



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

**Financial statements
December 31, 2011 and 2010**

(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, 2011 and 2010

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Management report

To the
Management and Shareholders
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 semesters ended December 31, 2011 and 2010, 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 Central Bank of Brazil, we are at your entire disposal should you require any additional.

Risk management

Risk management is structured independently from business areas and reports directly to senior management to ensure that there will be no conflict of interest and that the segregation of duties is adequate with respect to leading corporate governance and market 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 aims at controlling, monitoring and ensuring compliance with predetermined limits, and may refuse to receive and/or conduct requested transactions, fully or partially, through immediate communications to customers, in addition to intervening in case of non-compliance. It will report to the Committee all atypical events.

b. Operational risk

The Company, 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 procedure policies, and policies for system and contingency plans and business continuity, in the event of external events, and also formalizes the single structure required by the regulatory agency.

Rio de Janeiro, March 12, 2012

Executive Board

Members of the Executive Board:

Julio Capua Ramos da Silva
Guilherme Dias Fernandes Benchimol
Marcelo Maisonnave de Oliveira
Henrique de Loyola Rodrigues Alves
Vasco Manuel de Almeida e Sousa Queiroz

Bruna Alexandra Ledo Leite Dias
Accountant
CRC RJ-099484/O-8



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Independent auditors' report on financial statements

(A free translation of the original report in Portuguese)

To the
Management and Shareholders
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, 2011, and the related statements of income, changes in shareholders' equity and cash flows for the six-month period and year 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, 2011, the performance of its operations and its cash flows for the six-month period and year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Rio de Janeiro, March 12, 2012

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

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

Carlos José Aragão Lopes
Accountant CRC RJ-109341/O-5

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

Balance sheets

December 31, 2011 and 2010

(In thousands of Reais)

Assets	2011	2010	Liabilities	2011	2010
Current assets	<u>884,122</u>	<u>294,336</u>	Current liabilities	<u>866,596</u>	<u>348,438</u>
Cash and cash equivalents:	<u>757</u>	<u>427</u>	Deposits:		
Interbank investments:			Other deposits	<u>1,247</u>	<u>478</u>
Open market investments	<u>41,137</u>	<u>37,834</u>	Other liabilities:	<u>865,349</u>	<u>347,960</u>
Securities and derivative			Tax and social security	<u>3,353</u>	<u>4,428</u>
Securities and derivative	<u>211,228</u>	<u>85,092</u>	Charging and Collection of taxes and similar	<u>7</u>	<u>1</u>
Own portfolio	<u>112,781</u>	<u>69,740</u>	Securities trading and brokerage accounts	<u>832,752</u>	<u>330,354</u>
Derivative financial instruments	<u>-</u>	<u>4,823</u>	Social and statutory	<u>500</u>	<u>1,410</u>
Linked to Central Bank	<u>21,196</u>	<u>-</u>	Other	<u>28,737</u>	<u>11,767</u>
Linked to guarantees provided	<u>77,251</u>	<u>10,529</u>			
Other receivable:	<u>629,638</u>	<u>170,954</u>	Long-term liabilities		
Income receivable	<u>2,571</u>	<u>-</u>	Other liabilities:		
Securities trading and brokerage accounts	<u>619,128</u>	<u>168,022</u>	Tax and social security	<u>52</u>	<u>9,561</u>
Tax offset	<u>3,725</u>	<u>2,772</u>			
Other	<u>4,214</u>	<u>160</u>	Shareholders' equity	<u>38,257</u>	<u>32,630</u>
Other assets:			Capital:	<u>29,504</u>	<u>4,750</u>
Prepaid expenses	<u>1,362</u>	<u>29</u>	Domestic	<u>4,750</u>	<u>4,750</u>
			Capital increase	<u>24,754</u>	<u>-</u>
Long-term assets	<u>4,940</u>	<u>84,763</u>	Capital reserves	<u>-</u>	<u>4,758</u>
Securities and derivative			Retained earnings	<u>8,753</u>	<u>8,779</u>
Securities and derivative	<u>-</u>	<u>84,763</u>	Market adjustments-Securities and derivative financial instruments	<u>-</u>	<u>14,343</u>
Own portfolio	<u>-</u>	<u>35,565</u>			
Money market repurchase agreements	<u>-</u>	<u>49,198</u>			
Other assets:					
Prepaid expenses	<u>4,940</u>	<u>-</u>			
Permanent assets					
	<u>15,843</u>	<u>11,530</u>			
Fixed assets for own use	<u>12,500</u>	<u>7,522</u>			
Deferred assets	<u>2,746</u>	<u>4,008</u>			
Intangible assets	<u>597</u>	<u>-</u>			
	<u>904,905</u>	<u>390,629</u>		<u>904,905</u>	<u>390,629</u>

See accompanying notes to the financial statements.

