

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

*(Convenience Translation into English from  
the Original Previously Issued in Portuguese)*

*Financial Statements for the  
Year Ended December 31, 2012 and  
Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

XP INVESTIMENTOS CORRETORA DE CÂMBIO, TÍTULOS E VALORES  
MOBILIÁRIOS S.A.

FINANCIAL STATEMENTES  
DECEMBER 31, 2012 AND 2011

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

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## **Management Report**

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

We are pleased to submit to you our financial statements for the year ended December 31, 2012 and 2011, and the independent auditors' report thereon.

We hereby inform you that we have maintained our operational policy in the period. In accordance with the regulations issued by the Central Bank of Brazil, we are entirely at your disposal for any further information you may need.

### **Risk management**

Risk management is structured as a function fully independent from the business functions, reporting directly to the top management, to ensure there is no conflict of interests and a segregation of duties consistent with good corporate governance and market practices.

Our organizational structure is outlined according to the recommendations proposed by the Basel Accord, formalizes the policies, procedures, and methodology consistent with our risk appetite and business strategy, and monitors the different risks inherent to the operations and/or processes, including the market, liquidity, credit, legal, and operational risks.

These risk management processes are also linked to the business continuity management processes, especially as regards the design of impact analyses, continuity plans, disaster recovery plans, backup plans, crisis management, etc.

#### *a. Market risk*

The operations' market risk is managed based on policies, control procedures, and early risk identification in new products and activities, aimed at keeping exposure to market risk within levels that we consider acceptable, and pursuing our business strategy, and not exceeding the limits set by the Risk Committee. Based on the established rules, the purpose of the risk department is to control, monitor and assure the compliance with the pre-established limits, and has the authority to fully or partially reject the requested transactions by immediately notifying the decision to our clients, as well as to intervene in noncompliance events and report all atypical events to the Committee.

*b. Operational risk*

In compliance with Article 4, Par. 2, of National Monetary Council Resolution 3380/2006, of June 27, 2006, we have a project that covers our institutional, process and procedure, systems, and contingency and business continuity plans policies, the policies on how to handle external events, and formalizing the single structure required by the regulator.

Rio de Janeiro, December 31, 2012

The Executive Committee

Members of the Executive Committee

Julio Capua Ramos da Silva  
Guilherme Dias Fernandes Benchimol  
Marcelo Maisonnave de Oliveira  
Henrique de Loyola Rodrigues Alves

Ana Carolina Moraes Padilha  
Accountant  
CRC RJ-080725/O-9

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("Entity"), which comprise the balance sheet as at December 31, 2012, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil applicable to entities authorized to operate by the Central Bank of Brazil (BACEN), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the Entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes 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.

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 at December 31, 2012, and its financial performance and its cash flows for the six-month period and the year then ended, in accordance with accounting practices adopted in Brazil applicable to entities authorized to operate by Banco Central do Brasil – BACEN.

## Other Matters

The amounts corresponding to the year ended December 31, 2011, presented for purposes of comparison, were audited by other independent auditors, and their report thereon, dated March 12, 2012, was unqualified.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, February 1, 2013

  
DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

  
Clodomir Felix Fialho Cachem Junior  
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

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

Balance Sheets  
as at December 31, 2012 and 2011

(In thousands of Brazilian reais - R\$)

Assets	Notes	2012	2011	Liabilities and equity	Notes	2012	2011
<b>Current assets</b>		<u>1,436,168</u>	<u>884</u>	<b>Current liabilities</b>		<u>1,373,654</u>	<u>866,648</u>
Cash and cash equivalents:	4	<u>3,612</u>	<u>757</u>	Other payables:	8	<u>1,373,654</u>	<u>866,648</u>
Interbank investments	5	179,060	41,137	Tax and social security	9	8,591	3,405
Money market investments		<u>179,060</u>	<u>41,137</u>	Collected taxes and similar amounts		8	7
Securities and financial derivative instruments	6	<u>288,147</u>	<u>211,228</u>	Trading account		1,326,127	833,999
Own portfolio		137,507	112,781	Social and statutory			500
Subject to the Central Bank		10,043	21,196	Sundry		38,928	28,737
Linked to guarantees provided		140,597	77,251				
Other receivables:	8	<u>961,930</u>	<u>629,638</u>	<b>Equity</b>	12	<u>83,206</u>	<u>38,257</u>
Income receivable		6,600	2,571	Capital:		<u>69,507</u>	<u>29,504</u>
Trading account		942,963	619,128	Residents in Brazil		59,506	4,750
Sundry		12,367	7,939	Capital increase		10,001	24,754
Other assets:	10			Earnings reserves		13,699	8,753
Prepaid expenses		<u>3,419</u>	<u>1,362</u>				
<b>Long-term assets</b>		<u>3,938</u>	<u>4,940</u>				
Other assets:	10						
Prepaid expenses		<u>3,938</u>	<u>4,940</u>				
<b>Permanent assets</b>							
Property, plant and equipment		<u>16,754</u>	<u>15,843</u>				
Deferred charges		13,697	12,500				
Intangible assets		1,469	2,746				
		1,588	597				
		<u>1,456,860</u>	<u>904,905</u>			<u>1,456,860</u>	<u>904,905</u>

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

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

Income Statements

for the Six Month-period Ended December 31, 2012 and Years Ended December 31, 2012 and 2011

(In thousands of Brazilian reais - R\$, except earnings per share)

