

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

Financial statements
June 30, 2016 and 2015

Contents

Management report	3
Independent auditors' report on the financial statements	5
Balance sheets	7
Statements of income	9
Statements of changes in shareholders' equity	10
Statements of cash flows	11
Notes to the financial statements	12

Management report

To

The Shareholders of

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

Rio de Janeiro - RJ

We submit for your appreciation, the financial statements for the semesters ended June 30, 2016 and 2015, together with the explanatory notes and independent auditors' report.

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

Risk management

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

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

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

a. Market risk

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

b. Liquidity risk

The Liquidity Risk Management Policy was established based on the guidelines of Central Bank of Brazil, seeking to provide the permanent adequacy of management to the nature of the operations, the complexity of the products and the dimension of the exposure to liquidity risk of the Institution. The process of liquidity risk management establishes procedures of identification, measurement and control to the exposure to liquidity risk, considering the current market conditions and future forecasts in the preparation of scenarios for cash flow projections in different horizons of time, including intraday. The complete description of the structure of liquidity risk management is available at www.xpi.com.br.

c. Operational Risk

In compliance with CMN Resolution No. 3.380/06, the Institution implemented a structure of operating risk management compatible with the nature and complexity of its products, services and activities, processes and systems. The risk management is made through the identification, evaluation, monitoring, control and mitigation of the operating risk and related losses, as well as through the preparation and dissemination of the operating risk policy and process of communication and information, as well as the preparation of the Contingency and Report Plan to Top Management and Administrative Council with all the weaknesses identified. The description of the structure of operating risk management is available on the website www.xpi.com.br.

Rio de Janeiro, August 29, 2016.
Executive Board.

Members of the Executive Board

Julio Capua Ramos da Silva
Guilherme Dias Fernandes Benchimol

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



KPMG Auditores Independentes

105 Arquiteto Olavo Redig de Campos Street, 6th floor- Tower A

04711-904 - São Paulo/SP - Brazil

P.O. Box 79518 - Zipcode 04707-970 - São Paulo/SP - Brazil

Phone +55 (11) 3940-1500, Fax +55 (11) 3940-1501

www.kpmg.com.br

Independent auditors' report on the financial statements

To

To the Board of Directors and Shareholders of

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

Rio de Janeiro - RJ

We have examined the financial statements of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("Brokerage House"), comprising the balance sheet as of December 30, 2016 and the related statements of income, comprehensive income, changes in shareholders' equity, cash flows for the semester then ended, as well as the summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the financial statements

The Brokerage House's Management is responsible for the preparation and adequate presentation of these financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil - BACEN and the internal controls it deemed necessary to enable the preparation of these financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these financial statements based on our audit, undertaken in accordance with Brazilian and international auditing standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In these risk evaluation, according to auditing standards, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Brokerage house, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Brokerage house. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. as of June 30, 2016, the performance of its operations and its cash flows, for the semester then ended, in conformity with the Brazilian accounting practices, applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, August 29, 2016

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original in portuguese signed by
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

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

Balance sheets at June 30, 2016 and 2015

(In thousands of reais)

Assets

	Note	<u>2016</u>	<u>2015</u>
Current assets		3.285.889	2.382.416
Cash and cash equivalents	4	621	1.120
Interbank funds applied	4, 5a	247.880	123.905
Money market borrowings		247.880	123.905
Securities and derivative financial instruments	6a, 7	1.017.250	616.795
Own portfolio		502.866	345.252
Subject to repurchase clause		2.305	2.687
Derivative financial instruments		6.119	8
Subject to guarantees provided		505.960	268.848
Loan operations		2.030	615
Financing - securities		2.030	615
Other receivables		2.013.910	1.628.206
Foreign exchange portfolio		3.134	-
Income receivable	8	19.270	7.816
Securities clearing accounts	9a	1.920.129	1.555.337
Taxes and contributions recoverable	9b	9.029	22.771
Tax credits	13	29.469	30.246
Other	9b	34.369	12.036
(Allowance for other doubtful accounts)		(1.490)	-
Other assets		4.198	11.775
Prepaid expenses	11	4.198	11.775
Non-current assets		251.495	101.734
Securities and derivative financial instruments	6a, 7	4.339	-
Derivative financial instruments		4.339	-
Other receivables		40.026	59.505
Tax credits	13	40.026	56.111
Other		-	3.394
Other assets		38.823	19.444
Prepaid expenses	11	38.823	19.444
Fixed assets		168.307	22.785
Investments	12a	123.119	-
Property, plant and equipment for use	12b	23.927	13.542
Intangible assets	12c	21.261	9.243
Total assets		<u>3.537.384</u>	<u>2.484.150</u>

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

Balance sheets at June 30, 2016 and 2015

(In thousands of reais)

Liabilities	Note	2016	2015
Current liabilities		2.930.829	2.075.894
Money market repurchase commitments		99.004	2.676
Own portfolio		2.300	2.676
Third-party portfolio		96.704	-
Derivative financial instruments		6.036	-
Derivative financial instruments	6b	6.036	-
Other liabilities		2.825.789	2.073.218
Collection and levy of taxes and alike		325	71
Foreign exchange portfolio		6.296	-
Social and statutory		52.719	-
Tax and social security	10	19.119	7.042
Securities clearing accounts	9a	2.673.031	2.010.772
Sundry	9b	74.299	55.333
Non-current liabilities		4.253	-
Derivative financial instruments		4.253	-
Derivative financial instruments	6b	4.253	-
Deferred income		276	374
Shareholders' equity	14	602.026	407.882
Capital			
Domestic		288.045	232.834
Capital increase (pending approval)		120.000	-
Capital reserves		120.247	120.247
Profit reserves		27.428	54.801
Equity evaluation adjustments		(22)	-
Retained earnings (loss)		46.328	-
Total liabilities		3.537.384	2.484.150

See the accompanying notes to the financial statements.