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

Statements of income

Six-month periods ended December 31, 2011 and 2010

(In thousands of Reais, except income per share)

	Six months ended on 12/31/2011	Years ended on December 31	
		2011	2010
Financial operations income	34,741	47,984	27,689
Loan operation	-	-	31
Securities income	35,160	48,232	26,316
Income from derivative financial instruments	(419)	(248)	1,342
Financial intermediating expenses	(201)	(231)	(163)
Market funding operations	(2)	(4)	-
Borrowings and repass operations	(199)	(227)	(163)
Gross income from financial operations	34,540	47,753	27,526
Other operating income/(expenses)	(3,320)	311	1,845
Service fee income	95,370	171,651	140,063
Bank charges income	293	555	-
Personnel expenses	(15,727)	(26,898)	(17,102)
Tax expenses	(9,317)	(15,287)	(10,748)
Other administrative expenses	(86,669)	(150,131)	(121,524)
Other operating income	13,222	21,686	12,030
Other operating expenses	(492)	(1,265)	(874)
Operating income	31,220	48,064	29,371
Income before taxation on net income and profit sharing	31,220	48,064	29,371
Income and social contribution taxes	(6,906)	(8,288)	(2,991)
Provision for income tax	(5,828)	(6,687)	(1,835)
Provision for social contribution	(3,614)	(4,137)	(1,156)
Deferred tax assets	2,536	2,536	-
Employees' profit sharing	(15,329)	(28,061)	(20,743)
Net income for the six-month period	8,985	11,715	5,637
Number of shares	532,609,262	532,609,262	175,000,000
Income per share - R\$	0.02	0.02	0.03

See accompanying notes to the financial statements.

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

Statements of changes in shareholders' equity

Six-month periods ended December 31, 2011 and 2010

(In thousands of Reais)

	Capital	Capital increase	Capital reserves	Profit reserves		Adjustment to market value - securities and derivatives	Retained earnings	Total
				Legal reserve	Statutory reserve			
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	-	-	-	-	-	-	5,637	5,637
Allocation of income								
Dividends	-	-	-	-	-	-	(1,410)	(1,410)
Reserve holdings	-	-	-	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 in the six-month period	<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 January 1, 2011	<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>
Capital increase	-	24,754	(4,754)	-	-	-	-	20,000
Reserve realization	-	-	(4)	-	(2,706)	-	2,706	(4)
Adjustment to market value - Securities	-	-	-	-	-	(14,343)	-	(14,343)
Net income	-	-	-	-	-	-	11,715	11,715
Profit allocation:								
Dividends	-	-	-	-	(500)	-	(11,241)	(11,741)
Formation of reserves	-	-	-	587	2,593	-	(3,180)	-
Balances on December 31, 2011	<u>4,750</u>	<u>24,754</u>	<u>-</u>	<u>1,434</u>	<u>7,319</u>	<u>-</u>	<u>-</u>	<u>38,257</u>
Changes in the six-month period	<u>-</u>	<u>24,754</u>	<u>(4,758)</u>	<u>587</u>	<u>(613)</u>	<u>(14,343)</u>	<u>-</u>	<u>5,627</u>
Balances on July 1st, 2011	<u>4,750</u>	<u>4,754</u>	<u>-</u>	<u>984</u>	<u>10,525</u>	<u>10,667</u>	<u>-</u>	<u>31,680</u>
Capital increase	-	20,000	-	-	-	-	-	20,000
Reserve realization	-	-	-	-	(2,706)	-	2,706	-
Adjustment to market value - Securities	-	-	-	-	-	(10,667)	-	(10,667)
Net income for the six-month period	-	-	-	-	-	-	8,985	8,985
Profit allocation:								
Dividends	-	-	-	-	(500)	-	(11,241)	(11,741)
Formation of reserves	-	-	-	450	-	-	(450)	-
Balances on December 31, 2011	<u>4,750</u>	<u>24,754</u>	<u>-</u>	<u>1,434</u>	<u>7,319</u>	<u>-</u>	<u>-</u>	<u>38,257</u>
Changes in the six-month period	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>450</u>	<u>(3,206)</u>	<u>(10,667)</u>	<u>-</u>	<u>6,577</u>

See accompanying notes to the financial statements.