	Notes	Six-month period ended 12/31/2012	Years Ended December 31,	
			2012	2011
<b>Revenue from financial intermediation</b>		22,182	47,717	47,984
Securities transactions		21,428	47,391	48,232
Gains (losses) on derivatives	7	754	326	(248)
<b>Expenses on financial intermediation</b>		(11)	(39)	(231)
Funding operations				(4)
Borrowings and onlending		(11)	(39)	(227)
<b>Gross profit from financial intermediation</b>		22,171	47,678	47,753
<b>Other operating income (expenses)</b>		2,588	6,050	311
Service revenue	13	136,192	251,954	172,206
Personnel expenses		(24,608)	(43,810)	(26,898)
Tax expenses		(14,212)	(26,564)	(15,287)
Other administrative expenses	15	(98,863)	(18,910)	(15,131)
Other operating income	14	8,13	17,908	21,686
Other operating expenses		(4,051)	(4,528)	(1,265)
<b>Operating income</b>		24,759	53,728	48,064
<b>Nonoperating income</b>		(1,741)	(2,403)	
<b>Income before taxes on income and profit sharing</b>		23,018	51,325	48,064
<b>Income tax and social contribution</b>	11	(2,096)	(5,319)	(8,288)
Provision for income tax		(3,334)	(6,719)	(6,687)
Provision for social contribution		(2,067)	(4,149)	(4,137)
Deferred tax assets		3,305	5,549	2,536
<b>Profit sharing</b>		(18,071)	(38,260)	(28,061)
<b>Profit for the six-month period/year</b>		2,851	7,746	11,715
<b>Number of shares</b>		1,021,471,033	1,021,471,033	532,609,262
<b>Earnings per share - R\$</b>		0,00	0,01	0,02

The accompanying notes are an integral part of these financial statements.



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

Statements of Changes in Equity

for the Six Month-period Ended December 31, 2012 and Years Ended December 31, 2012 and 2011

(In thousands of R\$)

	Share capital	Capital increase	Capital reserves	Earnings reserves		Mark-to-market - securities	Retained earnings	Total
				Legal reserve	Statutory reserve			
<b>Balance at January 1, 2011</b>	<b>4,750</b>		<b>4,758</b>	<b>847</b>	<b>7,932</b>	<b>14,343</b>		<b>32,630</b>
Capital increase	-	24,754	(4,754)	-	-	-	-	20,000
Realization of reserves	-	-	(4)	-	(2,706)	-	2,706	(4)
Mark-to-market - securities	-	-	-	-	-	(14,343)	-	(14,343)
Profit for the year	-	-	-	-	-	-	11,715	11,715
Allocation of profit:								
Dividends	-	-	-	-	(500)	-	(11,241)	(12,241)
Recognition of reserves	-	-	-	587	2,593	-	(3,180)	587
<b>Balance at December 31, 2011</b>	<b>4,750</b>	<b>24,754</b>	<b>-</b>	<b>1,434</b>	<b>7,319</b>	<b>-</b>	<b>-</b>	<b>38,257</b>
<b>Changes in the year</b>	<b>-</b>	<b>24,754</b>	<b>(4,758)</b>	<b>587</b>	<b>-613</b>	<b>(14,343)</b>	<b>-</b>	<b>5,627</b>
Capital increase	54,756	(14,753)	-	-	-	-	-	40,003
Profit for the year	-	-	-	-	-	-	7,746	7,746
Allocation of profit:								
Dividends	-	-	-	-	-	-	(2,800)	(2,800)
Recognition of reserves	-	-	-	387	4,559	-	(4,946)	-
<b>Balance at December 31, 2012</b>	<b>59,506</b>	<b>10,001</b>	<b>-</b>	<b>1,821</b>	<b>11,878</b>	<b>-</b>	<b>-</b>	<b>83,206</b>
<b>Changes in the year</b>	<b>54,756</b>	<b>(14,753)</b>	<b>-</b>	<b>387</b>	<b>4,559</b>	<b>-</b>	<b>-</b>	<b>44,949</b>
<b>Balance at July 1, 2012</b>	<b>49,504</b>			<b>1,679</b>	<b>10,807</b>			<b>61,990</b>
Capital increase	10,002	10,001	-	-	-	-	-	20,003
Reversal of profit allocation for the first half	-	-	-	(245)	(3,488)	-	4,895	1,162
Mark-to-market - securities	-	-	-	-	-	-	-	-
Profit for the six-month period	-	-	-	-	-	-	2,851	2,851
Allocation of profit:								
Dividends	-	-	-	-	-	-	(2,800)	(2,800)
Recognition of reserves	-	-	-	387	4,559	-	(4,946)	-
<b>Balance at December 31, 2012</b>	<b>59,506</b>	<b>10,001</b>	<b>-</b>	<b>1,821</b>	<b>11,878</b>	<b>-</b>	<b>-</b>	<b>83,206</b>
<b>Changes in the six-month period</b>	<b>10,002</b>	<b>10,001</b>	<b>-</b>	<b>142</b>	<b>1,071</b>	<b>-</b>	<b>-</b>	<b>21,216</b>

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

Statement of Cash Flows

for the Six Month-period Ended December 31, 2012 and Years Ended December 31, 2012 and 2011

(In thousands of R\$)

	Six-month period ended 12/31/2012	Years Ended December 31,	
		2012	2011
<b>Cash flows from operating activities</b>			
Profit for the six-month period/year	2,851	7,746	11,715
Adjustments to profit:			
Depreciation and amortization	2,428	4,637	3,039
Provision for current income taxes and deferred	2,096	5,319	8,288
Participation in statutory profit	18,071	38,260	28,061
	<u>25,446</u>	<u>55,962</u>	<u>51,103</u>
Change in operating assets and liabilities:			
Interbank investments	(37,831)	(84,262)	(50,768)
Securities and derivative financial instruments	(91,035)	(137,923)	(3,303)
Income receivable	(49,912)	(76,919)	(55,716)
Negotiation and intermediation of securities	(3,191)	(4,029)	
Other assets	142,122	168,293	51,292
Other deposits	3,243	(5,483)	(13,851)
Collected taxes and similar amounts	-	-	769
Tax and social security	8	1	6
Derivative financial instruments	(3,042)	(133)	(18,872)
Other	(18,545)	-	-
	<u>(17,479)</u>	<u>(28,069)</u>	<u>(11,093)</u>
<b>Net cash generated by (used in) operating activities</b>	<u>(12,385)</u>	<u>(28,300)</u>	<u>335</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(2,157)	(4,581)	(6,957)
Sale of property, plant and equipment	259	272	228
Sale of intangible assets	55	380	0
Purchase of intangible assets	(677)	(1,619)	(625)
<b>Net cash used in investing activities</b>	<u>(2,520)</u>	<u>(5,548)</u>	<u>(7,354)</u>
<b>Cash flows from financing activities</b>			
Capital increase	20,003	40,003	20,000
Dividends paid	(2,800)	(3,300)	(12,651)
<b>Net cash generated by (used in) financing activities</b>	<u>17,203</u>	<u>36,703</u>	<u>7,349</u>
<b>Increase/(decrease) in cash and cash equivalents</b>	<u>2,298</u>	<u>2,855</u>	<u>330</u>
Cash and cash equivalents at the beginning of the six-month period/year	<u>1,314</u>	<u>757</u>	<u>427</u>
<b>Cash and cash equivalents at the end of the six-month period/year</b>	<u><u>3,612</u></u>	<u><u>3,612</u></u>	<u><u>757</u></u>

