

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

**Financial statements
December 31, 2014 and 2013**

(A free translation of the original report issued in Portuguese as published
in Brazil containing financial statements prepared in accordance with
accounting practices adopted in Brazil applicable to institutions
authorized to operate by the Central Bank of Brazil).

Contents

Management Report	3
Independent auditors' report on the financial statements	5
Statements of financial position	7
Statements of income	8
Statements of changes in equity	9
Statements of cash flows	10
Notes to the financial statements	11

Management Report

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

We present you the financial statements for the six-month period ended December 31, 2014 and years ended December 31, 2014 and 2013, together with the notes and independent auditors' report.

We inform you that during the period we followed our operational policy. Considering the regulatory standards issued by the Central Bank of Brazil, we remain at your disposal for any additional information you consider necessary.

Risk Management

The Risk Management area is structured in a manner fully independent from the business areas, reporting directly to the board of directors in order to ensure that no conflicts of interest exist and a segregation of duties that is adequate for good governance and market practices.

The organizational structure is set up according to the recommendations proposed by the Basel Accord, which establishes the policies, procedures and method consistent with risk tolerance and business strategy, and allows the monitoring of the several risks of operations and/or processes, including market, liquidity, credit, legal and operational risks.

These risk management processes are also associated with business continuity management processes, particularly with respect to impact assessments, continuity plans, disaster recovery plans, backup plans, crisis management etc.

a. Market risk

The entity manages the market risk of its operations by following policies and control procedures, and previously identifying the risks posed by new products and activities in order to keep exposure to market risks at levels it considers acceptable and to comply with the business strategy and limits set by the Risk Committee. Following set rules, the risk department aims at controlling, tracking and ensuring compliance with preestablished limits. The department may refuse, totally or partially, to receive and/or perform the requested operations by immediately communicating its decision to clients, and may interfere when it detects non-compliance and report all unusual events to the Committee. A full description of the market risk management structure is available at the entity's headquarters.

b. Liquidity risk

The entity has formulated its Liquidity Risk Management Policy according to the guidelines established by the Central Bank of Brazil, and seeks to ensure a permanent alignment between management and the nature of operations, the complexity of products and its level of exposure to liquidity risk. Liquidity risk management process includes procedures to identify, measure and control liquidity risk exposure, considering current market conditions and future estimates for constructing scenarios to determine cash flows for different time frames, including during the day. A full description of the liquidity risk management structure is available at the entity's headquarters.

c. Operational risk

In compliance with article four, paragraph two of Resolution 3380/2006, issued by the National Monetary Council on June 27, 2006, the Firm has an operational risk management structure which consists of formulating institutional policies, evaluating and monitoring process and procedures to mitigate risk, strategies and contingency plans to ensure business continuity and establishing a single structure required by the regulatory agency. A full description of the operational risk management structure is available at the entity's headquarters.

Rio de Janeiro, March 26, 2015.

Board of Directors

Board of Directors Team

Julio Capua Ramos da Silva
Guilherme Dias Fernandes Benchimol
Eduardo Luce Glitz

Jairo Luiz de Araújo Brito
Accountant
CRC RJ-110743/O-4



KPMG Auditores Independentes
Av. Almirante Barroso, 52 - 4º
20031-000 - Rio de Janeiro, RJ - Brasil
Caixa Postal 2888
20001-970 - Rio de Janeiro, RJ - Brasil

Central Tel 55 (21) 3515-9400
Fax 55 (21) 3515-9000
Internet www.kpmg.com.br

Independent auditors' report on the financial statements

(A free translation of the original report issued in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil)

To
The Shareholders and Management
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 (the "Company"), which comprise the statement of financial position as at December 31, 2014, the statements of income, changes in equity and cash flows for the six-month period and year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil applicable to institutions 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted 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 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 control relevant to the entity's preparation and fair presentation 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 audit opinion.



Opinion

In our opinion, the aforementioned 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, 2014, and of its financial performance and its cash flows for the six-month period and year then ended in accordance with accounting practices adopted in Brazil applicable to the institutions authorized to operate by the Central Bank of Brazil.

Rio de Janeiro, March 26, 2015

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

Original in Portuguese signed by
Marco André C. Almeida
Accountant CRC RJ-083701/O-0

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

Statements of financial position as of December 31, 2014 and 2013

(In thousands of Brazilian Reais)

Assets	Note	2014	2013	Liabilities	Note	2014	2013
Current assets		<u>1,861,080</u>	<u>1,487,725</u>	Current liabilities		<u>1,580,258</u>	<u>1,214,212</u>
Cash equivalents:	4	5,222	621	Money Market:		3,448	-
Interbank investments:				Own portfolio	5b	3,448	-
Money market instruments	5a	131,156	151,168	Other liabilities:		<u>1,576,810</u>	<u>1,214,212</u>
Securities:	6a	<u>517,324</u>	<u>491,285</u>	Tax and social security liabilities	10	5,693	4,168
Own portfolio		308,087	277,217	Tax and similars		-	8
Held under repurchase agreements		3,453	-	Social and statutory obligations		6,255	6,559
Derivative financial instruments		-	14	Derivative financial instruments		-	2
Linked to guarantees		205,784	214,054	Trading account	9a	1,516,065	1,165,235
Other receivables:		<u>1,201,738</u>	<u>841,175</u>	Others	9b	48,797	38,240
Income receivable	8	6,002	6,540	Equity	14	<u>382,032</u>	<u>387,839</u>
Trading account	9a	1,122,804	783,879	Share capital:			
Taxes available for offset	9b	15,647	11,221	Brazilian residents		79,509	79,509
Tax credits	13	32,299	27,096	Capital increase under approval		153,325	153,325
Others	9b	24,986	12,439	Capital reserve		120,247	120,247
Other assets:				Income reserve		28,951	34,758
Prepaid expenses	11	5,640	3,476				
Non-current assets		<u>79,309</u>	<u>95,931</u>				
Other receivables							
Tax credits	13	68,135	92,080				
Other assets:							
Prepaid expenses	11	11,174	3,851				
	12	<u>21,901</u>	<u>18,395</u>				
Property and equipment in use		13,169	14,472				
Intangible assets		8,732	3,348				
Deferred		-	575				
		<u>1,962,290</u>	<u>1,602,051</u>			<u>1,962,290</u>	<u>1,602,051</u>

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

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

Statements of income

Six-month period ended December 31, 2014 and years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais, except earnings per share)