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

Statements of income

for the semesters ended June 30, 2016 and 2015

(In thousands of reais)

	Note	2016	2015
Financial intermediation income		206.731	112.812
Loan operations		306	216
Securities	5b, 6c	205.537	112.596
Foreign exchange operations		888	-
Financial intermediation expenses		(11.884)	(9.635)
Money market borrowings	6c	(17.840)	(321)
Borrowings and onlendings		(6)	(16)
Income from derivative financial instruments	7	6.486	(9.298)
Allowance for doubtful accounts		(524)	-
Gross income (loss) from financial intermediation		194.847	103.177
Other operating income/(expenses)		(62.020)	(6.741)
Service income	15	219.397	145.783
Personnel expenses		(40.295)	(24.302)
Other administrative expenses	18	(208.283)	(110.233)
Income from investments		5.265	-
Tax expenses		(32.991)	(19.828)
Other operating income	16	9.282	5.772
Other operating expenses	17	(14.395)	(3.933)
Operating income		132.827	96.436
Non-operating income		(1.198)	(130)
Income before taxation and profit sharing		131.629	96.306
Income and social contribution taxes	13d	(32.583)	(26.094)
Provision for income tax		(10.512)	(7.426)
Provision for contribution		(8.544)	(4.573)
Deferred tax assets		(13.527)	(14.095)
Employee profit sharing	22	(52.718)	(30.618)
Net income for the semester		46.328	39.594
Net income per share:		0,02	0,02

See the accompanying notes to the financial statements.

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

Statement of changes in shareholders' equity

for the semesters ended June 30, 2016 and 2015

(In thousands of reais)

	Capital	Capital increase	Capital reserves	Equity valuation adjustment	Profit reserve		Retained earnings	Total
					Legal reserve	Statutory reserve		
Balances at December 31, 2015	232.834	55.211	120.247	(6)	8.879	18.549	-	435.714
Capital increase approved (Note 14b)	55.211	(55.211)	-	-	-	-	-	-
Capital increase (Note 14b)	120.000	-	-	-	-	-	-	120.000
MTM - Securities available for sale (Equity income (loss))	-	-	-	(16)	-	-	-	(16)
Net income for the semester	-	-	-	-	-	-	46.328	46.328
Balances at June 30, 2016	408.045	-	120.247	(22)	8.879	18.549	46.328	602.026
Changes in the semester	175.211	(55.211)	-	(16)	-	-	46.328	166.312
Balances at December 31, 2014	79.509	153.325	120.247	-	4.518	24.433	-	382.032
Capital increase	153.325	(153.325)	-	-	-	-	-	-
Net income for the semester	-	-	-	-	-	-	39.594	39.594
Distribution of profit	-	-	-	-	-	(13.744)	-	(13.744)
Payment of dividends	-	-	-	-	-	37.614	(39.594)	-
Formation of reserves	-	-	-	-	1.980	-	-	-
Balances at June 30, 2015	232.834	-	120.247	-	6.498	48.303	-	407.882
Changes in the semester	153.325	(153.325)	-	-	1.980	23.870	-	25.850

See the accompanying notes to the financial statements.

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

Statements of cash flows

for the semesters ended June 30, 2016 and 2015

(In thousands of reais)

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Net income for the semester	46.328	39.594
Adjustments to net income:		
Provisions for income and social contribution taxes - Current and deferr	32.583	14.095
Provision for contingencies	162	489
Allowance for other doubtful accounts	524	-
Depreciation and amortization	16.798	2.229
Employee profit sharing	52.718	30.618
Income from investments	(5.265)	-
Adjusted net income	143.848	87.025
Other adjustments to net income:		
Income and social contribution taxes paid	(21.677)	(11.503)
Employee profit sharing paid	(46.728)	(28.069)
Variation in operating assets and liabilities	(431.814)	(42.013)
Interbank funds applied	(96.704)	(63)
Securities and derivative financial instruments	(432.623)	(99.471)
Loan operations	(1.610)	(615)
Foreign exchange portfolio	20.687	-
Income receivable	(13.457)	(1.814)
Securities clearing accounts	(844.780)	(432.533)
Other assets	12.191	(11.992)
Money market repurchase commitments	(163.164)	(772)
Derivative financial instruments	9.967	-
Foreign exchange portfolio	(17.525)	-
Social and statutory	-	(6.255)
Tax and social security	9.460	12.852
Securities clearing accounts	1.050.769	-
Other liabilities	35.024	498.699
Deferred income	(49)	(49)
Net cash from (used) in operating activities	(356.371)	5.440
Cash flow from investment activities		
Acquisition of property, plant and equipment	(10.668)	(2.337)
Disposals of property, plant and equipment	357	463
Acquisition of intangible assets	(3.119)	(1.522)
Disposal of intangible assets	-	284
Net cash derived from investment activities	(13.430)	(3.112)
Cash flow from financing activities		
Capital increase	120.000	-
Dividends paid	(20.000)	(13.744)
Net cash generated/(used) in financing activities	100.000	(13.744)
Decrease in cash and cash equivalents	(269.801)	(11.416)
Cash and cash equivalents at the beginning of the semester	421.598	136.378
Cash and cash equivalents at the end of the semester	151.797	124.962

See the accompanying notes to the financial statements.