The accompanying notes are an integral part of these financial statements.

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**XP INVESTIMENTOS CORRETORA DE CÂMBIO, TÍTULOS E VALORES MOBILIÁRIOS S.A.**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Amounts in thousands of Brazilian reais)

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1. GENERAL INFORMATION

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (“Entity”) is a private corporation engaged in conducting transactions on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (“BM&FBOVESPA S.A.”) (São Paulo Stock and Mercantile Exchange), for own account or on behalf of third parties, and the management of investment portfolios and clubs.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Entity’s management is responsible for the financial statements, which have been prepared in accordance with the accounting principles set forth by the Brazilian Corporate Law, Law 6404/76, as amended by Law 11638/07 and Law 11941/09, coupled with the standards and guidelines by the central Bank of Brazil (BACEN), and are presented in accordance with the Standard Chart of Accounts for Financial Institutions (COSIF).

In order to converge to the international financial reporting standards, the Accounting Pronouncements Committee (CPC) issued some standards, and related interpretations, that will only be applicable to financial institutions when approved by the BACEN. The accounting pronouncements already approved by the BACEN are as follows.

- CMN Resolution 3566/08 - Impairment of Assets (CPC 01).
- CMN Resolution 3604/88 - Statement of Cash Flow (CPC 03).
- CMN Resolution 3750/09 - Related-Party Disclosures (CPC 05).
- CMN Resolution 3823/09 - Provisions, Contingent Assets and Contingent Liabilities (CPC 25).
- CMN Resolution 3973/11 - Events after the Reporting Period (CPC 24).
- Resolution 3989/11 - Share-based Payment (CPC 10).
- Resolution 4007/11 - Accounting Policies, Changes in Accounting Estimates and Errors (CPC 23).

- Resolution 4144/12 - Conceptual Framework (R1) issued by the Accounting Pronouncements Committee (CPC), applicable when it does not conflict with the standards issued by the Central Bank of Brazil's National Monetary Council.

To date, it is not possible to estimate when other CPC pronouncements will be approved by BACEN.

The financial statements were approved by the Executive Committee and authorized for issue on January 31, 2013.

- Reclassification of the comparative financial statements for the year ended December 31, 2011:
  - (a) Pursuant to Central Bank of Brazil Circular Letter 3554, of May 18, 2012, the accounting line items and sub-line items created to record deposited amounts for investments exempt from the Tax on Banking Transactions (CPMF) are extinct from this date onward, and are Standard Chart of Accounts for Financial Institutions (COSIF). The balances rerecorded as at December 31, 2011 in line item 'Other deposits' amounting to R\$1,247 have been reclassified, pursuant to said Central Bank Circular Letter, to trading accounts, which represent better the substance of the transaction, thus being part of the trading account liability balances.
  - (b) The balance of line item 'Social and statutory payables' amounting to R\$52 as at December 31, 2011 that refers to payables for deferred taxes payable was reclassified to current liabilities because they will be settled within the same fiscal year.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis.

#### b. Current and long-term assets

##### Interbank investments

Carried at the investment or acquisition amount plus income earned through the end of the reporting period.

##### *Securities*

Classified into three specific categories based on a set of security portfolio recognition and valuation criteria prescribed by BACEN Circular 3068/01, according to Management's intent, observing the following accounting criteria:

- Trading securities - securities acquired for the purpose of being actively and frequently traded are adjusted to fair value, as a balancing item to profit or loss.

- Available-for-sale securities - securities that are not classified as ‘Trading securities’ or ‘Held-to-maturity securities’. These securities are market to market and any valuation gains, net of taxes, are recorded in a separate account of equity. When realized, gains and losses are recorded in profit or loss.
- Held-to-maturity securities - securities that Management has the positive intent and ability to hold to maturity and carried at cost, plus income earned, as a balancing item to profit or loss for the period.

*Derivative financial instruments (assets and liabilities)*

Derivative transactions undertaken by the Entity are accounted for in the balance sheet and the notional amount of the underlying contracts is recognized in memorandum accounts. The adjustments to futures contracts are determined on a daily basis per type of asset and the related maturity is recognized in profit or loss for the period. Forward transactions are recorded at their spot market quotation amounts and the installments receivable or payable on a future date are adjusted to present value. Option premiums are accounted for at cost and marked to market.

*Share loans and stock short position*

Share loans (Entity as a borrower) and stock short position refer to transactions conducted on the stock and mercantile exchange (BM&FBOVESPA) and are valued at the average market sales prices of the underlying, based on inputs disclosed by several professional associations and stock, commodities and futures exchanges, plus commissions, costs, and financial charges incurred through the end of the reporting period, where applicable.

*Trading account (payables and receivables)*

Consist of transactions conducted on the stock and mercantile exchange on behalf of third parties. Brokerage fees earned on these transactions are classified as revenue, and the cost of services is recognized upon the realization of the transactions.