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

Statements of cash flows

Six-month periods ended December 31, 2011 and 2010

(In thousands of Reais)

	Six months ended on 12/31/2011	Years ended on December 31	
		2011	2010
Cash flows from operating activities			
Net income for the six-month period	8,985	11,715	5,637
Adjustment to net income:			
Depreciation and amortization	1,540	3,039	3,033
Changes in operating assets and liabilities:			
Interbank investments	6,689	(3,303)	33,617
Securities and derivative financial instruments	(50,652)	(55,716)	(66,983)
Other receivable and other assets	(3,873)	(13,851)	2,446
Other deposits	374	769	(89,327)
Charging and Collection of taxes and similars	6	6	-
Tax and social security	(7,154)	(10,584)	715
Social and statutory	(12,732)	-	-
Securities trading and brokerage accounts	31,735	51,292	113,217
Other liabilities	22,974	16,968	4,120
Net cash provided by operating activities	(2,108)	335	6,475
Cash flows from investing activities			
Purchases of property, plant and equipment	(5,860)	(6,957)	(1,866)
Disposal of fixed assets	81	228	762
Purchases of intangible assets	(625)	(625)	(3,514)
Net cash used in investment activities	(6,404)	(7,354)	(4,618)
Cash flows from financing activities			
Capital increase	20,000	20,000	3,000
Repurchase and cancelation of own shares	-	-	(5,992)
Dividends paid	(11,241)	(12,651)	-
Net cash used in financing activities	8,759	7,349	(2,992)
Increase/(decrease) in cash and cash equivalents	247	330	(1,135)
Cash and cash equivalents at beginning of six-month period	510	427	1,562
Cash and cash equivalents at end of six-month period	757	757	427

See accompanying notes to the financial statements.

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

Notes to the financial statements

Six-month period and years ended December 31, 2011 and 2010

(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 club portfolios.

2 Presentation of the financial statements

The Company’s financial statements are the responsibility of its Management, and 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).

In the preparation of the financial statements as of December 31, 2011 and 2010, the Company took into account the application of amendments made to the Corporate Law introduced by Law 11,638/07, including the corresponding changes of Law 11,941/09, which have been regulated by the Central Bank of Brazil (BACEN) so far. These are the following: (a) accounting treatment of the balance of capital reserves and distribution of retained earnings; (b) accounting treatment of fixed assets and deferred charges; (c) recognition, measurement and disclosure of losses in connection with decrease in the recoverable value of assets (impairment); (d) presentation of the statements of cash flows replacing the statements of changes in financial position; (e) information disclosure on related parties; (f) recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets; and (g) recording in the accounting and disclosure of subsequent events. The amendments to Laws 11,638/07 and 11,941/09 did not cause impacts on the Company’s financial statements.

The authorization for the completion of these financial statements was given by the Executive Board of the Company on March 12, 2012.

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

Notes to the financial statements

(In thousands of Reais)

3 Significant accounting policies

a. Statement of income

Income and expenses are recognized on the accrual basis.

b. Current and long-term assets

Interbank investments

Interbank investments are recorded at the acquisition 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 the BACEN Circular 3,068/01, according to the 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 recorded at cost of acquisition, plus interest earned recorded as corresponding entries on income; and
- **Available-for-sale securities** - Securities which are not 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 profit or 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 the balance sheet and the notional amount of the contracts is recorded in memorandum accounts. Adjustments of futures contracts are determined daily by type of asset and respective maturity and recognized on income for the period. Forward operations are recorded at the price traded at the spot market, being the future amounts payable or receivable for a future date adjusted to present value. Premiums on options 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 rendering expenses are recognized upon transactions realization.

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 using the straight-line method based on annual rates which reflect the estimated useful lives of the assets.

Intangible assets

Deferred organization and expansion expenditures correspond basically to leasehold improvements and acquisition of software programs. Stated at acquisition and formation cost less amortization calculated using the straight-line method at rates which take into account the 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 the 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 as of September 30, 2008 up to 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% surtax on the annual taxable income exceeding R\$ 240. The provision for social contribution is calculated at the rate of 15%.