- -

Notes to the individual and consolidated financial information

(In thousands of Reais, unless otherwise indicated)

1 Operations

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A (Brokerage Company) is a privately-held organization headquartered at Avenida das Américas 3.434, bloco 7 - 2º andar, Barra da Tijuca, Rio de Janeiro, engaged in conducting transactions within the ambit of BM&FBOVESPA S.A - Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA S.A") on its own and on behalf of third parties, in addition to managing investment club portfolios.

The final parent company of the Brokerage Firm is XP Controle Participações S.A., which indirectly holds 57.1863% (55.7590% on June 30, 2015) of the capital of the Brokerage Firm.

2 Presentation of the financial statements

a. Statement of conformity

The Financial Statements of the Brokerage Firm are Management's responsibility, have been prepared based on Brazilian accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil ("BACEN"), and are being presented in conformity with the Accounting Plan for Institutions in the National Financial System - COSIF.

In order to adjust to the international accounting standards, the Accounting Pronouncement Committee - CPC issued a few standards and their respective interpretations, which will be applicable to the financial institutions only when approved by BACEN. The accounting pronouncements already approved by BACEN:

- CMN Resolution No. 3.566/08 - Asset Impairment (CPC 01).
- CMN Resolution No. 3.604/88 - Statement of cash flows (CPC 03).
- CMN Resolution No. 3.750/09 - Disclosure regarding related parties (CPC 05).
- CMN Resolution No. 3.823/09 - Provisions, Contingent Liabilities and Assets (CPC 25).
- CMN Resolution No. 3.973/11 - Subsequent event (CPC 24).
- Resolution No. 3.989/11 - Share-based Payment (CPC 10).
- Resolution No. 4.007/11 - Accounting Policies, Change in Estimates, and Correction of Errors - (CPC 23).
- CMN Resolution No. 4.424/15 - Employee Benefits (CPC 33).
- Resolution No. 4.144/12 – Basic Conceptual Pronouncement (R1) issued by the Accounting Pronouncement Committee - (CPC), applicable where not in conflict with the standards issued by the National Monetary Council or by the Central Bank of Brazil – BACEN.

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

Authorization for the conclusion of these financial statements was granted by the Executive Board of the Brokerage house on August 29, 2016.

3 Description of significant accounting practices

a. Statement of income

Operating income (expense) is determined in conformity with the accrual basis of accounting of the year.

b. Current and long-term assets

Cash and cash equivalents

Cash and cash equivalents include cash and any other short-term investments with high liquidity, promptly convertible into a known cash amount and not subject to a significant change of value, as well as held to cover short-term cash commitments and not for investments or other purposes.

Operations are considered short term when they mature within three months or less from the acquisition date.

Interbank funds applied

Are recorded at cost of investment or acquisition, plus income accrued up to the balance sheet date.

Securities

Classified based on criteria for accounting and evaluation of securities portfolio defined by BACEN Circular 3,068/01 in accordance with Management's intention into three specific categories, complying with the following accounting criteria:

Trading securities - Securities acquired for the purpose of being frequently and actively negotiated, adjusted to market value with the corresponding entry to the results.

Securities available for sale - Securities that are not for classified as "trading" or "held to maturity". These securities are mark-to-market, net of tax effects, is recorded in a separate shareholders' equity account. Realized gains and losses are recognized in income (loss).

Securities held to maturity - Securities for which Management has the intention and the financial capacity to maintain in portfolio to maturity are accounted for at acquisition cost, plus income accrued in contra account to income (loss) for the period.

Derivative financial instruments (assets and liabilities)

Derivative transactions of the Brokerage Company are recorded in balance sheet and contracts' base amount is recorded in a memorandum accounts. Futures contract adjustments are calculated on a daily basis per type of asset and respective maturity and recognized in income (loss) for the period. Forward transactions are recorded at the spot market quoted value, and amounts payable or receivable are scheduled for a future date and adjusted to present value. Option premiums are accounted for at cost and marked-to-market.

Loans of shares and short position in shares

Share loan (borrower position) and short position in shares are conducted in stock and commodities exchange (BM&FBOVESPA) and are appraised at average sales prices of the respective assets practiced in the market, based on data disclosed by several trade associations and stock, commodities and futures exchange, plus, when applicable, commissions, costs and financial charges incurred to the balance sheet date. Interest from rental of shares is recognized in specific account in the result.

Allowance for doubtful accounts

The allowance for doubtful accounts is recognized in amount considered sufficient to absorb any losses on realization and it is recognized pursuant to the requirements of Resolution No. 2.682/99 of the Central Bank of Brazil.

Securities clearing accounts (amounts payable and receivable)

Represented by transactions in the Stock and Commodities Exchange behalf and by order of third parties. Brokerage fees for these transactions are classified as income, and service provision expenses are recognized upon transactions occurrence.