		Six-month period ended on	Years ended on December 31	
	Note	12/31/2014	2014	2013
Interest income		79,625	131,841	61,099
Securities transactions	5c and 6c	79,625	131,841	61,099
Interest expense		(5,531)	(5,899)	(165)
Loans and on-lendings		(19)	(33)	(42)
Loss on derivative instruments	7	(5,512)	(5,866)	(123)
Gross profit		74,094	125,942	60,934
Other operating income/(expenses)		(14,629)	(35,619)	23,066
Service income	16	132,653	240,543	260,539
Expenses on financial system services	20	(63,572)	(115,846)	(108,641)
Expenses on specialized technical services		(2,636)	(6,530)	(8,285)
Personnel expenses		(26,894)	(55,062)	(45,949)
Data processing expenses		(15,403)	(27,555)	(25,213)
Communication expenses		(3,040)	(5,741)	(5,492)
Tax expenses		(14,625)	(26,949)	(26,928)
Other administrative expenses	19	(15,796)	(32,402)	(27,451)
Other operating income	17	2,034	5,700	18,129
Other operating expenses	18	(7,350)	(11,777)	(7,643)
Results from operating activities		59,465	90,323	84,000
Results from non-operating activities		(693)	(673)	258
Profit before taxes on income and profit sharing		58,772	89,650	84,258
Income and social contribution taxes	13	(12,237)	(18,368)	(17,301)
Provision for deferred income tax		223	223	(4,896)
Provision for deferred social contribution tax		134	134	(3,260)
Tax credits		(12,594)	(18,725)	(9,145)
Profit sharing	23	(29,104)	(44,943)	(39,339)
Profit for the six-month period/ years		17,431	26,339	27,618
Earnings per share- R\$		0.01	0.01	0.01

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

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

Statements of changes in equity

Six-month period ended December 31, 2014, and years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais)

	Income reserves						Total
	Capital	Capital increase under approval	Capital reserve	Legal reserve	Reserve as per by-laws	Retained earnings	
Balances as of December 31, 2012	<u>59,506</u>	<u>10,001</u>	<u>-</u>	<u>1,821</u>	<u>11,878</u>	<u>-</u>	<u>83,206</u>
Capital increase	20,003	143,324	-	-	-	-	163,327
Profit for the year	-	-	-	-	-	27,618	27,618
Appropriation of profit:							
Distributed dividends	-	-	-	-	-	(6,559)	(6,559)
Recognition of reserves	-	-	120,247	1,380	19,679	(21,059)	120,247
Balances as of December 31, 2013	<u>79,509</u>	<u>153,325</u>	<u>120,247</u>	<u>3,201</u>	<u>31,557</u>	<u>-</u>	<u>387,839</u>
Changes in the year	<u>20,003</u>	<u>143,324</u>	<u>120,247</u>	<u>1,380</u>	<u>19,679</u>	<u>-</u>	<u>304,633</u>
	Income reserves						Total
	Capital	Capital increase under approval	Capital reserve	Legal reserve	Reserve as per by-laws	Retained earnings	
Balances as of December 31, 2013	<u>79,509</u>	<u>153,325</u>	<u>120,247</u>	<u>3,201</u>	<u>31,557</u>	<u>-</u>	<u>387,839</u>
Profit for the year	-	-	-	-	-	26,339	26,339
Appropriation of profit:							
Distributed dividends	-	-	-	-	(25,891)	(6,255)	(32,146)
Recognition of reserves	-	-	-	1,317	18,767	(20,084)	-
Balances as of December 31, 2014	<u>79,509</u>	<u>153,325</u>	<u>120,247</u>	<u>4,518</u>	<u>24,433</u>	<u>-</u>	<u>382,032</u>
Changes in the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,317</u>	<u>(7,124)</u>	<u>-</u>	<u>(5,807)</u>
	Income reserves						Total
	Capital	Capital increase under approval	Capital reserve	Legal reserve	Reserve as per by-laws	Retained earnings	
Balances as of July 31, 2014	<u>79,509</u>	<u>153,325</u>	<u>120,247</u>	<u>3,646</u>	<u>29,079</u>	<u>-</u>	<u>385,806</u>
Profit for the six-month period	-	-	-	-	-	17,431	17,431
Appropriation of profit:							
Distributed dividends	-	-	-	-	(14,950)	(6,255)	(21,205)
Recognition of reserves	-	-	-	872	10,304	(11,176)	-
Balances as of December 31, 2014	<u>79,509</u>	<u>153,325</u>	<u>120,247</u>	<u>4,518</u>	<u>24,433</u>	<u>-</u>	<u>382,032</u>
Changes in the six-month period	<u>-</u>	<u>-</u>	<u>-</u>	<u>872</u>	<u>(4,646)</u>	<u>-</u>	<u>(3,774)</u>

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

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

Statements of cash flows

Six-month period ended December 31, 2014, and years ended December 31, 2014 and 2013

(In thousands of Brazilian Reais)

	Six-month period ended on	Years ended on December 31	
	12/31/2014	2014	2013
Cash flows from operating activities			
Profit for the six-month period/ years	17,431	26,339	27,618
Profit adjustment for:			
Depreciation and amortization	2,193	4,473	4,758
Income and social contribution tax expense	12,237	18,368	17,300
Profit sharing	29,104	44,943	39,339
Adjusted profit	<u>60,965</u>	<u>94,123</u>	<u>89,015</u>
Income and social contribution taxes paid	(4,467)	(5,639)	(15,228)
Employee profit sharing paid	(16,874)	(33,128)	(41,156)
Changes in operating assets and liabilities:	<u>(14,660)</u>	<u>(10,326)</u>	<u>(40,046)</u>
Interbank investments	(31,334)	20,012	27,892
Securities and derivative financial instruments	13,032	(22,593)	(51,394)
Income receivable	(498)	538	61
Trading account	29,630	11,905	(1,810)
Other assets	(2,803)	(7,718)	(14,158)
Tax and social security liabilities	(12,168)	(11,204)	(1,669)
Taxes and similars	(18)	(8)	-
Socials and statutes	(12,286)	(11,815)	-
Other liabilities - others	1,785	10,557	1,032
Net cash provided by/(used in) operating activities	<u>24,964</u>	<u>45,030</u>	<u>(7,415)</u>
Cash flows from investing activities			
Acquisition of property and equipment	(1,204)	(2,458)	(4,172)
Disposal of property and equipment	315	374	86
Acquisition of intangible assets	(5,776)	(7,147)	(2,640)
Disposal of intangible assets	1,252	1,252	328
Net cash used in investing activities	<u>(5,413)</u>	<u>(7,979)</u>	<u>(6,398)</u>
Cash flows from financing activities			
Increase in capital	-	-	10,822
Dividends paid	(14,950)	(32,450)	-
Net cash (used in)/provided by financing activities	<u>(14,950)</u>	<u>(32,450)</u>	<u>10,822</u>
(Decrease)/Increase in cash and cash equivalents	4,601	4,601	(2,991)
Cash and cash equivalents at beginning of six-month period/ years	<u>621</u>	<u>621</u>	<u>3,612</u>
Cash and cash equivalents at end of six-month period/ years	<u><u>5,222</u></u>	<u><u>5,222</u></u>	<u><u>621</u></u>

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

Notes to the financial statements

(In thousands of Reais)

1 Operations

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (“Brokerage Firm”) is a closed company located at Avenida das Américas 3.434, bloco 7 - 2nd floor, Barra da Tijuca, Rio de Janeiro, which carries out transactions at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (“BM&FBOVESPA S.A.”) on its own behalf or on behalf of third parties, and manages investment club portfolios.

