's analysis, is the account value of the Company's assets exceed its recoverable amount, an *impairment* loss is recognized in the income statement.

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

g. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include provision for contingencies and valuation of securities and derivative financial instruments. The settlement of transactions involving these estimates may result in different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

h. Restatement of prior year

In prior year, the Company committed errors related to the accounting of deferred income and social contribution taxes on market value adjustments of securities classified as available for sale. In conformity with the aspects required by NPC 12 - Accounting Practices, Changes in Accounting Estimates and Error Correction (NPC 12), the Brokerage House corrected shareholders' equity opening balances on January 1, 2010.

The effects of these corrections and account details are as follows:

	Balance at 12/31/2009 (Originally submitted)	Correction date 12/31/2010 Adjustments	Balance at 12/31/2009 (Restated)
Liabilities (Long-term liabilities):			
Other liabilities			
Tax and social security	-	10,368	10,368
Shareholders' equity:			
Adjustment to market value - TVM	25,919	(10,368)	15,551
Shareholders' equity at December 31, 2009	<u>42,971</u>	<u>(10,368)</u>	<u>32,603</u>

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

The errors mentioned above occurred due to improper accounting entries and were corrected as soon as they were identified. The correction of these errors had no effects on the statement of income or on income per share.

i. Earning per share

Income per share presented in the statement of income is calculated based on the number of outstanding shares on balance sheet date.

4 Interbank investments

	<u>Maturities</u>	<u>Total</u>	
Breakdown and maturity	Up to 360 days	2010	2009
Investment in repurchase agreements			
Financial treasury bills	2,835	2,835	71,451
National treasury notes	34,999	34,999	-
	<u>37,834</u>	<u>37,834</u>	<u>71,451</u>

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

5 Securities and derivative financial instruments

Breakdown and classifications of the portfolio

a. Securities

	2010		2009	
	Updated cost	Market	Updated cost	Market
Trading securities	<u>29,771</u>	<u>36,317</u>	<u>22,185</u>	<u>20,190</u>
Fixed income securities:				
Quotas of investment funds	<u>27,729</u>	<u>34,978</u>	<u>19,500</u>	<u>18,174</u>
Variable-income securities:				
Quotas of investment funds	<u>2,042</u>	<u>1,339</u>	<u>2,685</u>	<u>2,016</u>
Securities available for sale	<u>102,776</u>	<u>126,680</u>	<u>51,218</u>	<u>77,136</u>
Own portfolio	<u>43,013</u>	<u>66,953</u>	<u>8,599</u>	<u>21,967</u>
Fixed income securities:	<u>39,650</u>	<u>40,191</u>	<u>2,932</u>	<u>3,473</u>
Financial treasury bills	<u>33,377</u>	<u>33,918</u>	<u>336</u>	<u>877</u>
Certificates of Bank Deposit - CDB	<u>6,215</u>	<u>6,215</u>	<u>1,986</u>	<u>1,986</u>
Debentures	<u>58</u>	<u>58</u>	<u>610</u>	<u>610</u>
Variable-income securities:	<u>3,363</u>	<u>26,762</u>	<u>5,667</u>	<u>18,494</u>
Stocks of Public Companies	<u>5,356</u>	<u>28,797</u>	<u>5,698</u>	<u>18,567</u>
Share loans	<u>(1,993)</u>	<u>(2,035)</u>	<u>(31)</u>	<u>(73)</u>

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.

Notes to the financial statements

(In thousands of Reais)

	2010		2009	
	Updated cost	Market	Updated cost	Market
Subject to guarantees provided:	59,763	59,727	42,619	55,169
Stocks of Public Companies	144	99	4,003	16,544
Financial treasury bills	20,385	20,394	8,761	8,770
Certificates of Bank Deposit - CDB	39,234	39,234	29,855	29,855
Total	<u>132,547</u>	<u>162,997</u>	<u>73,403</u>	<u>97,326</u>
Current assets	<u>50,385</u>	<u>80,269</u>	<u>32,222</u>	<u>56,178</u>
Long-term assets	<u>84,155</u>	<u>84,763</u>	<u>41,212</u>	<u>41,221</u>
Current liabilities	<u>(1,993)</u>	<u>(2,035)</u>	<u>(31)</u>	<u>(73)</u>

Securities classified in the “Trading Securities” category maturing over 12 months are classified as current assets as determined in BACEN Circular 3068/01.