This accounting group is subdivided into the following captions:

- Cash of registry and settlement – represented by the registry of the operations conducted in stock exchanges on its own and on clients' behalf;
- Debtors/Creditors Account pending settlement – represented by debtor or creditor balances of clients, in view of the performance of operations with fixed-income securities, shares, goods and financial assets, pending settlement on the balance sheet date.

Clients' deposit in view of stock exchange operations and investments

Represented by clients' deposits in view stock exchange operations and investments to be made with the Brokerage Firm. Are presented at the effective deposit value, less payments already made of stock exchange and investments, not subject to restatement.

c. Measuring of market value

Methodology applied to measure market value (probable realization value) of securities and derivative financial instruments is based on economic scenario and pricing models developed by Management, which include capturing average prices practiced in the market, data disclosed by several class associations, stock exchanges and commodities and futures exchanges applicable on balance sheet base date. Therefore, upon effective financial settlement of these items, results may differ from estimates.

d. Prepaid expenses

Refer to amounts paid for benefits or rendering of services are to occur in future periods, recorded in assets and recognized in income under the accrual basis.

e. Other current and long-term assets

Are stated at cost, including, when applicable, income and monetary variations earned, less corresponding provisions for losses or realization adjustments

f. Permanent

Investments

Investments in subsidiaries are valued by the equity method of accounting and recorded in equity in income. The goodwill resulting from the business combination is stated at cost. The goodwill will be amortized in up to 7 years, observing the expectation of future results and is subject to the evaluation of the recoverable value in annual periods or when there is indication of loss of value.

Property, plant and equipment

Recorded at the cost of acquisition. The depreciation is calculated on a straight-line basis based on annual rates pursuant to IN SRF No. 162/98.

Deferred assets

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

According to CMN Resolution No. 3.617/08, the caption deferred assets was discontinued, being admitted the maintenance of the balances existing on September 30, 2008 up to their effective write-off.

Intangible assets

Intangible assets are measured at acquisition cost, less accumulated amortization. Amortization is calculated by the straight-line method at annual rates which reflect the estimated useful lives.

g. Impairment

CPC 01 (R1) - Asset Impairment establishes that the entities must perform regular analysis to verify the degree of recoverable value of its assets, being mainly applicable to prepaid expenses and fixed, deferred and intangible assets of the Brokerage Firm.

Non-financial asset impairment is recognized as loss when the book value of an asset or of a cash generating unit is higher than its recoverable or realization value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets or groups of assets. Impairment losses, when applicable, are recorded in income (loss) for the period in which they were identified.

The book values of the non-financial assets are regularly reviewed at least once a year for indication of impairment or realization of those assets.

Accordingly, in compliance with the related standards, Management is not aware of any relevant adjustment that might affect the ability to recover the values recorded as prepaid expenses and as fixed, deferred and intangible assets on June 30, 2016 and 2015.

h. Current and non-current liabilities

Are stated at known or calculable amounts, plus, when applicable, the corresponding charges and monetary and exchange variations incurred through the balance sheet date.

i. Contingent assets and liabilities, provisions and legal obligations

Recognition, measurement and disclosure of contingent assets and liabilities and of legal obligations are conducted in accordance with criteria defined in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets approved by the CMN Resolution No. 3.823/09, as follows:

- Contingent assets are not recognized in financial statements except when there is evidence ensuring their realization for which no further appeal is possible for which no further appeal is possible.
- Provisions for risks - are evaluated by legal advisors and by Management, taking into account the probability of loss on a judicial or administrative lawsuit that could cause outflow of funds that can be measured with sufficient reliance. Provisions are recognized for lawsuits classified as probable losses by the legal advisors and disclosed in the notes.
- Contingent liabilities – are uncertain and depend on future events to determine probability of disbursement of funds; therefore, a provision is not recognized for them but they are disclosed if classified as possible loss; no provision is recorded for them and they are not disclosed if classified as remote loss.
- Legal obligations (tax and social security) - refer to lawsuits challenging the legality and constitutionality of the federal taxes. The amount discussed is quantified, accrued and updated on monthly basis.

j. Exchange operations

Are stated at realizable values, including income (on "pro-rata die" basis), exchange variations earned, and provision for losses (when applicable).

k. Income and social contribution taxes

The provision for income tax, when applicable, is recorded based on taxable income, at the rate of 15%, plus a surcharge of 10% on annual taxable income in excess of R\$ 240.

On October 06, 2015 Law No. 13.169 was published, conversion of the Provisional Measure No. 675, which increased the Social Contribution on Net Income - CSLL, from 15% to 20% on taxable income generated in the period from September 1, 2015 to December 31, 2018 and 15% as of January 01, 2019, in relation to financial institutions, legal entities of private insurance, capitalization and those mentioned in items I to VII, IX and X of § 1 of art. 1 of Complementary Law No. 105, of January 10, 2001.

Deferred taxes were recognized on temporary differences, based on the income tax rate of 25% and adjusted to the social contribution of 20% (15% on June 30, 2015), since the provision for taxable income will lead to the total realization of the tax credit up to the date prior to the period when the prevailing rate was 20%.