*Client deposit on account of stock exchange transactions and investments*

Consist of client deposits on account of stock exchange transactions and investments to be made by the Entity. They are carried at the actual deposit amount, less payments already made on the stock exchange and investments. These amounts are not adjusted for inflation.

c. Fair value measurement

The fair value measurement methodology (probable realizable value) of securities and derivatives is based on the economic scenario and pricing models developed by Management and include capturing average market prices, data disclosed by different professional associations, stock, commodities and futures exchanges, applicable at the end of the reporting period. Therefore, when these items are financially settled, actual results may differ from estimates.

d. Prepaid expenses

Refer to amounts paid for benefits or services are expected in the future, and are recognized in assets on the accrual basis.

e. Non operating revenues

Refer to results unrelated to the operating activities of the company like alienation of fixed and intangible assets. The balances recorded in the year ended December 31, 2012 consist substantially of expenses adherence to lease agreements.

f. Permanent assets

*Property, plant and equipment*

Carried at purchase cost. Depreciation is calculated on a straight-line basis at annual rates that reflect the estimated useful lives of assets.

*Deferred charges*

Deferred charges incurred on organization and expansion refer basically to leasehold improvements and the purchase of software, and are recorded at purchase or production cost, less amortization, which is calculated on a straight-line basis at rates that take into consideration the useful lives of the intangible assets or the lease terms.

Pursuant to CMN Resolution 3617/08, financial institutions are required to recorded in deferred charges only the preoperating expenses and the restructuring costs that will effectively contribute to the increase in profits in more that one fiscal year, and that are not result solely in a cost reduction or an increase in operating efficiency. This Resolution also allows balances existing at September 30, 2008 to be maintained until they are effectively written off.

*Intangible assets*

Consist of software purchased from third parties and are carried at costs, less accumulated amortization. Amortization is calculated on a straight-line basis at annual rates that reflect the estimated useful lives of the assets.

g. Impairment of assets

CPC 01 (R1) - Impairment of Assets requires that entities periodically test for impairment their prepaid expenses, property, plant and equipment, deferred charges, and intangible assets.

Impairment of nonfinancial assets is recognized as a loss when the book value of an asset or a cash-generating unit is higher than its recoverable amount or realizable value. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recorded in the profit or loss for the period in which they were identified, when applicable.

Nonfinancial assets are tested for impairment at least annually to determine if there is any indication that such assets might be impaired.

Accordingly, in the compliance with the relevant standards, Management is not aware of any material adjustment that would be required to reflect the impairment of the amounts recorded as prepaid expenses, property, plant and equipment, deferred charges, and intangible assets at December 31, 2012.

h. Current and long-term liabilities

Carried at known or estimated amounts, plus charges, inflation adjustment and/or exchange rate changes incurred through the end of the reporting periods, when applicable.

i. Contingent assets and contingent liabilities, provisions and legal obligations

The recognition, measurement and disclosure of contingent assets and contingent liabilities and legal obligations are performed in conformity with the criteria set forth by the CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3823/09, as described below:

- Contingent assets: are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals.
- Provision for contingencies: assessed by the legal counsel and management taking into consideration the likelihood of loss in administrative or court proceedings that could result in disbursements that can be reliably measured. Provisions are recognized for proceedings classified as probable losses by the legal counsel and disclosed in notes.
- Contingent liabilities: are uncertain and contingent upon future events for the likelihood of cash disbursements; however, they are not accrued but disclosed if classified as possible losses, and are neither accrued nor disclosed if classified as remote losses.
- Legal obligations (tax and social security): refer to lawsuits challenging the legality and constitutionality of certain taxes and contributions. The amount under litigation is quantified, accrued and adjusted on a monthly basis.

j. Income tax and social contribution

The provision for income tax is calculated at the rate of 15% plus a 10% surtax on annual taxable income exceeding R\$240. The provision for social contribution is calculated at the rate of 15%.

The Entity recognized deferred taxes on temporary differences at a 25% rate for income tax and a 15% rate for social contribution.

k. Use of estimates

The preparation of financial statements in conformity with accounting practices adopted in Brazil requires Management to use judgment in making and recording accounting estimates. The significant assets and liabilities subject to these estimates and assumptions include the provision for contingent liabilities and the valuation allowance of securities and derivatives. The settlement of transactions involving these estimates may result in amounts that are different from estimated ones due to the inaccuracy inherent in the calculation process. The Entity periodically reviews these estimates and assumptions.

l. Earnings per share

Earnings per share disclosed in the income statement are calculated based on the number of shares outstanding at the end of the reporting period.

4. CASH AND CASH EQUIVALENTES

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	3,612	757
Bank deposits	<u>3,612</u>	<u>757</u>
	<u>3,612</u>	<u>757</u>

5. INTERBANK INVESTMENTS

	<u>2012</u>	<u>2011</u>
<b>Money-market investments</b>	<b>179,060</b>	<b>41,137</b>
<b>Own portfolio</b>	<b>179,060</b>	<b>41,137</b>
National Treasury Bills	179,060	3,139
National Treasury Notes		37,998
	<u><b>179,060</b></u>	<u><b>41,137</b></u>
Current assets	179,060	41,137
	<u><b>179,060</b></u>	<u><b>41,137</b></u>

As at December 31, 2012, money market interbank investments mature on the first business day of the subsequent and yield an average fixed rate of 7.23% per year.



## 6. SECURITIES

## a) Long position

	2012		2011	
	Cost	Market	Cost	Market
<b>Securities</b>	<b>286,997</b>	<b>288,147</b>	<b>210,789</b>	<b>211,228</b>
<b>Trading securities</b>	<b>286,997</b>	<b>288,147</b>	<b>210,789</b>	<b>211,228</b>
<b>Own portfolio</b>	<b>136,988</b>	<b>137,507</b>	<b>112,406</b>	<b>112,781</b>
<i>Fixed-income securities</i>	<i>94,007</i>	<i>94,379</i>	<i>103,897</i>	<i>103,964</i>
National Treasury Bills	211	212	2,047	2,074
Treasury Financial Bills	72,356	72,813	100,336	100,385
National Treasury Notes – B series	19,337	19,247	708	700
National Treasury Notes – F series	34	38	168	168
Bank Certificates of Deposit	1,758	1,758	435	435
Real Estate Credit Notes			31	31
Real estate receivables certificates	191	191		
Debentures	120	120	172	171
<i>Variable-income securities</i>	<i>1,186</i>	<i>1,184</i>	<i>460</i>	<i>458</i>
Shares of publicly held companies	866	866	460	458
Received from loans	320	318		
<i>Mutual fund units</i>	<i>41,795</i>	<i>41,944</i>	<i>8,049</i>	<i>8,359</i>
Balanced Funds	40,727	40,727	7,978	8,288
Real Estate Funds	1,000	1,149		
Funcine	68	68	71	71
<b>Linked to Central Bank</b>	<b>9,936</b>	<b>10,043</b>	<b>21,189</b>	<b>21,196</b>
Treasury Financial Bills	9,936	10,043	21,189	21,196