The parent company of the Brokerage Firm is XP Controle Participações S.A., which indirectly holds 55.7590% of the Brokerage Firm's share capital.

2 Presentation of the financial statements

The Brokerage Firm's financial statements are the responsibility of Management and have been prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate 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 align Brazilian accounting policies with international accounting standards, the Committee of Accounting Pronouncements - CPC has issued some standards and their related interpretations, which will be applicable to financial institutions only when approved by BACEN. The accounting pronouncements that have already been approved by BACEN are the following:

- CMN Resolution 3566/08 - Impairment of Assets (CPC 01).
- CMN Resolution 3604/88 - Statement of Cash Flows (CPC 03).
- CMN Resolution nº 3750/09 - Related Party Disclosures (CPC 05);
- CMN Resolution 3823/09 - Provisions, Contingent Liabilities and Contingent Assets (CPC 25).
- CMN Resolution 3973/11 - Subsequent Event (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 - Basic conceptual pronouncement (R1) issued by the Committee of Accounting Pronouncements (CPC) and applicable whenever it does not violate the standards issued by the National Monetary Council or by the Central Bank of Brazil - BACEN.

Until the report date, estimating when the other CPC accounting pronouncements will be approved by BACEN is not possible.

The financial statements were authorized for issue by Management on March 26, 2015.

3 Summary of significant accounting policies

a. Results of operations

Income and expenses are recorded on an accrual basis.

b. Current and long-term assets

Interbank investments

Interbank investments are recognized at the amount invested or purchased, plus income earned up to the financial position date.

Securities

Securities are classified in accordance with criteria set by Circular Letter 3068/01 issued by BACEN for recognition and measurement of the portfolio held by the Brokerage Firm according to Management's intention. Three specific categories have been established according to the accounting recognition criteria:

- **Trading securities** - securities acquired with the purpose of being actively traded, trading securities are adjusted to market value and these adjustments are recognized with an offsetting entry to profit or loss.
- **Available-for-sale securities** - securities that are not classified as "trading securities" or as "held-to-maturity securities". These securities are adjusted to market value, and the adjustment, net of tax effects, is recorded in a separate line item in equity. Gains and losses, when realized, are recognized in profit or loss.
- **Held-to-maturity securities**- securities which Management has the intention and financial capacity to hold in the Brokerage Firm's portfolio until maturity. They are accounted for at acquisition cost, plus earnings recognized with an offsetting entry to profit or loss.

Derivative financial instruments (assets and liabilities)

Derivative transactions carried out by the Brokerage Firm are recognized in the statement of financial position, and the original value of contracts is accounted for in memorandum accounts. The adjustments in future contracts are daily calculated by type of assets and maturity and are recognized in profit or loss. Forwards are recognized in an amount equivalent to the spot market price and installments receivable or payable at a future date are adjusted to present value. Option premiums are stated at cost and adjusted to market value.

Share loans and short positions

Share loans (borrowing position) and short positions are held at the stock and mercantile exchange (BM&FBOVESPA) and are valued at the average market sale prices of the related assets, according to data disclosed by several trade associations and stock, mercantile and futures exchanges, plus, when applicable, finance commissions, costs and charges incurred up to the financial position date.

Trading account (amounts payable and receivable)

The trading account consists of transactions carried out at the stock and mercantile exchange, on behalf and for the benefit of third parties. Brokerage fees on these transactions are classified as income and service expenses are recognized when transactions are carried out.

This account is subdivided into the following captions:

- Registration and settlement cash - consists of the transactions carried out at the stock exchange on the Brokerage Firm's own behalf or on behalf of third parties;
- Outstanding settlement account of receivables/payables - consists of balances of client receivables/payables originating from transactions with fixed-rate securities, stocks, commodities and financial assets, which remain outstanding at the financial position date.

Client deposits for stock exchange transactions and investments

Consist of client deposits for stock exchange transactions and investments to be made with the Brokerage Firm. They are stated at the actual deposit amount, less and investment payments already made to the stock exchange, and are not adjusted for inflation.

c. Market value measurement

The Brokerage Firm follows a method to measure the market value (probable realizable value) of securities and derivative instruments based on the economic scenario and pricing models built by Management. It consists of obtaining average market prices and the data disclosed by several trade associations and stock applicable at the reporting date. Accordingly, upon the effective financial settlement of these items, actual results could differ from these estimates.

d. Prepaid expenses

Prepaid expenses consist of paid amounts whose benefit rights will be exercised or service will be performed in future periods. They are recognized as assets on the statement of financial position and appropriate on an accrual basis.

e. Results from non-operating activities

Results from non-operating activities consist of results not related to the company's operating activities. Balances recognized in 2013 and 2014 basically consist of indemnity expenses and premium income, both related to the termination of lease agreements.

f. Permanent assets

Property and equipment

Property and equipment are recorded at acquisition cost. Depreciation of items is calculated using the straight-line basis and annual rates over their estimated useful lives.

Deferred charges

Deferred organization and expansion charges basically consist of leasehold improvements and acquisition of software. They are recognized at acquisition cost, less amortization, which is calculated using the straight-line basis at rates that consider the useful life of intangible assets or over the lease term.

Under CMN Resolution 3617/08, financial institutions must recognize as deferred charges only pre operating and restructuring expenses which will actually contribute towards boosting the results reported for more than one fiscal year and do not consist merely of cost cuts or increased operational efficiency. The existing balances as of September 30, 2008 may be kept until they are actually written off.

Intangible assets

Intangible assets consist of software acquired from third parties, and are measured at acquisition costs, less accumulated amortization. Amortization is calculated using the straight-line basis and annual rates over the estimated useful lives of intangible assets.

g. Impairment

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

The impairment of non-financial assets is recognized as loss if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. A cash generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. Impairment losses, when applicable, are recognized in the statement of income for the period in which they are identified.