The fair value of securities is based on quoted market prices on the balance sheet date. If there is no market price quotation, the values are estimated based on quotations of dealers or pricing models.

b. Derivative financial instruments

	2010		2009	
	Cost	Market	Cost	Market
Derivative financial instruments	<u>4,823</u>	<u>4,823</u>	<u>6,609</u>	<u>6,609</u>
Asset position:				
Forwards	4,823	4,823	6,416	6,416
Premium on options	-	-	193	193

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The notional amounts of the derivative contracts are recorded in memorandum accounts and market values recorded in balance sheet accounts, with gains and losses on the balance sheet against of income and expense accounts.

The fair value of derivatives, financial instruments, represented by futures, options and forward is calculated in accordance with the following criteria:

- **Future:** on the bases of the adjustments recognized/paid daily;
- **Forwards:** at the spot market quoted value, and amounts payable or receivable are scheduled for a future date adjusted to present value based on market rates published by BM&FBOVESPA S.A.; and;
- **Options:** closing price of negotiation in the day of the verification or, when not available, based on pricing models, such as the Black & Scholes model.

The contractual notional amounts of derivative financial instruments, recorded in memorandum accounts, may be summarized as follows:

	2010	2009
Forward:		
Long position:		
Forward purchase of shares receivable	<u>4,823</u>	<u>6,416</u>
Options:		
Long position:		
Exercisable option premiums - shares	<u>-</u>	<u>193</u>
Total	<u><u>4,823</u></u>	<u><u>6,609</u></u>

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Net income and expenses from derivatives financial instruments are presented as follows:

	2010		2009
	Semester ended December 31, 2010	Year	Year
Forward contracts	789	1,606	-
Option contracts	(41)	(97)	1,435
Futures contract	(21)	(167)	(163)
Total	<u>727</u>	<u>1,342</u>	<u>1,272</u>

c. Breakdown of portfolio by maturity

	2010		2009	
	Cost	Market	Cost	Market
No maturity	39,950	69,938	34,430	45,220
Up to 360 days	13,265	13,119	4,370	17,494
Over 360 days	84,155	84,763	41,212	41,221
Total	<u>137,370</u>	<u>167,820</u>	<u>80,012</u>	<u>103,935</u>

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6 Securities trading and brokerage accounts

	<u>Other receivables</u>		<u>Other liabilities</u>	
	2010	2009	2010	2009
Registry and settlement companies	-	-	45,937	398
Debtors/creditors of pending settlements	168,022	59,415	282,376	107,820
Payable for stock loan	-	-	2,035	73
Others	-	-	6	239
	<u>168,022</u>	<u>59,415</u>	<u>330,354</u>	<u>108,530</u>

7 Taxes and contributions recoverable

	2010	2009
Income and social contribution tax recoverable	<u>2,772</u>	<u>4,357</u>

8 Other receivables and other liabilities - other

	2010	2009
Other receivables		
Advances and prepayments	29	312
Deposits in guarantee	50	154
Other receivable	81	545
	<u>160</u>	<u>1,011</u>

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Other liabilities

Personnel expenses payable (a)	8,766	4,126
Rentals and condominiums	269	350
Suppliers	1,701	1,499
Data processing	170	593
Communications	254	308
Leasing	511	-
Others	96	771
	<u>11,767</u>	<u>7,647</u>

(a) As at December 31, 2010 it refers basically to employees` profit sharing.