	2012		2011	
	Cost	Market	Cost	Market
<b>Linked to guarantees provided</b>	<b>140,073</b>	<b>140,597</b>	<b>77,194</b>	<b>77,251</b>
<i>Fixed-income securities</i>	140,011	140,535	77,194	77,251
Treasury Financial Bills	127,356	127,954	76,798	76,855
National Treasury Notes – B series	12,655	12,581		
Bank Certificates of Deposit	-	-	396	396
<i>Other</i>	62	62	-	-
Guarantees in cash	62	62	-	-
	<u>286,997</u>	<u>288,147</u>	<u>210,789</u>	<u>211,228</u>
Current assets	286,997	288,147	210,789	211,228
Long-term receivables	-	-	-	-
	<u>286,997</u>	<u>288,147</u>	<u>210,789</u>	<u>211,228</u>

Held-for-trading securities and derivatives whose maturities exceed 12 months are classified in current assets, as prescribed by BACEN Circular 3068/01.

The fair values of securities are based on their quotation at the end of the reporting period. When there is no market price quotation, amounts are estimated based on dealers' quotations or pricing models.

Securities, including derivatives and interbank investments, are under the custody of CBLC, CETIP, SELIC, or BM&FBOVESPA S.A., except for investment fund units, which are recorded by the related administrators.

b) *Short position*

	2012		2011	
	Cost	Market	Cost	Market
<b>Securities</b>	<b>396</b>	<b>399</b>	<b>143</b>	<b>142</b>
<b>Trading securities</b>	<b>396</b>	<b>399</b>	<b>143</b>	<b>142</b>
<b>Short position</b>	<b>396</b>	<b>399</b>	<b>143</b>	<b>142</b>
<i>Variable-income securities</i>	396	399	143	142
Shares of publicly held companies - short position	76	81	-	-
Share loans (Entity as borrower)	320	318	143	142
	<b>396</b>	<b>399</b>	<b>143</b>	<b>142</b>
Current liabilities (*)	396	399	143	142
Long-term liabilities	-	-	-	-
	<b>396</b>	<b>399</b>	<b>143</b>	<b>142</b>

Stock and share loans short position are stated in liabilities, in line item ‘Other payables – Trading account’ (note 8.a).

Share borrowings refer to transactions with variable-income securities classified in current liabilities, in line item ‘Trading account’. Securities have been valued at the average quotations disclosed by the BM&FBOVESPA at the end of the reporting period.

## 7. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts of derivative contracts are recorded in memorandum accounts and gains and losses on derivative transactions are recorded in balance sheet accounts, as balancing items to profit or loss.

The fair values of derivatives, consisting of futures, options, and forward transactions are measured using the following criteria:

- Futures - based on adjustments allocated/paid on a daily basis.
- Forwards - at their spot market quotation amounts and fixed installments receivable or payable on a future date are adjusted to present value using market rates disclosed by BM&FBOVESPA S.A.
- Options - average trading price effective on the calculation day or, when this is not available, based on pricing models.

The net income and expenses for six-month period on derivatives are as follows:

	<u>Second half of 2012</u>	<u>2012</u>	<u>2011</u>
<b>Derivative financial instruments</b>			
Options	104	(42)	(50)
Futures	(329)	(596)	(468)
Forward transaction	979	964	270
	<u><b>754</b></u>	<u><b>326</b></u>	<u><b>(248)</b></u>

Even though the Entity determined gains or losses on derivatives, these assets' carrying amount is nil at the end of the reporting period.

## 8. OTHER RECEIVABLES AND OTHER PAYABLES

### a. Trading account

	<u>2012</u>		<u>2011</u>	
	Assets	Liabilities	Assets	Liabilities
Clearinghouse transactions	765,723	872,633	523,296	535,456
Payables/receivables for pending settlement	177,220	453,089	95,832	297,048
Commissions and brokerage fees payable		6		
Receivables from share loans		318		142
Investment deposits				1,247
Other (*)	20	81		106
	<u><b>942,963</b></u>	<u><b>1,326,127</b></u>	<u><b>619,128</b></u>	<u><b>833,999</b></u>

(\*) As at December 31, 2012, the amounts carried as 'Other' refer to the variable-income portfolio short position, already disclosed in note 6b (Securities - short position). As at December 31, 2012, refer to commissions and brokerage fees payable.

## b. Sundry

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Salary advances	76	32
Prepaid expenses	309	386
Advances for acquisition of capital goods	14	274
Payables for purchase of assets	80	134
Escrow deposits	375	67
Associates	88	
Other receivables	356	786
Recoverable taxes (i)	2,985	3,725
Deferred tax assets(ii)	8,084	2,535
	<b><u>12,367</u></b>	<b><u>7,939</u></b>
<b>Liabilities</b>	<b>2012</b>	<b>2011</b>
Personnel expenses payable	22,425	17,333
Associates	885	1,712
Provision for contingent liabilities (Note 14)	389	70
Sundry payables	69	382
Other administrative expenses (iii)	15,160	9,240
	<b><u>38,928</u></b>	<b><u>28,737</u></b>

- (i) Refer to income tax and social contribution liabilities for calendars 2012 and 2011, amounting to R\$1,391 and R\$1,069, respectively. There was also an overpayment of Withholding Income Tax (IRRF) in the quarter at hand, amounting to R\$349.
- (ii) Refers to deferred income tax and social contribution assets on temporary differences, as referred to in note 11 (Income Tax and Social Contribution).
- (iii) Refer basically to accrued trade payables in local and foreign currencies totaling R\$2,051, payables to investment contractors and client agents totaling R\$11,420, and other administrative expenses totaling R\$1,687.