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

f. Impairment

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

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 derivative financial instruments. The settlement of transactions involving these estimates may result in different amounts from the estimated ones due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions periodically.

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

Notes to the financial statements

(In thousands of Reais)

h. Earnings per share

Earnings per share presented in the statement of income are calculated based on the number of outstanding shares as of the balance sheet date.

4 Interbank investments

Breakdown and maturity	<u>Total</u>	
	2011	2010
Investments in stock markets		
Up to 360 days		
Financial Treasury Bill	-	2,835
National Treasury Bill	3,139	-
National Treasury Notes	<u>37,998</u>	<u>34,999</u>
	<u>41,137</u>	<u>37,834</u>

The Company did not have, on December 31, 2011 and 2010, interbank deposits with maturities exceeding 360 days.

5 Securities

	<u>2011</u>		<u>2010</u>	
	Carrying value	Market value	Carrying value	Market value
Trading securities	<u>210,646</u>	<u>211,086</u>	<u>29,771</u>	<u>36,317</u>
Free	<u>112,263</u>	<u>112,639</u>	<u>29,771</u>	<u>36,317</u>
Fixed-income securities:	<u>111,946</u>	<u>112,323</u>	<u>27,729</u>	<u>34,978</u>
Financial Treasury Bills (LFT)	100,336	100,385	-	-
National Treasury Bills (LTN)	2,047	2,074	-	-
National Treasury Notes (NTN)	876	868	-	-
Certificates of Bank Deposit - CDB	435	435	-	-
Real Estate Credit Notes	31	31	-	-
Debentures	172	171	-	-

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

Notes to the financial statements

(In thousands of Reais)

	2011		2010	
	Carrying value	Market value	Carrying value	Market value
Shares of Investment Funds	8,049	8,359	27,729	34,978
Variable-income securities	317	316	2,042	1,339
Shares of public companies	460	458	-	-
Shares of Stocks' Investment Fund	-	-	2,042	1,339
Stock loans	(143)	(142)	-	-
Linked to guarantees provided:	98,383	98,447	-	-
Financial Treasury Bills (LFT)	97,987	98,051	-	-
Certificates of Bank Deposit - CDB	396	396	-	-
Available-for-sale securities	-	-	102,776	126,680
Free	-	-	43,013	66,953
Fixed-income securities:	-	-	39,650	40,191
Financial Treasury Bills (LFT)	-	-	33,377	33,918
Certificates of Bank Deposit - CDB	-	-	6,215	6,215
Debentures	-	-	58	58
Variable-income securities:	-	-	3,363	26,762
Shares of public companies	-	-	5,356	28,797
Stock Loans	-	-	(1,993)	(2,035)
Subject to guarantees provided:	-	-	59,763	59,727
Shares of public companies	-	-	144	99
Financial Treasury Bills (LFT)	-	-	20,385	20,394
Certificates of Bank Deposit - CDB	-	-	39,234	39,234
Total	<u>210,646</u>	<u>211,086</u>	<u>132,547</u>	<u>162,997</u>
Current assets		<u>211,228</u>		<u>80,269</u>
Long-term assets		<u>-</u>		<u>84,763</u>
Current liabilities		<u>(142)</u>		<u>(2,035)</u>

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

Notes to the financial statements

(In thousands of Reais)

Securities classified in the “Trading Securities” category maturing in more than 12 months are classified as current assets as determined in the BACEN Circular 3,068/01.

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

6 Derivative financial instruments

	2011		2010	
	Carrying value	Market value	Carrying value	Market value
Total	-	-	4,823	4,823
Options:				
Sold Position				
Shares (a)	-	-	-	-
Forward				
Forward sales receivable	-	-	4,823	4,823

(a) The market value from the open position of stock options to be paid on December 31, 2011 is below R\$1.

The notional amounts of the derivative contracts are recorded in memorandum accounts and market values recorded in balance sheet accounts, with gains and losses recorded in profit or loss accounts.