9 Other liabilities - Taxes and social security

	2010	2009 (Restated)
Deferred income tax and social contribution	9,561	10,367
Taxes and contributions on outsourced services	181	152
Taxes and contribution on the salary	3,155	1,706
Others	1,092	865
	<u>13,989</u>	<u>13,090</u>
Current	4,428	2,722
Long-term	<u>9,561</u>	<u>10,368</u>
	<u>13,989</u>	<u>13,090</u>

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10 Income and social contribution taxes

a. Deferred taxes

As of December 31, 2010, the Company recorded a provision of R\$9,561 (2009 (restated): R\$10,368) for deferred income tax and social contribution on unrealized gains on securities, recorded in caption "other liabilities-tax and social security".

b. Conciliation of income tax and social contribution

	2010		2009
	Semester ended December 31, 2010	Year ended December 31, 2010	Year ended December 31, 2009
Income before income tax, social contributions and profit sharing	16.038	29,371	24,491
Employees' profit sharing	<u>(10.496)</u>	<u>(20,743)</u>	<u>(12,604)</u>
Income before income tax and social contribution	<u>5.542</u>	<u>8,628</u>	<u>11,887</u>
Combined income tax and social contribution rates	<u>40%</u>	<u>40%</u>	<u>40%</u>
Income tax and social contribution at statutory rate	(2.217)	(3,451)	(4,755)
Tax effects of additions and exclusions:			(364)
Others	<u>397</u>	<u>460</u>	<u>-</u>
Income tax and social contribution in the income of the period	<u><u>(1.870)</u></u>	<u><u>(2,991)</u></u>	<u><u>(5,119)</u></u>

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11 Shareholders' equity

a. Capital stock

Capital at December 31, 2010 is represented by 175,000,000 common shares, 30 class A preferred shares and 174,995,000 class C preferred shares, with no par value. As of December 31, 2009, it was represented by 175,030,030 shares, of which 175,000,000 are common shares, 30 are preferred class A shares and 30,000 preferred class B shares, with no par value.

Class A preferred shares have no voting rights and have preference in rights of non-cumulative fixed dividend, in an amount corresponding to the net amount earned by the Company on sale of 2,024,068 shares issued by BM&FBOVESPA S.A. and held by the Company. Class C preferred shares have no voting rights and have preference in receiving dividends.

On April 30, 2010, shareholders' Meeting decided to withdraw from the capital reserve account all of the 30,000 class B preferred shares issued by the Company, removing them from the market without reducing capital, in compliance with Article 44, paragraph 6 of Law 6,404/76. Redeemed shares were paid in cash, in domestic currency, in the amount of R\$5,992.

b. Capital increase

On April 30, 2010, the participants of an Extraordinary General Meeting decided on the capital increase in the amount of R\$ 3,000, of which: (a) R\$ 1,510 were paid at that time, in local currency; and (b) R\$ 1,490 were paid in August 2010. On August 3, 2010, BACEN homologated this capital increase and the corporate restructuring of the Company which is now controlled by XP Participações S.A. and XP Controle e Participações S.A.

In compliance with Resolution No. 3605 from August 29, 2008 of the Brazilian Central Bank, on December 1, 2010, it was approved in an Extraordinary General Meeting the capital increase in the amount of R\$ 4,754 thousand, without the issuance of new shares, with capitalization of Capital Reserves. The capital increase took effect in February 2011

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and is recorded in a specific account in the shareholder's equity up to the Central Bank of Brazil's approval.

c. Legal reserve

Stated at the rate of 5% of net income recorded in each balance sheet up to 20% of capital, as provided in corporate legislation.

d. Statutory reserve

Bylaws reserve is stated at the remaining net income balance recorded in balance sheet after legal deductions. Balance exceeding capital should be distributed as dividends, upon decision of the Annual Shareholders' Meeting.

e. Dividends and interest on own capital

Shareholders are entitled to a minimum compulsory dividend to 25% of adjusted annual net income, after specific distributions.