In 2012, the Entity entered into a client prospecting and referral service agreement with Interfloat HZ Corretora de Câmbio e Títulos de Valores Mobiliários (“Interfloat”), for which the Entity will pay a share of the earnings from the transactions generated by the clients referred and prospected by Interfloat, over a 48-month period starting October 3, 2011. As at December 31, 2012, the accrued amount is R\$ 127.

9. OTHER PAYABLES - TAX AND SOCIAL SECURITY

	<u>2012</u>	<u>2011</u>
Deferred income tax and social contribution	3,347	52
Taxes and contributions on outside services	392	299
Taxes and contributions on salaries	1,294	982
Other (a)	<u>3,558</u>	<u>2,072</u>
	<u>8,591</u>	<u>3,405</u>
Current	<u>8,591</u>	<u>3,405</u>
	<u>8,591</u>	<u>3,405</u>

a) Refer basically to service tax (ISS) and taxes on revenue (PIS and COFINS) payable.

10. OTHER ASSETS

On April 1, 2011, the Entity engaged Wolwacz & Ruschel Ltda. (“WR”), an educational company that provides courses related to the financial market, to organize educational events related to its business. These events include, but are not limited to, courses, seminars, workshops, and lectures. WR shall be responsible for designing, promoting, and organizing each event, as well as incurring all the related costs.

In addition to these services, WR designs operating strategies for the variable-income market that could be used as tools by all Entity clients in the home broker. WR educational services also include promoting the Entity’s brand and referring it to the participants of the courses it promotes that show interest in conducting transactions in the financial market.

Under the service agreement, the Entity paid R\$5,250, an expense that is being amortized over the agreement period, which is 10 years.

As at December 31, 2012 and 2011, prepaid expenses were broken down as follows:

	<b>2012</b>	<b>2011</b>
Wolwacz & Ruschel Ltda.	4,463	4,987
Advances to suppliers in foreign currency		516
Use licenses	2,812	
Other prepaid expenses	82	799
	<b><u>7,357</u></b>	<b><u>6,302</u></b>
Current	3,419	1,362
Long-term assets	3,938	4,940
	<b><u>7,357</u></b>	<b><u>6,302</u></b>

## 11. INCOME TAX AND SOCIAL CONTRIBUTION

### a. Deferred taxes

In the year ended December 31, 2012, the Entity accrued R\$3,347 (R\$52 for the year ended December 31, 2011) for deferred income tax and social contribution liabilities on unrealized gains on securities, and R\$8,084 (R\$2,535 for the year ended December 31, 2011) for deferred income tax and social contribution assets on temporary differences arising from accrued commissions and bonuses. Deferred tax assets/liabilities are accounted for in 'Deferred tax assets' and 'Other tax and social security payables', respectively.

As required by BACEN Resolution 3059/02, as amended by BACEN Resolution 3355/06. The recognition of tax assets and liabilities ('Deferred tax assets' and 'Deferred tax liabilities') arising on temporary differences must meet all the following conditions: (i) the entity has a history of taxable profit or income for income tax and social contribution purposes, recorded at least in three of the past five fiscal years, including the reporting year; and (ii) the entity expects to generate future taxable profits or income for income tax and social contribution purposes in subsequent periods, based on an entity-specific technical study that shows the likelihood of future taxes payable against which the tax credits can be offset within ten years or less.

b. Origin of deferred tax assets and liabilities

Tax credits	Balance at 12/31/2011	Recognition in the year	Realization in the year	Balance at 12/31/2012
Deferred income tax and social contribution on:				
Accrued agent commissions and bonuses	2,535	4,979	(2,535)	4,979
Mark-to-market of securities				
and derivative financial instruments	-	2,941	-	2,941
Other		164	-	164
Total tax credits				
on temporary differences	2,535	8,084	(2,535)	,084

Deferred tax liabilities	Balance at 12/31/2011	Recognitio n in the year	Realization in the year	Balance at 12/31/2012
Deferred income tax and social contribution on:				
Mark-to-market of securities				
and derivative financial instruments	52	3,347	(52)	3,347
Total deferred tax liabilities				
on temporary differences	52	3,347	(52)	3,347
Total deferred tax assets net of deferred tax liabilities	2,483	4,737	(2,483)	4,737



c. Expected realization of deferred tax assets

Realization within:	Temporary differences		Total deferred tax assets
	Income tax	Social contribution	
Up to one year	5,052	3,032	8,084
Total	5,052	3,032	8,084

Deferred tax assets total R\$8,084 and were calculated based on the expected realization of the temporary differences presented in the table above. These amounts have not been discounted to present value because they will be realized in the short term.

The earnings projections that would allow generating a taxable basis take into consideration macroeconomic assumptions, foreign exchange and interest rates, and the forecast of new financial and other transactions. Actual results could differ from those estimates.

d. Reconciliation of income tax and social contribution

	Second half of 2010	2012	2011
Income before taxes on income	23,018	51,325	48,064
Statutory rate (40%)	(9,207)	(20,530)	(19,226)
Tax effect on employee profit sharing	7,288	15,304	11,224
Other	(177)	(93)	(286)
Income tax and social contribution expenses in profit or loss	<b>(2,096)</b>	<b>(5,319)</b>	<b>(8,288)</b>

- (a) The deferred income tax and social contribution tax assets and the provision for taxes (liabilities) are recognized on temporary differences and reflect the reconciliation of the effective tax rate for the six-month period/year.

## 12. EQUITY

### a. Issued capital

As of December 31, 2012, capital in the amount of R\$59,506 is represented by 510,742,813 common shares and 510,728,220 Class C preferred shares, without par value.

As of December 31, 2011, capital in the amount of R\$4,750 is represented by 266,308,435 common shares and 266,300,827 Class C preferred shares, without par value.