Non-financial assets are reviewed at least annually to determine whether there is any indication of impairment.

Therefore, in compliance with related standards, Management is not aware of any significant adjustment which may affect the recoverability of the amounts recognized as prepaid expenses, property and equipment, deferred charges and intangible assets as of December 31, 2014 and 2013.

h. Current and long-term liabilities

Current and long-term liabilities are stated at known or estimated amounts, plus the related charges, exchange rate gains (losses) and/or monetary fluctuations incurred up to the reporting date, when applicable.

i. Contingent assets and liabilities, provisions and legal obligations

Contingent assets and liabilities and legal obligations are recognized, measured and disclosed according to the criteria set by CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3823/09 in the following manner:

- Contingent assets are not recognized in the financial statements, except when evidence of their realization is available and may not be appealed.
- Provisions for risks - assessed by legal counselors and Management considering the likelihood of an unfavorable outcome of a lawsuit or administrative case which may result in an outflow of resources that can be measured reliably. Provisions are accrued for proceedings classified by legal counselors as having a risk of probable loss and disclosed in notes to the financial statements.

- Contingent liabilities - are uncertain and their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events to determine whether an outflow of resources is likely; therefore they are not accrued, but disclosed if classified as possible loss and not accrued nor disclosed if classified as remote loss.
- Legal obligations (tax and social security) - consist of lawsuits that challenge the legality and constitutionality of some taxes and contributions. The discussed amount is quantified, provided for and adjusted for inflation monthly.

j. Income and social contribution taxes

The provision for income tax is accrued at the rate of 15%, plus a surtax of 10% on annual taxable income in excess of R\$240. The provision for social contribution tax is recognized at the rate of 15%.

Deferred taxes were calculated on temporary differences according to the rate of 25% for income tax and of 15% for social contribution tax.

k. Accounting estimates

The preparation of the financial statements in conformity with Brazilian accounting policies requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant assets and liabilities subject to these estimates and assumptions include the carrying value of provisions for risks and the valuation of securities and derivative financial instruments. The settlement of transactions may result in amounts different from estimates, due to the inherent inaccuracy of the process. The Brokerage Firm reviews these estimates and assumptions periodically.

l. Earnings per share

Earnings per share reported in the statement of income are calculated according to the number of shares outstanding at the reporting date.

4 Cash and cash equivalents

	2014	2013
Cash and cash equivalents		
Bank deposits	<u>5,222</u>	<u>621</u>

5 Interbank investments

a. Money market instruments

Own portfolio

Investments in repurchase agreements	2014	2013
Own portfolio		
National Treasury Bills	96,126	131,155
National Treasury Notes - B series	<u>35,030</u>	<u>20,013</u>
	<u>131,156</u>	<u>151,168</u>

Money market instruments as of December 31, 2014 mature on the first business day of the subsequent month and bear average fixed rates of 11.61% per annum (2013: 9.9% per annum).

b. Funding

As of December 31, 2014, refers to sales transactions with the agreements commitment to repurchase, pledged by Government Bonds which are classified as follows:

	2014	2013
Own portfolio		
National Treasury Bills	<u>3,448</u>	<u>-</u>
	<u>3,448</u>	<u>-</u>

As of December 31, 2014 mature on the first business day of the subsequent month and bear average fixed rates of 11.55% per annum.

c. Income from interbank investments

Income from interbank investments is classified in the statement of income as income from securities transactions.

Income from repurchase agreements

	Six-month period ended	Years ended	
	December 31, 2014	December 31, 2014	December 31, 2013
Own portfolio			
National Treasury Bills	5,353	10,403	4,624
National Treasury Notes - B series	2,715	4,436	8,964
Financial Treasury Bills	<u>944</u>	<u>1,736</u>	<u>215</u>
	<u>9,012</u>	<u>16,575</u>	<u>13,803</u>

6 Securities

a. Long position

	12/31/2014		12/31/2013	
	Cost	Market	Cost	Market
Own portfolio	308,109	308,087	277,450	277,217
<i>Fixed-rate securities</i>	39,495	39,468	19,236	19,146
National Treasury Bills	1,488	1,484	1,083	1,082
Financial Treasury Bills	17,650	17,644	15,579	15,581
National Treasury Notes - B series	1,315	1,307	1,000	934
National Treasury Notes - F series	266	257	677	652
Certificates of Bank Deposit	6,276	6,276	897	897
Exchange Bills	25	25	-	-
Real Estate Notes	3,981	3,981	-	-
Debentures	201	201	-	-
Certificate of Agribusiness receivable	8,243	8,243	-	-
Credit Bills of Agribusiness	50	50	-	-
<i>Floating-rate securities</i>	575	580	213	213
Public company shares	66	64	72	75
Amounts received for loans	509	516	141	138
<i>Investment fund shares</i>	268,039	268,039	258,001	257,858
Floating-rate investment funds	2,274	2,274	-	-
Multi-market investment funds	265,697	265,697	256,935	256,935
Real estate investment funds	-	-	1,000	857
Funcine - investment fund for financing Brazil's film industry	68	68	66	66
Derivative financial instruments	-	-	14	14
Equity operations	-	-	14	14
Held Under Repurchase Agreements	3,453	3,453	-	-
<i>Fixed-rate securities</i>	3,453	3,453	-	-
Financial Treasury Bills	3,453	3,453	-	-
Linked to guarantees	205,855	205,784	213,124	214,054
<i>Fixed-rate securities</i>	205,855	205,784	213,124	214,054
Financial Treasury Bills	205,855	205,784	213,124	214,054
Current assets	517,417	517,324	490,588	491,285

Securities classified as trading securities are classified in current assets, regardless whether they mature within more than 12 months, as established by BACEN Circular Letter 3068/01.

The market value of securities is based on the prices at the financial position date. If no market price quotations are available, amounts are estimated according to quotations of distributors or pricing models.

Securities, including derivative financial instruments and interbank investments are kept in custody at the CBLC - Brazilian Company of Settlement and Custody, CETIP - Clearinghouse for the Custody and Financial Settlement of Securities, SELIC - Special Settlement and Custody System or BM&FBOVESPA S.A., except for investment fund shares, whose records are kept by investment funds' administrators.

b. Short position

	12/31/2014		12/31/2013	
	Cost	Market	Cost	Market
<i>Floating-rate securities</i>				
Public company shares - short position	748	775	11	11
Share loans - borrowing position	509	516	141	138
Current liabilities	1,257	1,291	152	149

The short position of shares and share loans taken out by the Brokerage Firm are presented in note 9.a., "Trading account", in row "others" and "Payable for share loans", respectively.