The fair value of derivative financial instruments, composed of futures, options and forward operations is determined in accordance with the following criteria:

- **Futures:** based on adjustments recognized/paid daily;

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- **Forwards:** using the spot market quoted value, and amounts payable or receivable are schedule for a future date adjusted to present value based on market rates published by BM&FBOVESPA S.A.; and;
- **Options:** trading closing price as of the day of determination 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, are shown as follows:

	2011	2010
Options Market:		
Short position:		
Shares	<u>(6)</u>	<u>-</u>
Forward market:		
Long position:		
Forward purchase of shares receivable	<u>-</u>	<u>4,823</u>
Total	<u>(6)</u>	<u>4,823</u>

The amounts of net revenues and expenses with derivative financial instruments for the semester are shown as follows:

	2nd semester		
	2011	2011	2010
Forward contracts	(2)	270	1,606
Option contracts	(23)	(50)	(97)
Futures contracts	<u>(394)</u>	<u>(468)</u>	<u>(167)</u>
Total	<u>(419)</u>	<u>(248)</u>	<u>1,342</u>

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7 Securities trading and brokerage accounts

	<u>Other receivables</u>		<u>Other liabilities</u>	
	2011	2010	2011	2010
Cash and settlement record	523,296	-	535,456	45,937
Debtors/Creditors for outstanding settlement	95,832	168,022	297,048	282,376
Payable for stock loans	-	-	142	2,035
Other	-	-	106	6
	<u>619,128</u>	<u>168,022</u>	<u>832,752</u>	<u>330,354</u>

8 Taxes and Contributions to compensate

	2011	2010
Income tax and social contribution to compensate	<u>3,725</u>	<u>2.772</u>

9 Other receivable and other liabilities - Others

	2011	2010
Other receivables		
Other advances and prepayments	32	29
Debtors for deposits in guarantee	67	50
Advances for fixed assets	274	-
Advances for payments of our account	386	-
Debtors for acquisition of assets	134	-
Other receivable	786	81
Deferred tax assets	<u>2,535</u>	-
	<u>4,214</u>	<u>160</u>

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Other liabilities

Personnel expenses payable (a)	17,333	8,766
Rentals and condominiums	557	269
Suppliers	1,785	1,701
Data processing	118	170
Communications	267	254
Various creditors - domestic	382	-
Related Parties	1,712	-
Independent agents	6,338	-
Provision for contingent liabilities (Note 17)	70	-
Commercial Leasing	-	511
Others	175	96
	<u>28,737</u>	<u>11,767</u>

(a) As of December 31, 2011, it substantially refers to the provision for vacation payable and thirteenth month salary. In 2010, it substantially refers to employees' profit sharing.

10 Others liabilities - Tax and Social Security

	2011	2010
Deferred income tax and social contribution	52	9,561
Taxes and contributions on outsourced services	299	181
Taxes and contributions on salary	982	3,155
Others (a)	2,072	1,092
	<u>3,405</u>	<u>13,989</u>
Current	3,353	4,428
Noncurrent	52	9,561
	<u>3,405</u>	<u>13,989</u>

(a) Refers substantially to ISS, PIS and Cofins to pay.

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11 Other assets

On April 1, 2011 the Company engaged the services of Wolwacz & Ruschel Ltda. ("WR"), company which operates in the educational area teaching financial market-related courses, in order to hold educational events related to its operation. The events include, but are not limited to, courses, seminars, workshops and lectures. The performance of these events comprises the creation, promotion and organization of the event by WR, including all of their inherent costs.

In addition to these services, WR provides operating strategy projects to the variable-income market which may be incorporated as tools to be used by all of the Company's clients in the *home broker* application. In addition, it is also part of its educational services the promotion of the Company's brand and the recommendation of the latter to the attendees of the courses performed by WR, who show interest in performing operations in the financial market.

According to the aforementioned contract, the Company paid the amount of R\$5,250, expense of which has been amortized over the term of the contract, which lasts 10 years.

12 Income tax and social contribution

a. Deferred taxes

On December 31, 2011 the Company recorded a provision in the amount of R\$52 for deferred income and social contribution taxes on unrealized gains on securities and R\$2,535 for tax credits for income tax and social contribution on provisions. These amounts were recorded, respectively, in the "Other tax and social security liabilities" and "Other receivables - Other - Deferred tax assets" accounts.