### b. Capital increase

IN compliance with BACEN Resolution 3605, of August 29, 2008, the Extraordinary Shareholders' Meeting held on December 1, 2010 approved a capital increase amounting to R\$ 4,754, without change in the number of shares, through the capitalization of the capital reserve. This decision became effective in February 2011 and the capital was classified in separate line item of equity until it is approved by the Central Bank of Brazil.

On July 7, 2011, the Shareholders' Meeting approved a capital increase amounting to R\$20,000, through the issuance of 182,614,262 registered shares without par value, consisting of 91,308,435 common shares and 91,305,827 Class C preferred shares.

On January 3, 2012, the Shareholders' Meeting approved a capital increase amounting to R\$10,000, through the issuance of 122,083,310 registered shares without par value, consisting of 61,042,527 common shares and 61,040,783 Class C preferred shares.

On April 5, 2012, the Shareholders' Meeting approved a capital increase amounting to R\$10,000, through the issuance of 122,083,310 registered shares without par value, consisting of 61,042,527 common shares and 61,040,783 Class C preferred shares.

On April 24, 2012, the BACEN approved, under administrative decrees, all the capital increases previously approved at the Entity's Extraordinary Shareholders' Meetings held on December 1, 2010, July 7, 2011, and January 3 and April 5, 2012, totaling R\$49,504.

On August 27, 2012, the Extraordinary Shareholders' Meeting approved a capital increase amounting to R\$10,002, through the issuance of 128,352,022 registered shares without par value, consisting of 64,176,928 common shares and 64,175,094 Class C preferred shares. This capital increase was approved by the BACEN, under administrative decrees, on October 9, 2012.

On December 27, 2012, the Extraordinary Shareholders' Meeting approved a capital increase amounting to R\$10,001, through the issuance of 116,343,129 registered shares without par value, consisting of 58,172,396 common shares and 58,170,733 Class C preferred shares. This capital increase, paid in with government securities recognized in line item 'Securities linked to the Central Bank', is subject to BACEN's approval and is classified, pursuant to Circular 2750/97, in a separate line item in equity until it is approved by the regulator.

c. Legal reserve

Recognized as 5% of profit recorded at the end of each reporting period until it reaches 20% of issued capital, as provided for by the Brazilian Corporate Law.

d. Statutory reserve

The statutory reserve is formed by the remaining balance of profit recorded at the end of each reporting period, after all legal allocations.

e. Dividends and interest on capital

Shareholders are entitled to a mandatory minimum dividend equivalent to 25% of profit for the year, after the required allocations.

On July 31, 2012, the Extraordinary Shareholders' Meeting approved the distribution of interim dividends amounting to R\$2,800, based on profit for the period ended June 30, 2012.

Mandatory minimum dividends were calculated and accrued as follows:

	<u>2012</u>	<u>2011</u>
Profit for the year	7,746	11,715
(-) Legal reserve (5%)	<u>(387)</u>	<u>(587)</u>
Calculation basis of minimum mandatory dividends	<u>7,359</u>	<u>11,128</u>
Mandatory minimum dividends (25%)	1,840	2,782
Dividends paid in the period	(2,800)	<u>11,241</u>
Proposed dividends	<u>-</u>	<u>500</u>

On August 5, 2011, the Extraordinary Shareholders' Meeting approved the distribution and payment of dividends amounting to R\$11,241 to the shareholder of a Class A preferred share, resulting from the net amount earned on the sale of BM&FBOVESPA S.A. shares. After the settlement and payment of dividends, the Class A preferred shares were fully redeemed by the shareholder and cancelled on that date.

Class A preferred shares were nonvoting and had preference to the payment of a fixed, noncumulative dividend in an amount corresponding to the new amount earned by the Entity on the sale of the 2,024,068 BM&FBOVESPA S.A. shares. Class C preferred shares are nonvoting and have preference to dividends payments.

## 13. REVENUE FOR SERVICES

	<b>Second half of 2012</b>	<b>2012</b>	<b>2011</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Income from investment fund unit distributions	10,099	15,327	6,095
Income from brokerage fees on stock exchange transactions	82,870	170,209	144,211
Income from security placement commissions	36,938	53,889	13,342
Income from custody services	3,087	6,231	5,144
Income from banking fees		362	555
Other	3,198	5,936	2,859
	<u><b>136,192</b></u>	<u><b>251,954</b></u>	<u><b>172,206</b></u>

## 14. OTHER OPERATING INCOME

	<b>Second half of 2010</b>	<b>2012</b>	<b>2011</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Fines received (a)	7,647	16,549	13,592
Inflation gains	91	215	-
Dividends received	-	-	1,885
Interest on capital	-	-	136
Other	392	1,144	6,073
	<u><b>8,130</b></u>	<u><b>17,908</b></u>	<u><b>21,686</b></u>

(a) Income generated by the 0.3% per day charged on current account negative balances due to the financial settlements of stock exchange transactions originated by clients;

## 15. OTHER ADMINISTRATIVE EXPENSES

	Second half of 2012	2012	2011
	<u>          </u>	<u>          </u>	<u>          </u>
Public utilities (water, power and gas)	411	901	584
Rental expenses	6,014	10,267	6,879
Communication expenses	2,828	4,325	5,693
Asset maintenance and upkeep cost	2,570	4,694	-
Supplies	111	251	-
Data processing expenses	12,928	27,794	21,239
Promotion and public relations expenses	677	1,128	-
Advertising and publicity expenses	2,276	3,676	-
Expenses on publications	53	218	-
Insurance	20	36	-
Expenses on banking services (b)	58,615	113,070	95,001
Outside services	3,472	4,754	11,357
Surveillance and security services	52	77	-
Specialized technical services	4,514	9,129	-
Travel and commuting expenses	1,718	3,609	2,081
Depreciation and amortization	2,428	4,637	3,039
Other administrative expenses	<u>176</u>	<u>344</u>	<u>4,258</u>
Total other administrative expenses	<u>98,863</u>	<u>188,910</u>	<u>150,131</u>

(a) Refers basically to expenses of contractors.