Obligations are valued at the average prices of securities disclosed by BM&F Bovespa at the financial position date.

c. Income from securities transactions

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Fixed-rate securities	37,281	61,736	31,890
Public company shares	(645)	(1,172)	(1,361)
Financial investment funds	33,977	54,702	16,767
	70,613	115,266	47,296

7 Derivative financial instruments

The notional values of derivative contracts are recognized in compensating accounts and gains and losses are recognized in statement of financial position accounts with an offsetting entry to profit or loss.

The market value of derivative financial instruments, consisting of futures, option and forward contracts, is calculated according to the following criteria:

- **Futures contracts** - based on daily adjustments disclosed by BM&FBOVESPA S.A.
- **Forward contracts** - based on spot market prices, and installments receivable or payable fixed in advance for a future date, adjusted to present value according to market rates disclosed by BM&FBOVESPA S.A.

- **Option contracts** - average trading price on the calculation day, disclosed by BM&FBOVESPA S.A, or, when not available, according to pricing models.

The Brokerage Firm did not have these instruments as of December 31, 2014 and 2013.

Net income from and expenses on derivative financial instruments in the years ended are shown below:

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Derivative financial instruments			
Options	(337)	(401)	(236)
Futures contracts	(5,175)	(5,455)	113
Forward contracts	-	(10)	-
	<u>(5,512)</u>	<u>(5,866)</u>	<u>(123)</u>

8 Income receivable

	12/31/2014	12/31/2013
Management and performance fee (*)	3,249	2,711
Custody fee (*)	516	1,998
Commissions receivable (*)	2,130	1,608
Other receivables	107	223
	<u>6,002</u>	<u>6,540</u>

(*) Receivables basically consist of service fees and are expected to be realized within 30 days on average. Balances receivable are not concentrated as of December 31, 2014 and 2013.

9 Other receivables and other liabilities

a. Trading account

	12/31/2014		12/31/2013	
	Assets	Liabilities	Assets	Liabilities
Registration and settlement cash	1,026,520	1,010,679	631,001	708,220
Receivables/payables for outstanding settlements	92,236	502,511	152,878	456,207
Commissions and brokerage fees payable	-	1,584	-	659
Payables for share loans	3,256	516	-	138
Financing securities	574	-	-	-
Others (Note 6b)	217	775	-	11
	<u>1,122,804</u>	<u>1,516,065</u>	<u>783,879</u>	<u>1,165,235</u>

b. Others and taxes available for offset

Assets	12/31/2014	12/31/2013
Salary advances	58	67
Advance payments of our account	586	907
Advances for acquisition of property and equipment	409	510
Acknowledgment of debt with IIA (*)	1,939	-
Receivables from purchases of assets	28	38
Related companies (note 22)	2,979	4,099
Receivables from escrow deposits	1,959	1,063
Reimbursement of fund expenses	2,275	-
Other receivables (i)	<u>14,753</u>	<u>5,755</u>
Others - total	<u>24,986</u>	<u>12,439</u>
Taxes and contributions to offset (ii)	<u>15,647</u>	<u>11,221</u>
Liabilities		
Personnel expenses payable	31,558	20,052
Payables to related companies (note 22)	720	1,188
Collected taxes and other	33	-
Provision for legal proceedings (note 21)	2,087	4,762
Others payables	2	2
Other liabilities (iii)	<u>14,397</u>	<u>12,236</u>
	<u>48,797</u>	<u>38,240</u>

- (i) Basically consist of redemption from XP Pilgrim Multimercado Crédito Privado (R\$ 6,000) and XP Peregrino Fundo de Investimento Multimercado Crédito Privado (R\$ 8,000) with settlement on January 2, 2015.
- (ii) Basically consist of prepaid income and social contribution tax reported in 2014, 2013, 2012 and 2011 and not utilized, in the amounts of R\$15,443 (position in 2014) and R\$9,640 (position in 2013). They also include recoverable taxes (PIS, COFINS, CIDE, ISS) in the amount of R\$204.
- (iii) They basically consist of amounts accrued for independent investment agents, domestic and foreign suppliers payables in the amount of R\$11,935 (R\$12,140 as of December 31, 2013), and other administrative expenses in the amount of R\$2,462 (R\$96 as of December 31, 2013).
- (*) IIA = Independent Investment Agent

10 Other liabilities - Tax and social security liabilities

	12/31/2014	12/31/2013
Deferred income and social contribution taxes	-	374
Taxes on third-party services	935	340
Taxes payable on salaries	1,376	1,476
Other (a)	<u>3,382</u>	<u>1,978</u>
Current	<u>5,693</u>	<u>4,168</u>

- (a) Basically consist of ISS (Service Tax), PIS (Contribution for Social Integration Program) and COFINS (Tax for Social Security Financing) payable.

11 Other assets

On April 1, 2011, the Brokerage Firm hired Wolwacz & Ruschel Ltda. (“WR”), a company that operates in the education industry by offering financial market courses, to hold education events related to its line of business. Events include, but are not limited to, courses, seminars, workshops and lectures. WR is in charge of creating, promoting and organizing the event, as well as bearing the related costs.

In addition to those services, WR offers operational strategy projects for the floating-rate market which may be used as tools by all clients of the Brokerage Firm at the *home broker*. Moreover, WR's education services include promoting the Brokerage Firm's brand and recommending the Brokerage Firm to the participants of the courses held by WR, who are interested in carrying out financial market transactions.

Under the agreement, the Brokerage Firm paid the amount of R\$5,250, whose expenses are being amortized over the term of the agreements, which is 10 years.

During the first half of 2014, the Brokerage Firm introduced a campaign to encourage its network of independent investment agents to attract new clients by offering an advance payment to their services in order to incentivating them to boost the raising of funds and, consequently, increasing income that will be generated over the years by these investments.

Under this campaign a financial incentive will be paid to set up new accounts and increase custody. Management understands that these amounts are part of the compensation paid to independent investment agents, and therefore are classified as prepaid expenses. According to a technical study, they are being recognized on a straight-line basis over four years.