I. Accounting estimates

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

m. Earnings per share

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

4 Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	621	1.120
Interbank funds applied	151.176	123.842
Total	<u>151.797</u>	<u>124.962</u>

5 Interbank funds applied

a. Money market borrowings

	<u>2016</u>	<u>2015</u>
Own portfolio	<u>151.176</u>	<u>123.842</u>
National Treasury Bills	-	123.842
Financial Treasury Bill - LFT	35.007	-
National Treasury Notes - Series - B	106.152	-
Debentures	10.017	-
Financed Operations	<u>96.704</u>	<u>63</u>
National Treasury Notes - Series - B	96.704	63
Total	<u>247.880</u>	<u>123.905</u>

Interbank investments in the open market, on June 30, 2016, mature in the first business day of the subsequent month and were practiced at a prefixed average rate of 14.13% p.a. (2015: 13.61% p.a.).

b. Income (loss) from short-term interbank investments

Classified in the statement of income as securities income.

	<u>2016</u>	<u>2015</u>
Own portfolio	<u>11.919</u>	<u>9.837</u>
National Treasury Bills	3.859	6.368
National Treasury Notes	4.845	2.374
Financial Treasury Bills	3.023	1.073
Debentures	192	22
Financed Operations	<u>17.416</u>	<u>(5)</u>
National Treasury Bills	1.720	-
Financial Treasury Bills	4.223	-
National Treasury Notes	11.473	-
Other	-	(5)
Total	<u>29.335</u>	<u>9.832</u>

c. Money market repurchase agreements

	<u>2016</u>	<u>2015</u>
Own portfolio	<u>(577)</u>	<u>(321)</u>
National Treasury Bills	(577)	(321)
Financed Operations	<u>(17.263)</u>	<u>-</u>
National Treasury Bills	(4.249)	-
Financial Treasury Bills	(1.094)	-
National Treasury Notes	(11.920)	-
Total	<u>(17.840)</u>	<u>(321)</u>

6 Securities

a. Asset position

Trading securities						2016	
	Without maturity	Up to 3 months	3-12 months	>12 months	Market value	Cost	
Own portfolio	291.172	3.320	34.996	173.378	502.866	522.942	
Fixed income securities	-	3.320	34.996	173.378	211.694	211.774	
National Treasury Bills	-	2.299	4.018	-	6.317	6.219	
Financial Treasury Bills	-	348	16.176	103.259	119.783	119.794	
National Treasury Notes - Series - B	-	192	1.106	4.461	5.759	5.730	
National Treasury Notes - F Series	-	119	-	959	1.078	975	
Bank Deposit Certificates	-	203	13.105	26.583	39.891	39.891	
Certificates of Agribusiness Receivables	-	-	-	23.286	23.286	24.096	
Financial Bills	-	-	-	3.317	3.317	3.317	
Bills of exchange	-	-	62	483	545	545	
Real estate credit note	-	73	152	46	271	271	
Agribusiness Credit Bills (LCA)	-	86	377	258	721	721	
Debentures	-	-	-	10.726	10.726	10.215	
Variable income securities	56	-	-	-	56	52	
Shares of listed companies	56	-	-	-	56	52	
Investment Fund Quotas	291.116	-	-	-	291.116	311.116	
Multimarket investment funds	273.382	-	-	-	273.382	273.382	
Multimarket investment funds - to settle	17.694	-	-	-	17.694	37.694	
Funcine	40	-	-	-	40	40	
Subject to repurchase commitments	-	-	-	2.305	2.305	2.305	
Fixed income securities	-	-	-	2.305	2.305	2.305	
Financial Treasury Bills	-	-	-	2.305	2.305	2.305	
Subject to guarantees provided	-	-	46.790	459.170	505.960	506.031	
Fixed income securities	-	-	46.790	459.170	505.960	506.031	
Financial Treasury Bills	-	-	46.790	459.170	505.960	506.031	
Securities	291.172	3.320	81.786	634.853	1.011.131	1.031.278	

Trading securities						2015	
	Without maturity	Up to 3 months	3-12 months	>12 months	Market value	Cost	
Own portfolio	225.426	1.607	13.862	103.767	345.252	345.405	
Fixed income securities	-	1.607	13.862	103.767	119.826	119.979	
National Treasury Bills	-	-	520	2.009	2.529	2.541	
Financial Treasury Bills	-	1.607	-	37.778	39.384	39.391	
National Treasury Notes - Series - B	-	-	-	5.940	5.940	6.062	
National Treasury Notes - F Series	-	-	-	263	263	275	
Bank Deposit Certificates	-	-	7.487	23.518	31.005	31.005	
Certificates of Agribusiness Receivables	-	-	-	17.507	17.507	17.507	
Bills of exchange	-	-	-	-	591	591	
Real estate credit note	-	-	-	1.071	1.071	1.071	
Agribusiness Credit Bills (LCA)	-	-	5.855	2.816	8.671	8.671	
Debentures	-	-	-	12.865	12.865	12.865	
Variable income securities	971	-	-	-	971	971	
Shares of listed companies	1	-	-	-	1	1	
Receipt for loans	896	-	-	-	896	877	
Other	74	-	-	-	74	74	
Investment Fund Quotas	224.455	-	-	-	224.455	224.455	
Quota investment funds	9.461	-	-	-	9.461	9.461	
Variable income investment funds	2.150	-	-	-	2.150	2.150	
Multimarket investment funds	212.776	-	-	-	212.776	212.776	
Funcine	68	-	-	-	68	68	

Subject to repurchase commitments	-	-	-	-	2.687	2.687
Fixed income securities	-	-	-	-	2.687	2.687
Financial Treasury Bills					2.687	2.687
Subject to guarantees provided	-	6.302	-	262.546	268.848	268.884
Fixed income securities	-	6.302	-	262.546	268.848	268.884
Financial Treasury Bills	-	6.302	-	262.546	268.848	268.884
Securities	225.426	7.909	13.862	366.313	616.787	616.976

Securities classified in the Trading Securities category maturing at least 12 months are classified in the current assets as determined by BACEN Circular 3068/01.