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b. Conciliation of income tax and social contribution

	Semester ended December 31, 2011		Year ended December 31, 2011		Year ended December 31, 2010	
	Social Contribution	Income Tax	Social Contribution	Income Tax	Social Contribution	Income Tax
Earnings before taxes and social contribution and participation	31,220	31,220	48,064	48,064	29,371	29,371
Employee participation on profit	(15,329)	(15,329)	(28,061)	(28,061)	(20,743)	(20,743)
Profit before taxation	15,891	15,891	20,003	20,003	8,628	8,628
Permanent additions	766	766	1,010	1,010	403	403
Temporary additions - Assets	6,338	6,338	6,338	6,338	-	-
Temporary additions - Liabilities	3,834	3,834	4,006	4,006	-	-
Permanent exclusions	(1,457)	(1,457)	(3,260)	(3,260)	(1,323)	(1,323)
Temporary exclusions - Liabilities	(478)	(478)	(4,136)	(4,136)	-	-
Income before semiannual adjustments	24,894	24,894	23,961	23,961	7,708	7,708
Adjustment for tax loss in the first semester	(933)	(933)	-	-	-	-
Income tax and social contribution calculation basis	23,961	23,961	23,961	23,961	7,708	7,708
Income tax and social contribution calculated 15%	(3,594)	(3,594)	(3,594)	(3,594)	(1,156)	(1,156)
Additional income tax 10%	-	(2,373)	-	(2,373)	-	(747)
(-) Workers' Meal Program (PAT) incentive (R\$1.99) - Up to 4%	-	27	-	27	-	23
(-) ROUANET Law sponsorship - Article 18 (Specific Activities)	-	44	-	44	-	-
(-) Audiovisual incentive - Funcine - Up to 4%	-	-	-	-	-	45
(-) Audiovisual incentive - Law 8685/1993 - Up to 4%	-	100	-	100	-	-
Current Income Tax and Social Contribution on income for the period	(3,594)	(5,796)	(3,594)	(5,796)	(1,156)	(1,835)
Deferred Income Tax and Social Contribution on income for the period	(20) ⁽¹⁾	(32) ⁽²⁾	(543) ⁽¹⁾	(891) ⁽²⁾	-	-
Deferred tax asset	951	1,585	951	1,585	-	-
Total Income Tax and Social Contribution	(2,663)	(4,243)	(3,186)	(5,102)	(1,156)	(1,835)

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(1) This value is set to R\$523 related to deferred tax provision of the 1st semester of 2011

(2) This value is set to R\$859 related to deferred tax provision of the 1st semester of 2011

13 Shareholders' equity

a. Capital

On December 31, 2011, the capital is represented by 266,308,435 common shares and 266,300,827 Class C preferred shares, with no par value. On December 31, 2010, it was represented by 175,000,000 common shares, 30 Class A preferred shares and 174,995,000 Class C preferred shares, with no par value.

On April 30, 2010, it was decided on General Meeting the redemption of the capital reserve account from all 30,000 Class B preferred shares issued by the Company, removing them definitely from circulation, without capital reduction, under article 44, paragraph 6 of Law 6404/76. The redeemed shares were paid in cash, in national currency, at a total redemption price of R\$ 5,992.

On August 2, 2011, the Company sold the position it had of BM&FBOVESPA S.A. shares for approximately R\$17,670, which produced a realized gain of R\$14,512 for the period, and, on that date, the transfer of the remaining balance of R\$8,707, previously recorded in the equity account "Adjustment to market value to Income", net of tax effects.

On August 5, 2011, the Extraordinary General Meeting approved the distribution and payment of dividends in the amount of R\$ 11,241 to the shareholder holding Class A preferred shares, due to the net amount realized on the sale of the shares of BM&FBOVESPA S.A. After the payment settlement of dividends, all Class A preferred shares were redeemed by the shareholder and extinguished from that date on.

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 the 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.

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b. Capital increase

The General Meeting approved a capital increase of R\$ 3,000 on April 30, 2010, from which: (a) R\$ 1,510 were immediately paid-up in national currency; and (b) R\$ 1,490 were paid-up in August, 2010. The Central Bank of Brazil approved it on August 3, 2010.

In compliance with Resolution N° 3,605 from August 29, 2008 of the Central Bank of Brazil, on December 1, 2010, it was approved at an Extraordinary General Meeting the capital increase in the amount of R\$ 4,754, without the issuance of new shares, with capitalization of Capital Reserves. The capital increase took effect in February 2011 and is recorded in a specific account in the shareholder's equity up to the Central Bank of Brazil's approval.