As of December 31, 2014 and 2013, prepaid expenses had the following composition:

	12/31/2014	12/31/2013
Wolwacz & Ruschel Ltda.	3,413	3,937
User licenses	2,210	3,099
Prepaid compensation to independent investment agents	11,123	-
Other prepaid expenses	68	291
	<u>16,814</u>	<u>7,327</u>
Current	5,640	3,476
Non-current	<u>11,174</u>	<u>3,851</u>
	<u>16,814</u>	<u>7,327</u>

12 Permanent assets

Property and equipment

	Data processing system	Furniture and Equipment	System Security	Vehicles	Facilities	Total
Balance as of December 31, 2013	<u>5,920</u>	<u>5,720</u>	<u>664</u>	<u>25</u>	<u>2,143</u>	<u>14,472</u>
Additions	1,192	446	17	-	804	2,458
Disposals	(11)	(197)	-	(24)	(142)	(374)
Depreciation in the year	<u>(2,186)</u>	<u>(868)</u>	<u>(74)</u>	<u>(1)</u>	<u>(259)</u>	<u>(3,388)</u>
Balance as of December 31, 2014	<u>4,915</u>	<u>5,101</u>	<u>607</u>	<u>-</u>	<u>2,547</u>	<u>13,169</u>
Useful life in years	5	10	5	5	10	
Annual depreciation rate	<u>20%</u>	<u>10%</u>	<u>20%</u>	<u>20%</u>	<u>10%</u>	

Intangible assets

	12/31/14	12/31/13
Opening balance	3,923	3,057
Additions	7,147	2,642
Write-offs	(1,252)	(328)
Amortization	<u>(1,086)</u>	<u>(1,448)</u>
	<u>8,732</u>	<u>3,923</u>

Basically consists of investments in software which are amortized over five years at an annual rate of 20%.

13 Income and social contribution taxes

a. Deferred taxes

As established by Resolution 3059/02, changed by Resolution 3355/06, both issued by BACEN, the Brokerage Firm recognizes deferred tax assets and liabilities (“tax credits” and “deferred tax liabilities”) resulting from temporary differences by meeting the following conditions: (i) a history of taxable profit or income for income and social contribution tax purposes, which is proved by the reporting of this profit or income for at least three of the last five fiscal years, a period which must include the current year; and (ii) expected generation of future taxable profit or income for income and social contribution tax purposes in subsequent periods, according to an internal technical study which shows the likelihood of future tax liabilities which allow the realization of the tax credit within ten years at most.

b. Origin of deferred tax credits and tax liabilities

Tax Credits	Balances as of December 31, 2012	Recognition in the year	Realization in the year	Balances as of December 31, 2013
<i>Deferred income and social contribution taxes on:</i>				
Provisions for agent commissions and bonuses	4,979	2,853	(4,979)	2,853
Market value adjustment of securities and derivative financial instruments	2,941	94	(2,941)	94
Tax credit on goodwill from the acquisition of investments (notes 15)	-	120,237	(4,008)	116,229
Others	164	-	(164)	-
Total tax credits	<u>8,084</u>	<u>123,184</u>	<u>(12,092)</u>	<u>119,176</u>
 Deferred tax liabilities				
<i>Deferred income and social contribution taxes on:</i>				
Market value adjustment of securities and derivative financial instruments	3,345	374	(3,345)	374
Others	2	-	(2)	-
Total deferred tax liabilities on temporary differences	<u>3,347</u>	<u>374</u>	<u>(3,347)</u>	<u>374</u>
Total tax credits net of deferred tax liabilities	<u>4,737</u>	<u>122,810</u>	<u>(8,745)</u>	<u>118,802</u>

	Balances as of December 31, 2013	Recognition in the year	Realization in the year	Balances as of December 31, 2014
Tax credits				
<i>Deferred income and social contribution taxes on:</i>				
Provisions for agent commissions and bonuses	2,853	4,401	(2,853)	4,401
Market value adjustment of securities and derivative financial instruments	94	69	(94)	69
Tax credit on goodwill from the acquisition of investments (note 15)	116,229	-	(24,047)	92,182
Tax losses and negative basis of social contribution	-	3,605	-	3,605
Others	-	195	-	195
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total tax credits on temporary differences	<u>119,176</u>	<u>8,270</u>	<u>(26,994)</u>	<u>100,452</u>
Deferred tax liabilities				
<i>Deferred income and social contribution taxes on:</i>				
Market value adjustment of securities and derivative financial instruments	374	18	(374)	18
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred tax liabilities on temporary differences	<u>374</u>	<u>18</u>	<u>(374)</u>	<u>18</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total tax credit assets net of deferred tax liabilities	<u>118,802</u>	<u>8,252</u>	<u>(26,620)</u>	<u>100,434</u>

c. Expected realization of tax credit assets

	<u>Temporary differences</u>		
	Income tax	Social contribution tax	Total deferred taxes
Deadline for realization:			
Within 1 year	20,187	12,111	32,298
Within one to two years	15,030	9,018	24,048
Within two to three years	15,030	9,018	24,048
Within three to four years	12,525	7,515	20,040
	<u> </u>	<u> </u>	<u> </u>
Total	<u>62,772</u>	<u>37,663</u>	<u>100,434</u>

The amount of R\$ 100,434 was recognized in tax credits and calculated according to the expected realization of temporary differences shown in the previous table. These amounts were not discounted to present value.

Profit estimates that allow the generation of a taxable calculation base include the consideration of macroeconomic assumptions, foreign exchange and interest rates, as well as estimates of new financial transactions, among others, which can vary significantly in relation to data and actual amounts.

d. Reconciliation of income and social contribution taxes

	2014	2013
Profit (loss) before taxes on profit and interest	89,650	84,258
Effect on employee profit sharing	<u>(44,943)</u>	<u>(39,339)</u>
Income before taxes on profit	44,707	44,919
Current tax (40%)	(17,883)	(17,967)
Other	<u>(485)</u>	<u>666</u>
Income and social contribution tax expenses in profit or loss	<u><u>(18,368)</u></u>	<u><u>(17,301)</u></u>

14 Equity

a. Share capital

As of December 31, 2014 and 2013, share capital of R\$232,834 consists of 1,287,876,594 ordinary shares and 1,287,839,797 class C preferred shares, all of no-par value.

b. Capital increase

On December 27, 2012, the Extraordinary Shareholders' Meeting approved a capital increase by R\$10,001, through the issue of 116,343,129 nominal shares of no-par value, of which 58,172,396 are ordinary shares and 58,170,733 are class C preferred shares.

On January 31, 2013, the Extraordinary Shareholders' Meeting approved a capital increase by R\$10,002, through the issue of 122,786,522 nominal shares of no-par value, of which 61,394,138 are ordinary shares and 61,392,384 are class C preferred shares. This capital increase is under approval by the Central Bank of Brazil.