Securities' market value is based on price quotation on balance sheet date. If no market price quotation is available, the values are estimated based on quotations from distributors or pricing models.

Securities, including derivative financial instruments and interbank funds applied are under the custody of Companhia Brasileira de Liquidação e Custódia (CBLC), Balcão Organizado de Ativos e Derivativos - CETIP, SELIC or BM&FBOVESPA S.A., except investment fund quotas whose records are maintained by respective managers.

b. Liability position

	2016		2015	
	Cost	Market	Cost	Market
Variable income securities				
Shares of listed companies - Short position	-	-	28	28
Share loan - Borrower position	-	-	877	897
Total Liabilities	-	-	905	925

The sold positions of shares and loans of shares contracted are presented in liabilities under Other Obligations – Securities clearing accounts – note 9.a.

The loans of shares – borrower position refer to operations with variable income securities classified in current liabilities as “Securities clearing accounts”. The obligations were appraised based on average quotations of the securities disclosed by BM&FBOVESPA on the balance sheet date.

c. Securities income

	2016	2015
Income from securities		
Fixed income securities	150.629	58.971
Shares of listed companies	(251)	(317)
Investment Funds	25.824	44.110
Total	176.202	102.764

7 Derivative financial instruments

Derivative contracts had their notional values recorded in memorandum accounts and gains and losses recorded in the assets and liabilities as a counter entry in income accounts.

Market value of derivative financial instruments, composed of futures, options and forward and swap transactions, are recorded under the following criteria:

- **Futures** - based on adjustments recognized/paid on a daily basis.
- **Forward** - at the spot market quoted value, and amounts payable or receivable are scheduled for a future date adjusted to present value based on market rates disclosed by BM&FBOVESPA S.A.
- **Options** - Average price on calculation date or, when not available, based on pricing models.
- **Swap** – under the discounted cash flow method, whose discount rates used are disclosed by BM&FBOVESPA S.A.

On June 30, 2016, the Brokerage Firm has equity position in derivatives in the amount of R\$ 10,458 (R\$ 8 in 2015) in assets and R\$ 10,289 (zero in 2015) in liabilities.

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

Financial statements
June 30, 2016 and 2015

				2016	
	Up to 3	3–12	>12	Market value	Reference
	months	months	months		value
Asset position					
Swap					
DI1 x TJLP	-	21	356	377	149.994
IGM x DI1	-	1.578	2.820	4.398	260.000
DI1 x IAP	-	1.988	744	2.732	1.934.480
DI1 x TJLP	-	125	-	125	49.998
IAP x DI1	-	2.378	419	2.797	941.515
Term					
Shares	29	-	-	29	29
Derivative financial instruments - assets	29	6.090	4.339	10.458	3.336.016
Liability position					
Swap					
TJLP x DI1	-	(17)	-	(17)	8.333
DI1 x IAP	-	(3.943)	(411)	(4.354)	992.015
IAP x DI1	-	(1.977)	(2.816)	(4.793)	1.841.980
TJLP x DI1	-	(99)	(746)	(845)	353.498
DI1 x IGM	-	-	(280)	(280)	141.661
Derivative financial instruments - liabilities	-	(6.036)	(4.253)	(10.289)	3.337.487

Derivative financial instrument net income and expenses in the semesters are as follows:

Derivative financial instruments	2016	2015
Options	(4)	274
Futures	6.257	(9.572)
Forward transactions	4	-
Swap	229	-
Total	6.486	(9.298)

8 Income receivable

	2016	2015
Custody rate	1.171	617
Trade accounts receivable	18.099	7.199
Total	19.270	7.816

The values receivable refer mainly to the provision for service and have average realization term of 30 days.

9 Other receivables and liabilities

a. Securities clearing accounts

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Clearing house transactions	1.615.463	1.683.398	1.381.517	1.371.769
Debtors/creditors of outstanding settlements	303.950	986.081	173.518	637.322
Commissions and brokerage fees payable	-	3.552	-	756
Stock loan creditors (Note 6b)	-	-	302	897
Judicial deposits	716	-	-	-
Shares of listed companies - Short position (Note 6b)	-	-	-	28
Total	1.920.129	2.673.031	1.555.337	2.010.772

b. Sundry and offsetable taxes

	2016	2015
Assets		
Salary advances	1.143	798
Advances to payments of our account	1.466	488
Advances for the acquisition of property, plant and equipment	-	3.394
Acknowledgment of debt with autonomous investment agen	1.951	2.248
Debtors due to guarantee deposits	1.765	2.072
Amounts receivables from associated companies (Note 21)	3.358	3.029
Reimbursement of BM&FBovepa fees	3.089	967
Reimbursement of fund expenses	267	667
Other credits receivable ⁽ⁱ⁾	21.330	1.767
Total other receivables – sundry	34.369	15.430
Taxes and contributions recoverable ⁽ⁱⁱ⁾	9.029	22.771
Total	43.398	38.201
	2016	2015
Liabilities		
Acquisition of assets and rights ⁽ⁱⁱⁱ⁾	13.646	-
Personnel expenses payable	9.857	34.205
Amounts payable - Associated companies (Note 21)	14.702	2.548
Provision for lawsuits (Note 20)	2.688	2.412
Suppliers in local and foreign currency	29.721	14.015
Other liabilities	3.685	2.153
Total	74.299	55.333

⁽ⁱ⁾ Credit in transit derived from investment in fund discontinued in the amount of R\$ 20,000, which was returned to the institution on July 31, 2016.