The General Meeting approved on July 7, 2011 a capital increase of R\$ 20,000, through the issuance of 182.614.262 (one hundred eighty-two million, six hundred and fourteen thousand, two hundred sixty-two) registered shares with no par value, from which 91,308,435 (ninety-one million, three hundred and eight thousand, four hundred thirty-five) common shares, and 91,305,827 (ninety-one million, three hundred and five thousand, eight hundred twenty-seven) Class C preferred shares. This capital increase carried out in the underwriting of government bonds recorded under Securities Linked to Central Bank is subject to the approval of the Central Bank of Brazil and, in accordance with Circular 2750/90, is recorded in a separate account in shareholders' equity until its approval occurs.

c. Legal reserve

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

d. Statutory reserve

By laws reserve is stated at the remaining net income balance recorded in balance sheet after legal distributions.

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.

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The mandatory minimum dividends were calculated and accrued as follows:

	2011	2010
Net profit at year-end	11,715	5,637
(-) Statutory reserve (5%)	<u>(587)</u>	<u>(282)</u>
Calculation basis for mandatory minimum dividends	<u>11,128</u>	<u>5,355</u>
Mandatory minimum dividends (25%)	2,782	1,339
Fixed dividend paid during the period	<u>(11,241)</u>	<u>-</u>
Proposed dividend	<u><u>500</u></u>	<u><u>1,410</u></u>

14 Service fee income

	2nd Semester 2011	2011	2010
Income from investment fund management	3,544	6,095	2,062
Income from brokerage in stock exchange operations	79,073	144,211	128,031
Income from commissions in the placement of securities	7,972	13,342	2,789
Income from custodial services	2,992	5,144	3,376
Others	<u>1,789</u>	<u>2,859</u>	<u>3,805</u>
	<u><u>95,370</u></u>	<u><u>171,651</u></u>	<u><u>140,063</u></u>

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15 Other operating income

	2nd Semester 2011	2011	2010
Remuneration from margin account (a)	7,382	13,592	9,917
Dividends received	82	1,885	1,322
Interest on shareholders' equity	105	136	330
Other	<u>5,653</u>	<u>6,073</u>	<u>461</u>
	<u><u>13,222</u></u>	<u><u>21,686</u></u>	<u><u>12,030</u></u>

(a) Income generated by the remuneration of 0.3% per day on the balance used by the client of the margin account provided by the Company to its clients.

16 Other administrative expenses

	2nd Semester 2011	2011	2010
Utilities (water, electricity and gas)	340	584	446
Rents	4,155	6,879	4,445
Communications	2,857	5,693	4,979
Data processing	12,228	21,239	12,377
Financial system services (b)	54,433	95,001	76,189
Outsourced services	6,435	11,357	16,417
Travel and transport	1,439	2,081	1,097
Other (a)	3,242	4,258	2,542
Amortization	671	1,312	1,298
Depreciation	<u>869</u>	<u>1,727</u>	<u>1,734</u>
	<u><u>86,669</u></u>	<u><u>150,131</u></u>	<u><u>121,524</u></u>

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- (a) Composed mainly of maintenance, preservation of property, material, power of attorneys, advertising and publicity costs.
- (b) Refers basically to expenses with Independent Agents.

17 Provisions and contingent liabilities

The Company is a party to proceedings of labor, tax and civil nature. Based on opinions of its legal advisors, the Company records provisions for losses in the actions assessed as having chances of probable loss.

Contingent liabilities recorded

The Company is a party to a labor proceeding which began on December 17, 2008 which was initially assessed as having chances of remote loss. In 2011, the Company's internal legal advisors classified the aforementioned case as having chances of probable loss. Accordingly, the Company's Management recorded a provision in the amount of R\$70, corresponding to the amount involved in the case.

Contingent liabilities not recorded

The Company is administratively challenging the notices of infringement from the Municipality of Rio de Janeiro, the updated value of which, on December 31, 2011, is R\$ 563. This amount refers to Services Tax - ISS levied on brokerage fees from January 1998 to December 2003. Management did not record provision for the aforementioned contingencies, based on its legal advisors' opinion, which classifies the likelihood of the Company's proceedings as probably successful.

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18 Related party transactions

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

These transactions include (i) 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 services in the areas of Information Technology and Data Processing.