On November 1, 2013, the Extraordinary Shareholders' Meeting approved the memorandum and reasons for the Appraisal Report prepared to make an accounting valuation of the total equity of XP Holding Financeira S.A., the Brokerage Firm's parent company, and to merge it into the Brokerage Firm (note 15). As a result of the merger of the net cash and financial investments, net of the liabilities recognized in XP Holding Financeira S.A., the Brokerage Firm's share capital, after BACEN approved the transaction, was increased by R\$153,325, through the issue of 1,431,458,836 nominal shares of no-par value, of which 715,739,643 are ordinary shares and 715,719,193 are class C preferred shares. This capital increase is under approval by the Central Bank of Brazil.

c. Capital reserve

Due to the merger (note 15), the Brokerage Firm's equity was increased by R\$120,247. This amount was allocated to the capital reserve and basically consists of the economic benefit arising from a probable future reduction in taxes.

d. Legal reserve

The legal reserve was set at the rate of 5% of the profit reported at each financial position date, until it reaches 20% of share capital, as provided in corporate law.

e. Reserve established by the Brokerage Firm's by-laws

The reserve established by the Brokerage Firm's by-laws for investments and expansion consists of the remaining balance of the profit reported at the financial position date, after statutory appropriations, and its purpose is to secure funds for investments. This reserve may not exceed share capital.

f. Dividends and interest on equity capital

Shareholders are entitled to minimum non-discretionary dividends at the rate of 25% of the year's profit, after the specific appropriations.

For the year ended on December 31, 2014, the Brokerage Firm accrued the distribution of minimum mandatory dividends of R\$ 6,255. Additionally, the Brokerage Firm distributed dividends in the amount of R\$ 25,891 from the statutory reserve account. The distribution was approved at the Extraordinary Shareholders' Meetings on April 30, 2014 and September 8, 2014.

15 Merger

On November 1, 2013, the Extraordinary Shareholders' Meeting approved the merger of the net assets of XP Holding Financeira ("XPHF") into the Brokerage Firm. The value of these net assets, determined as per the trial balance sheet as of November 1, 2013, were recognized by the Brokerage Firm at their book value, as shown below:

	Balance as of 11/1/13		Balance as of 11/1/13
Assets		Liabilities	
Current	155,543	Current	2,208
Cash and cash equivalents	821	Other liabilities	2,208
Securities	151,742	Tax and social security liabilities	2,110
Other receivables	2,980	Others	98
Recoverable taxes	2,972	Equity	396,134
Other	8	Share capital	239,582
Non-current	120,237	Capital reserve	120,247
Deferred tax credits	120,237	Profit reserves	6,330
Permanent assets	122,562	Retained earnings	29,975
Investments	122,562		
Total assets	<u>398,342</u>	Total liabilities	<u>398,342</u>

The effects of the merger on the Brokerage Firm were the following:

- a.** Capital increase by R\$153,325 consisting of the parent company's net cash assets, net of the liabilities reported at the date;

- b. The capital reserve of R\$120,247, consists of the capital reserve of the Brokerage Firm's parent company, XP Holding Financeira S.A., which was merged into the Brokerage Firm and results from the potential future economic/tax benefit of the goodwill paid upon the entrance of new investors in the Brokerage Firm's control group. The potential economic/tax benefit of the goodwill paid on the merger is attributed to the future profitability and client portfolio. It is recognized in previous mergers according to "ICPC 09 (R1) - Individual financial statements, separate financial statements, consolidated financial statements and application of the equity method" and "CVM Instructions 319/99 and 349/01." Therefore, equity was reduced through full provision of the goodwill paid on the transaction and the potential economic/tax benefit was recognized in deferred tax assets with an offsetting entry to capital reserve in equity.

16 Service income

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Income from the distribution of investment fund shares	13,686	26,111	22,133
Income from brokerage fees earned on stock exchange transactions	92,004	168,392	173,509
Income from commissions earned on the placement of securities	15,170	25,357	46,999
Income from custody services	2,940	5,790	8,292
Banking fee income	500	975	998
Other (*)	8,353	13,918	8,608
	132,653	240,543	260,539

(*) Basically consists of income from stock loans.

17 Other operating income

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Fines received (*)	1,984	5,436	15,987
Receivable monetary fluctuations	2	3	23
Recovery of charges and expenses	11	11	1,594
Other	38	251	525
	2,034	5,700	18,129

(*) Income from the daily interest of 0.3% applied to a negative checking account balance, resulting from financial settlements of stock exchange transactions carried out by clients.

18 Other operating expenses

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Operating errors (*)	(4,065)	(6,660)	(6,190)
Losses on clients (**)	(0)	(1,572)	(250)
Other	(3,284)	(3,544)	(1,203)
	<u>(7,350)</u>	<u>(11,777)</u>	<u>(7,643)</u>

(*) Operating errors result from indemnities paid to clients by XP CCTVM, mostly derived from errors in the execution of orders due to system or people failures.

(**) In the first quarter of 2014, it basically consists of the reimbursement of income from a discontinued real estate fund.

19 Other administrative expenses

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Water, electricity and gas	(228)	(460)	(470)
Rent	(5,095)	(10,094)	(10,032)
Asset maintenance and conservation expenses	(802)	(1,527)	(1,230)
Materials	(100)	(213)	(171)
Promotion and public relations	(827)	(1,474)	(1,148)
Advertising	(1,289)	(3,613)	(4,074)
Publishing	(16)	(67)	(84)
Insurance	(18)	(26)	(26)
Third-party services	(2,304)	(5,162)	(2,312)
Surveillance and security services	(72)	(168)	(66)
Transportation	(379)	(693)	(596)
Foreign travel	-	-	(20)
Domestic travels	(1,584)	(3,376)	(2,199)
Amortization and depreciation	(2,194)	(4,474)	(4,758)
Other administrative expenses	(888)	(1,055)	(265)
Total other administrative expenses	<u>(15,796)</u>	<u>(32,402)</u>	<u>(27,451)</u>

20 Financial system services

	Six-month period ended December 31, 2014	Years ended	
		December 31, 2014	December 31, 2013
Independent investment agents	(58,981)	(105,403)	(98,466)
Processing and custody service fees(*)	(3,976)	(7,825)	(7,097)
Commission paid to XP Securities	(634)	(1,005)	-
Other	19	(1,613)	(3,078)
	<u>(63,572)</u>	<u>(115,846)</u>	<u>(108,641)</u>

(*) Consists of operating and banking fees.