⁽ⁱⁱ⁾ Refer mainly to unused values of prepaid income and social contribution taxes for the years 2015, 2014, 2013, 2012 and 2011, in the amount of R\$ 8,284 (R\$ 17,754 on June 30, 2015). Include, also, offsetable taxes (PIS, COFINS, CIDE, ISS) in the amount of R\$ 745 (R\$ 5,017 on June 30, 2015).

⁽ⁱⁱⁱ⁾ Refer to provision of additional earn-out portion of the process of acquisition of Clear Investments in the amount of R\$ 10,730 and provision of the agreement for transfer of the client base of Um Investimentos in the amount of R\$ 2,916, both conditioned to the attainment of certain goals.

10 Other liabilities - Taxes and social security

	2016	2015
Deferred income and social contribution taxes	284	14
Taxes and contributions on outsourced services	2.295	563
Taxes and contributions on salaries	3.556	1.185
Other ⁽ⁱ⁾	12.984	5.280
Total current	19.119	7.042

⁽ⁱ⁾ Refers mainly to IRRF, ISS, PIS and Cofins payable.

11 Other assets

On April 1, 2011, the Brokerage Firm hired Wolwacz & Ruschel Ltda. ("WR"), company that operates in the Educational area, giving courses related to the financial market, in order to perform educational events related to its operation. The events include, without limitation, courses, seminars, workshops and lectures. The realization includes the creation, promotion and organization of the Event by WR with all the inherent costs.

Besides these services, WR offers projects of operating strategies to the variable-income market, which may be inserted as tools to be used by all the clients of the Brokerage Firm in the home broker. In addition, its educational services include the disclosure of the Brokerage Firm's trademark and the indication of the latter to the participants of the courses offered by WR who are interested in carrying out operations in the financial market.

Under the agreement, the Brokerage Firm paid the amount of R\$ 5,250, whose expense is being amortized over the life of the agreement, which is ten years.

During the first semester of 2014, the Brokerage Firm implemented a campaign of incentive to the attraction of new clients (Pan – Program of business acceleration) with its network of autonomous agents, offering prepaid remuneration mainly to increase the raising of funds and consequently increase income that will be generated over time for these investments.

This campaign establishes the payment of a financial incentive to activate new accounts and increase custody. Management understands that these values may be considered as part of the remuneration of the autonomous agents and, accordingly, they are classified as prepaid expenses and, based on technical study, they are being allocated to the result on a straight-line basis during four years.

Prepaid expense presents the following consolidated composition:

	2016	2015
Wolwacz & Ruschel Ltda.	2.624	3.150
Use licenses ^(a)	4.536	2.039
Pan – Program of business acceleration	24.138	15.952
Prepaid expenses ^(b)	11.723	10.078
Total	43.021	31.219
Short-term	4.198	11.775
Long term	38.823	19.444
Total	43.021	31.219

^(a) Refer to license agreements for use of software whose contractual term of use is up to one year.

^(b) Includes substantially prepaid expenses related to new hires of traders, whose contractual term is up to 3 years.

12 Permanent assets

a. Investments

Company	% Interest	Adjusted shareholders' equity	Goodwill ⁽¹⁾	2016		
				Total investments	Income from investments	
Clear CTVM	100,00%	26.561	104.164	123.119	5.265	
			Cost	Amortization	Amortization	
Goodwill based on expected future earnings			91.000	(7.748)	Up to 2,022	
Relationship with clients			11.078	(4.985)	20 months	
Technology			209	(52)	36 months	
Brand			1.877	(70)	240 months	
Total			104.164	(12.855)		

On July 24, 2014, XP Investimentos Corretora de Câmbio Títulos e Valores Mobiliários S/A (“XPI”) signed an Agreement of Purchase and Sale of Shares and Other Covenants (“Agreement”) with the shareholders of Clear Corretora de Títulos e Valores Mobiliários S/A (“Clear”), amended on September 29, 2015 and on December 30, 2015, so as to regulate the acquisition of the total shares issued by Clear (“Operation”), being such operation conditioned to the approval by the Central Bank of Brazil.

The Central Bank of Brazil sent a letter to XPI on September 3, 2015, approving the realization of all the procedures required to close the operation. With this preliminary approval, on September 29, 2015, the operation was closed with the consequent payment of the base price of R\$ 55,000 (fifty-five million reais), restated by the DI rate variation from July 24, 2014 to September 3, 2015, whereby Clear became a wholly-owned subsidiary of XPI. Subsequently, the shareholders of Clear became shareholders of XP Controle Participações S/A, indirect parent company of XPI.

After the closing, the Central Bank of Brazil approved definitively the operation on December 18, 2015, as disclosed in the Official Gazette No. 243 of December 21, 2015, Section 3, page 99.