During the semesters ended December 31, 2011 and 2010, the Company carried out the following transactions with the related parties:

	<u>2nd Semester 2011</u>		<u>2011</u>		<u>2010</u>	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Entities:						
XP Educação Assessoria Empresarial e Participações Ltda.						
Suppliers	(869)	-	(869)	-	(384)	-
Technical advisory expenses	-	(1,551)	-	(4,430)	-	(10,272)
XP Finance Desenvolvimento de Negócios Ltda.						
Technical advisory expenses	-	-	-	-	-	(527)
XP Gestão de Recursos Ltda.						
Suppliers	(1)	-	(1)	-	-	(1,739)
Fund management expenses	-	(178)	-	(1,399)	-	-
Tecfinance Informática e Projetos de Sistemas Ltda.						
Suppliers	(1,820)	-	(1,820)	-	(637)	-
Systems development and maintenance expenses	-	(5,853)	-	(11,507)	-	(4,554)
	<u>(2,690)</u>	<u>(7,582)</u>	<u>(2,690)</u>	<u>(17,336)</u>	<u>(1,021)</u>	<u>(17,092)</u>

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	2nd Semester 2011		2011		2010	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
Investment funds:						
XP BTG Pactual Seleção Fundo de Investimento em Cotas de Fundo de Investimento	-	1	-	18	6,295	295
XP Moderado Fundo de Investimento em Cotas de Fundo de Investimento	-	2	-	48	1,122	102
XP Long Short Fundo de Investimento em Cotas de Fundo de Investimento	-	-	-	94	2,008	321
XP Pilgrim Fundo de Investimento Multimercado Crédito Privado	-	-	-	1,071	-	-
XP Arbitragem Fundo de Investimento Multimercado	-	-	-	631	11,268	1,268
XP Unique Fundo de Investimento Multimercado Crédito Privado	-	-	-	308	6,671	1,242
XP Investor 30 Fundo de Investimento em Ações	-	-	-	(5)	409	10
XP Ações Fundo de Investimentos em Ações	-	-	-	(31)	412	12
XP Multi Investor Small Caps	-	-	-	7	(518)	18
TOTAL	-	3	-	2,141	28,185	3,268
Remuneration of key management personnel:	-	-	-	-	-	-
Management fees	-	(245)	-	(499)	-	(643)

19 Profit sharing program

The Company has a profit sharing program for its employees and officers. During the year ended December 31, 2011, it was determined for distribution purposes the amount of R\$28,061 (2010: R\$20,743).

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20 Operating limits (Basel Agreement)

Financial institutions must maintain shareholders' equity compatible with the risk level of their assets, weighted by risk factors defined in the National Monetary Council (CMN) Resolution 2,607/99 and supplementary BACEN regulation. The main limits are presented as follows:

	<u>December 31, 2011</u>		
	Requirement	Status	Margin/ (insufficiency)
Basel - Total (b)	35,816	35,516	(300)
Permanent assets (a)	17,758	13,102	4,656
Minimum realized capital (b)	1,500	29,505	28,005

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

(b) The requirement refers to the minimum permitted limit.

The Company presents insufficiency ratio in relation to Basel - Total. Management believes that this situation will be resolved during next year.

21 Other information

- Securities, including derivative financial instruments and interbank investments are kept under the custody of CBLC, SELIC or BM&FBOVESPA S.A., except shares of investment funds whose records are maintained by the respective Fund Administrators.
- The balance accounted for in other deposits derives from investment deposits made by the Company's customers.

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22 Subsequent events

- a. On January 3, 2012, the Extraordinary General Meeting decided to increase the Company's capital in R\$10,000, by means of cash injection of this amount, through the issuance of 122,083,310 registered shares, with no par value, being 61,042,527 common shares and 61,040,783 Class C preferred shares. This Extraordinary General Meeting is subject to approval by the Central Bank of Brazil.
- b. On January 21, 2011, the Company completed the incorporation of the customers portfolio of Senso Corretora de Câmbio e Valores Mobiliários S.A., which corresponded to an increase of around 2,500 active clients and 60 investment clubs. This transaction did not generate cash disbursement by the Company.
- c. On January 27, 2011, the Company finalized the negotiations for the incorporation of the customers' portfolio of Prime Corretora. The Management expects the occurrence of the effective incorporation on April 23, 2012. This transaction did not generate cash disbursement by the Company.

* * *

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