Compulsory minimum dividends were calculated and provisioned as follows:

	2010	2009
Net income for the year	5,637	6,769
(-) Legal Reserve (5%)	<u>(282)</u>	<u>(323)</u>
Base for the compulsory minimum dividends	<u>5,355</u>	<u>6,446</u>
Compulsory minimum dividends (25%)	<u>1,339</u>	<u>1,612</u>
Dividends paid	<u>1,410</u>	<u>300</u>

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f. Corporate restructuring and participation of a foreign investor

On November 18, 2010, the Company registered with BACEN a request for the authorization of the corporate restructuring of Grupo XP and subsequent participation of a foreign investor in its capital, as follows:

Restructuring of Grupo XP prior to the participation of the foreign investor

Currently, the Company shareholding structure is comprised of two *holdings*, namely, XP Controle Participações S.A ("XP Controle") and XP Participações S.A ("XP Participações"). Corporate restructuring will be implemented as follows:

- (i) Checking of all shares issued by the Company and held by XP Controle and XP Participações with the capital of XP Holding Financeira S.A.;
- (ii) Partial spin-off of XP Participações, followed by merger by XP Controle of the spun-off portion comprised of the interest held in the financial *holding* and in other companies of the group that are not part of the financial system; and
- (iii) As a result of the merger into XP Controle of the spun-off portion of XP Participações, the capital of XP Controle increased with the issuance of common and preferred shares that will be subscribed by the shareholders of XP Participações.

These changes in shareholding structures will not imply the participation of new individuals in the group of the Company's final controllers, as minority shareholders of the Company will receive only preferred shares without voting rights (representing approximately 37% of total capital), and the controlling shareholders of the Company hold all common shares of XP Controle (representing approximately 63% of total capital).

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Participation of a foreign investor in the capital of the Company

XP Controle recently concluded negotiations with the UK *private equity* fund Actis LLP ("Actis") through its Brazilian representatives, aiming at the investment by Actis in Grupo XP, which will characterize a qualified indirect participation in the Company.

On November 3, 2010, XP Controle entered into a Share Subscription Agreement and Other Covenants ("Subscription Agreement") that provides on the conditions for the investment of Actis in Grupo XP with Astic BD 1 Participações S.A. ("Veículo Actis"), company established in Brazil and indirectly controlled by five investment funds established in accordance with Scottish legislation, headquartered in the city of Edinburgh, which are, on their turn, controlled by the family of funds Actis Emerging Markets 3, also established in accordance with Scottish law. All funds and entities are managed by Actis LLP, company registered in England.

For Actis investment, the Subscription Agreement above mentioned establishes that the participation of Veículo Actis in Grupo XP will occur through the subscription of shares representing 20.5% of the financial holding capital, of which XP Controle will also be a shareholder. The shares issued by the financial holding to be subscribed by Veículo Actis will represent approximately 20.5% of indirect interest in total Company's capital.

On the same date, XP Controle and Veículo Actis entered into an agreement with shareholders of the financial holding, the validity of which is subject to certain suspensive conditions that include obtaining due authorizations from BACEN and the President of Brazil, in accordance with the provisions of Article 52 of Temporary Constitutional Provisions Act.

Up to present date, this process is still under approval of the Central Bank of Brazil.

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12 Related party transactions

In the normal course of our business, the companies of Grupo XP carry out commercial and financial transactions with the Company, at usual market prices, terms, financial charges, and other market conditions.

These transactions include (i) the provision of education, advisory and corporate consulting services; (ii) financial advisory and consultancy in general; (iii) management of funds and provision of Portfolio Management services; and (iv) provision of Information Technology and Data Processing services.

As of December 31, 2010, the Company has investments in investment funds managed by XP Gestão de Recursos Ltda., which is a Company related party. In accordance with CMN Resolution 3,334/05, the Company may only invest in funds managed by related parties for the maximum period of 360 days, counted as of the date the Fund is established, and not exceeding R\$10,000. As of December 31, 2010, the Company is not in agreement with this rule.

The Company has plans to redeem its investments in funds managed by a related party, over the coming months, in order to comply with this rule.

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Related-party transactions of the Company during the year ended December 31, 2010 are as follows:

	12/31/2010		12/31/2009	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Companies:				
XP Educação Assessoria Empresarial e Participações Ltda.:				
Suppliers (included in other liabilities)	(384)	-	(494)	-
Technical advisory expenses	-	(10,272)	-	(4,200)
XP Finance Desenvolvimento de Negócios Ltda.:				
Technical advisory expenses	-	(527)	-	(562)
XP Gestão de Recursos Ltda.				
Fund management expense	-	(1,739)	-	(742)
Suppliers (included in other liabilities)	-	-	(140)	-
Tecfinance Informática e Projetos de Sistemas Ltda.:				
Suppliers (included in other liabilities)	(637)	-	-	-
IT advisory expense	-	(637)	-	-
Development and maintenance of system expenses	-	(3,917)	-	-
	(1,021)	(17,092)	(634)	(5,504)
Investments in investment funds:				
XP Arbitragem Fundo de Investimento Multimercado	11,268	1,268	-	-
XP Long Short Fundo de Investimento Multimercado	2,008	321	-	-
XP Max Fundo de Investimento Multimercado	-	1,374	996	(4)
XP Moderado Fundo de Investimento em Cotas de Fundo de Investimento Multimercado	1,122	102	-	-
XP Unique Fundo de Investimento Multimercado	6,671	1,242	5,548	348
XP PILGRIM Fundo de Investimento Multimercado Crédito Privado	6,295	295	-	-
XP Investor Fundo de Investimento em Ações	-	187	770	170
XP Absoluto Banco Fundo de Investimento em Ações	-	73	557	17
XP Absoluto Consumo Fundo de Investimento em Ações	-	71	690	45
XP Multi-Investor Small Caps	518	18	-	-
XP Ações Fundo de Investimento em Ações	412	12	-	-
XP Investor Fundo de Investimento em Ações	409	10	-	-

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(In thousands of Reais)

	<u>12/31/2010</u>		<u>12/31/2009</u>	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
XP Investor Fundo de Investimento Renda Fixa Credito Privado	-	-	5,944	324
Oren Dinâmico Fundo de Investimento em Cotas de Fundo de Investimento Multimercado	-	-	534	34
Opus Hedge Institucional Fundo de Investimento Multimercado	-	-	3,059	59
XP Financial Fundo de Investimento Multimercado	-	-	1,071	71
	<u>28,703</u>	<u>4,973</u>	<u>20,190</u>	<u>1,085</u>
Remuneration of key management personnel:				
Management fees	-	(643)	-	(112)

13 Operational limits

Financial institutions must maintain shareholders' equity compatible with the risk level of their assets, weighted by risk factors defined in CMN Resolution 2099/94 and supplementary BACEN regulation. The main limits are presented as follows:

	<u>12/31/2010</u>			<u>12/31/2009</u>		
	Requirement	Status	Margin	Requirement	Status	Margin
Basel - total	16,664	32,630	15,966	23,260	32,603	9,343
Permanent assets (a)	16,315	11,530	4,785	19,581	9,946	9,635
Minimum realized capital	1,500	4,750	3,250	1,500	1,750	250

(a) The requirement refers to the maximum permitted limit.

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In accordance with CMN Resolution 2,844/01, the Company should comply with the limit of up to 25% of Reference Shareholders' Equity (RE) invested in a single issuer. As of December 31, 2010, the Company had Bank Deposit Certificates (CDBs) and stocks from only one issuer higher than the limit defined in that Resolution, therefore, the Company is not in agreement with this limit.

The Company has plans to diversify its investments in CDBs and stocks in order to comply this rule.

14 Other information

The Company is challenging in the administrative sphere, assessment notices from Rio de Janeiro city, in the total adjusted amount of R\$563 as of December 31, 2010, referring to the payment of ISS (service tax) on brokerage fees from January 1998 to December 2003. Based on its legal advisors opinion that likelihood of success in these lawsuits is probable, the Company's management did not record a provision for these contingencies.

Securities, including derivatives and notes representing interbank investments are under the custody of Companhia Brasileira de Liquidação e Custódia (CBLC), Balcão Organizado de Ativos e Derivativos - CETIP S.A., SELIC or BM&FBOVESPA S.A., except shares of investment funds whose records are maintained by respective managers.

The Company is responsible for the management of investment clubs whose shareholders' equity, as of December 31, 2010, totaled R\$99,612 (2009: R\$57,098).

Revenues from service rendering correspond mainly to brokerage fees from stock exchange transactions.

The group of other administrative expenses refers mainly to commission expenses paid to autonomous agents and technical advisory expenses.

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The balance accounted for in investment deposits derives from deposits made by the Company's customers.

* * *

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