21 Provisions and contingent liabilities

The Brokerage Firm is involved in various labor, tax and civil lawsuits. Relying on the reports of its in-house legal counselors, the Brokerage Firm accrued provisions for losses on lawsuits whose unfavorable outcome is considered probable, as summarized below:

	December 31, 2014	December 31, 2013
Provision for labor lawsuits	1,598	951
Provision for civil lawsuits	489	6
Provision for tax lawsuits	-	3,805
	<u>2,087</u>	<u>4,762</u>
Total provision for legal proceedings (note 9.b)	<u>2,087</u>	<u>4,762</u>

Provision for labor lawsuits

The Brokerage Firm is party to various labor lawsuits. As of December 31, 2014, 17 lawsuits classified as probable losses are accrued in the amount of R\$1,598 (R\$951 as of December 31, 2013). There are 18 lawsuits classified as possible loss amounting to R\$3,232 (R\$737 as of December 31, 2013).

	2014	2013
Balance at beginning of year	951	389
Recognition	813	615
Reversal/Payments	<u>(166)</u>	<u>(53)</u>
Balance at end of the year	<u>1,598</u>	<u>951</u>

Civil lawsuits

The Brokerage Firm is party to various civil lawsuits. As of December 31, 2014, nine lawsuits classified as probable losses are accrued in the amount of R\$ 489. Moreover, at that date, 12 lawsuits are classified as possible loss, which total R\$ 437 and for which no provision was accrued according to current accounting practices.

Contingent tax liabilities

On July 31, 2014, the Brokerage Firm decided to settle all installment payments proposed by the Municipality Authorities of Rio de Janeiro in connection with the levy of ISS (Service Tax) on brokerage fees earned in the period from January 1999 to December 2003. The final term would be only in 2017, being disbursed the amount of R\$ 210. On the same date, the Brokerage Firm decided to enjoy the benefit of Article 2 of Law 12996 /2014, which reopened the period established by Article 7 of Law 11941 /2009 all the tax assessment issued on 07/28/2011 resulting from the non-payment of income tax and social contribution on the capital gain on the equity securities of the Stock Exchange determined by the date of demutualization. The amount paid was R\$ 2,568 with all the discounts for cash payment under the law. All charges above are old Brokerage controller's responsibility and the value as collateral is sufficient to repay all the disbursement made.

22 Related parties

a. Business and contractual transactions with related parties

Over the normal course of business, the companies of XP Group conduct business and financial transactions with the Brokerage Firm. These transactions include: (i) rendering education, business consulting and advisory services; (ii) rendering financial advisory and consulting services in general; (iii) managing funds and rendering portfolio management services; (iv) rendering information technology and data processing services; and (v) rendering insurance services.

*XP Investimentos Corretora de Câmbio,
Títulos e Valores Mobiliários S.A.
Financial statements as of
December 31, 2014 and 2013*

During the years ended December 31, 2014 and 2013 the Brokerage Firm conducted the following transactions with related parties:

	Six-month period ended December 31, 2014 31/12/2014		Years ended December 31,			
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
XP Educação Assessoria Empresarial e Participações Ltda.						
Account receivables	16	-	16	-	44	-
Suppliers (included in other liabilities)	(20)	-	(20)	-	-	-
Technical advisory expenses	-	(131)	-	(653)	-	(745)
Tecfinance Informática e Projetos de Sistemas Ltda.						
Account receivables	2	-	2	-	151	-
Suppliers (included in other liabilities)	(588)	-	(588)	-	(785)	-
System development and maintenance expenses	-	(6,906)	-	(10,561)	-	(5,056)
Infostocks Informações e Sistemas Ltda.						
Account receivables	30	-	30	-	42	-
Suppliers (included in other liabilities)	(43)	-	(43)	-	(34)	-
Advertising expenses	-	(180)	-	(596)	-	(900)
XP Controle Participações S.A.(Notes 9 and 19)						
Account receivables	2,851	-	2,851	-	3,805	-
XP Gestão de Recursos Ltda.						
Account receivables	28	-	28	-	30	-
Suppliers (included in other liabilities)	(2)	-	(2)	-	(19)	-
Fund management expense	-	4	-	-	-	(16)
XP Corretora de Seguros Ltda.						
Account receivables	42	-	42	-	26	-
Suppliers (included in other liabilities)	-	-	-	-	(2)	-
XP Securities LLC						
Suppliers (included in other liabilities)	(67)	-	(67)	-	-	-
Financial system services	-	(634)	-	(1,005)	-	-
XP Finance Desenvolvimento de Negócios LTDA						
Account receivables	5	-	5	-	-	-
Money & Markets Editora LTDA						
Account receivables	4	-	4	-	-	-
Suppliers (included in other liabilities)	-	-	-	-	(347)	-
Advertising receivables	-	-	-	(6)	-	(373)
	<u>2,259</u>	<u>(7,847)</u>	<u>2,259</u>	<u>(12,821)</u>	<u>2,911</u>	<u>(7,090)</u>

(*) Receivables and payables basically consist of service fees, are expected to be realized within 30 days and are not adjusted for inflation.

(i) Directors Fees

	Six-month period ended December 31, 2014	Years ended December 31,	
		2014	2013
Key Management personnel compensation			
Directors Fees	(358)	(449)	(166)
	<u>(358)</u>	<u>(449)</u>	<u>(166)</u>

23 Profit sharing

The Brokerage Firm offers a profit sharing program to its employees. This program is not offered to the board of directors. The base date for this profit sharing program are the months of June and December. In the year ended December 31, 2014, R\$ 44,943 was computed for distribution purposes (December 31, 2013 - R\$39,339).

24 Operational limits (Basel Accord)

Financial institutions should keep equity levels compatible with the risk posed by its risk-weighted assets defined on CMN Resolution 2,099/94 and on BACEN's supplementary regulations. The main limits are show as follows:

	Year ended December 31, 2014		
	Requirement	Situation	Margin/(insufficiency)
Bank capital under Basel Accord (b)	165,014	370,944	205,930
Property and equipment (a)	185,472	13,260	172,212
Minimum capital realized (b)	1,500	232,834	231,334
	Year ended December 31, 2013		
	Requirement	Situation	Margin/(insufficiency)
Bank capital under Basel Accord (b)	90,925	387,264	296,339
Property and equipment (a)	193,632	14,759	178,873
Minimum realized capital (b)	1,500	232,834	231,334

- (a)** The requirement consists of a maximum allowed limit.
- (b)** The requirement consists of a minimum allowed limit.

* * *

Guilherme Dias Fernandes Benchimol
TAX ID No.: 025.998.037-48
Director

Julio Capua Ramos da Silva
TAX ID No.: 893.287.367-49
Director

Jairo Luiz de Araujo Brito
Accountant CRC RJ-110.743/O-4