## 16. PROVISIONS AND CONTINGENT LIABILITIES

The entity is a party to labor, tax, and civil lawsuits. Based on the opinion of its in-house legal counsel, the Entity sets up provisions for lawsuits considered probable losses.

*Provision for labor lawsuits*

The Entity is a party to several labor lawsuits. As at December 31, 2012, the Entity is providing for six lawsuit classified as probable losses, amounting to R\$389 (R\$70 at December 31, 2011). The lawsuits classified as possible losses total R\$110.

*Contingent liabilities*

The Entity is challenging, at the administrative level, tax assessment notices issued by the City of Rio de Janeiro, totaling R\$563 at December 31, 2012 without inflation adjustment, related to the ISS (municipal service tax) on brokerage revenue for the period January 1998-December 2003.

The contingent liabilities are uncertain and depend on future events to determine the probable outflow of funds; therefore, it is not provided for, based on the opinion of the Entity's legal counsel, which classified the likelihood of a favorable outcome in these proceedings as probable.

## 17. RELATED-PARTY TRANSACTIONS

### i. Business and contractual transactions with related parties

In the normal course of its business, the XP Group companies conduct business and financial transactions with the Entity. These transactions include: (i) provision of educational, consulting, and business advisory services; (ii) financial consulting and advisory in general; (iii) fund management and the provision of portfolio management services; (iv) provision of information technology and data processing services; and (v) provision of insurance services.

In the years ended December 31, 2012 and 2011, the Entity conducted the following related-party transactions:

	Second half of 2010		2012		2011	
	Assets (liabilities)	Revenue (expenses)	Assets (liabilities)	Revenue (expenses)	Assets (liabilities)	Revenue (expenses)
XP Educação Assessoria Empresarial e Participações Ltda.						
Trade receivables/payables	(23)		(23)		(869)	-
Technical advisory expenses		(461)		(1,410)	-	(4,430)
Tecfinance Informática e Projetos de Sistemas Ltda.						
Trade receivables/payables	(831)		(831)		(1,820)	-
Systems development and maintenance expenses		(5,510)		(12,286)	-	(11,507)
Infostocks Informações e Sistemas Ltda.						
Trade receivables/payables	3		3		-	-
Advertising placement expense		(1,156)		(2,306)	-	-
XP Gestão de Recursos Ltda.						
Trade receivables/payables	28		28		(1)	
Resource management expenses						(1,399)
XP Corretora de Seguros Ltda.						
Trade receivables/payables	26		26		-	-
Technical advisory expenses						
	<u>(797)</u>	<u>(7,127)</u>	<u>(797)</u>	<u>(16,002)</u>	<u>(2,690)</u>	<u>(17,336)</u>

i. Management compensation

	<u>Second half of 201</u>	<u>201</u>	<u>201</u>
	<u>Revenu (expenses</u>	<u>Revenu (expenses</u>	<u>Revenu (expenses</u>
	)	)	)
<b>Compensation of key management personnel</b>			
Management fees	55	89	50
	<u>55</u>	<u>89</u>	<u>50</u>

18. PROFIT SHARING PROGRAM

The Entity has a profit sharing program for its employees. This program is not extended to Management. Profit sharing bonuses are paid in June and December. In the year ended December 31, 2012, profit sharing bonuses paid totaled R\$18,071 for the six-month period and R\$38,260 for the year (R\$28,061 in 2011).

19. XP GROUP PARTNERSHIP

XP Controle Participações S.A. (“XP Controle”), the holding company of the XP Group financial and nonfinancial companies, has a partnership program under which certain executives and strategic partners of the Entity and the other group companies can acquire nonvoting preferred shares.

Currently, 121 shareholders hold all the shares of XP Controle, namely, 88 executives and 33 strategic partners, and the 10 main executives of the XP Group hold approximately 76% of total share capital.

The XP Controle preferred shares can be acquired and paid in cash or in installments. In case of shares acquired in installments, usually settled over a three-year period, installments are adjusted on a daily pro rata basis according to the interbank deposit rate (CDI) fluctuation.

The purchase price of the partnership program preferred shares is set based on their carrying amount, plus a predefined multiple of XP Controle’s EBITDA.

All XP Group partners have cross-shareholdings, under which XP Controle has the right to require them to dispose, at any time, all or part of their stakes in XP Controle, based on the same valuation rule used on the acquisition of equity interest by the partner.

The partnership program shares are entitled to dividends, interest on capital, and any other compensation to which XP Controle shareholders are entitled. However, while the share purchase price is not fully paid, all compensation arising on the shares held are used to amortize the partner’s outstanding balance.



The XP Controle shares virtually have no liquidity because they are not trades in a stock exchange and entail several restrictions to sale or encumbrances, such as preemptive right, drag along, and obligation of not to trade.

Based on the trading history of the partnership program shares and the sale or encumbering restrictions, as well as the lack of liquidity, Management believes that the transaction prices charged approximate the shares' fair values.

The fair value of the 12,611,904 shares of the program of "partnership" traded in the period totaled R\$ 31,141, based on "valuation" held on October 19, 2012.

## 20. OPERATING LIMITS (BASEL ACCORD)

Financial institutions are required to maintain equity compatible with the risk structure of their assets weighted by risk factors ranging set forth by BACEN Resolution 2099/94 and supplementary legislation. The main limits are as follows:

	Year ended 12/31/2012		
	Requirement	Status	Margin/ (deficiency)
Total Basel limit (b)	64,245	81,742	17,497
Capitalization (a)	40,871	15,289	25,582
Minimum realized capital (b)	1,500	69,507	68,007

(a) The requirement refers to the allowed ceiling.

(b) The requirement refers to the required threshold.

## 21. SUBSEQUENT EVENTS

On January 31, 2013, was approved by the Management a capital increase of R\$10,002, through the issue of 122,786,522 registered shares without par value, of which 61,394,138 common shares and 61,392,384 preferred shares class C.

\* \* \* \* \*

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Accountant CRC RJ-080725/O-9