In addition to the base price and pursuant to the Agreement and further amendments, on December 30, 2015, XPI paid an addition to the base price in the total certain and adjusted amount of R\$ 53,087 to the shareholders of Clear. The base price may be subject to addition depending on the attainment of certain goals, thus on December 31, 2015 the estimated fair value of this provision was R\$ 10,730, as described in note 9 (b)ii.

b. Fixed assets for use

	Construction in process	Data processing system	Furniture and equipment	Security systems	Facilities	Total
Balance at 12/31/2015	-	5.425	4.692	533	4.972	15.622
Additions	3.348	2.902	374	-	4.044	10.668
Disposals	(14)	(305)	(38)	-	-	(357)
Transfers	(1.558)	(2)	1.539	-	21	-
Accumulated depreciation	-	(1.350)	(208)	(38)	(410)	(2.006)
Balance at 06/30/2016	1.776	6.670	6.359	495	8.627	23.927

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

Financial statements
June 30, 2016 and 2015

Balance at 12/31/2014	-	4.915	5.101	607	2.547	13.170
Additions	-	342	350	5	1.640	2.337
Disposals	-	(241)	(126)	-	(96)	(463)
Transfers	-	-	-	-	67	67
Accumulated depreciation	-	(947)	(453)	(37)	(132)	(1.569)
Balance at 06/30/2015	-	4.069	4.872	575	4.026	13.542

Tax Useful life						
(in years)	5	10	5	10		
Depreciation rate (p.a.)	20%	10%	20%	10%		

c. Intangible assets

		2016	2015
Opening balance		20.079	8.732
Additions		3.119	1.522
Disposals		-	(284)
Transfers		-	(67)
Accumulated amortization		(1.937)	(660)
Closing balance		21.261	9.243

On November 24, 2015, the Brokerage Firm signed an Agreement of Transfer of the Client Base with UM Investments, a company that operates in the same segment, with the purpose of transferring UM's client list to the Brokerage Firm together with the corresponding assets under custody, including all the rights related to these clients.

The contractual terms were agreed so as to enable such transfer of the client portfolio, with express non-compete clause, including commitment during the whole process of migration of that client base. As compensation for such transfer of the client base, the Brokerage Firm agreed to pay R\$ 10,916, which will be amortized in 43 months.

13 Income and social contribution taxes

a) *Deferred taxes*

Pursuant to Resolution No. 3.059/02, amended by Resolution No. 3.355/06, both of BACEN, the Brokerage Firm accounts for its deferred tax assets and liabilities ("tax credits" and "deferred tax obligations") derived from temporary differences observing the following conditions: (i) presentation of history of profits or taxable income for income and social contribution tax purposes, proven by the occurrence of such situations in, at least, three of the last five fiscal years, period which should include the year in reference; and (ii) expectation of generation of profits or future taxable income for income and social contribution tax purposes, in subsequent periods, based on internal technical study showing the probability of occurrence of future obligations related to taxes and contributions that would permit the realization of the tax credit within ten years at the most.

b) *Origin of tax credit*

	Balance at			Balance at
	31/12/2015	Formation	(Realization)	30/06/2016
Deferred income and social contribution taxes on:				
Provisions for commissions for agents and bonus	1.371	3.007	(3.116)	1.262
Mark-to-market - Securities and derivative financial instruments	660	-	(191)	469
Tax credit from goodwill on acquisition of investments	76.652	-	(9.578)	67.074
Other	1.305	690	(1.305)	690
Total tax credits on temporary differences	79.988	3.697	(14.190)	69.495
Short-term	30.389			29.469
Long term	49.599			40.026
Total	79.988			69.495

	Balance at 31/12/2014	Formation	(Realization)	Balance at 30/06/2015
Deferred income and social contribution taxes on:				
Provisions for commissions for agents and bonus	4.401	742	-	5.143
Mark-to-market - Securities and derivative financial instruments	69	22	-	91
Tax credit from goodwill on acquisition of investments	92.182	-	(12.023)	80.159
Tax loss and negative basis for social contribution	3.605	-	(3.605)	-
Other	195	769	-	964
Total tax credits on temporary differences	100.452	1.533	(15.628)	86.357
Short-term	32.317			30.246
Long term	68.135			56.111
Total	100.452			86.357

(c) *Estimated realization of tax credit assets*

	Temporary differences		
	Income tax	Social contribution	Total deferred taxes
Up to 1 year	16.372	13.097	29.469
1–2 years	15.027	12.021	27.048
2–3 years	7.210	5.768	12.978
Total	38.609	30.886	69.495
Present value - Selic	32.921	26.336	59.257

The value of total tax credits is R\$ 69,495 (R\$ 86,357 on June 30, 2015), and was calculated based on the expectation of realization of temporary differences presented in the previous table.

Profit projections that enable the generation of taxable basis include macroeconomic assumptions, foreign exchange and interest rates and estimate of new financial operations, among other, which may significantly vary in relation to effective data and values.

(d) *Reconciliation of income and social contribution taxes*

Reconciliation of consolidated income and social contribution taxes:

	2016	2015
Income before taxation and profit sharing	131.629	96.306
Employee profit sharing	(52.718)	(30.618)
Income before IR/CSLL calculated based on taxable income	78.911	65.688
(+) additions	453	30
(-) Exclusions	(5.265)	-
(=) IR/CSLL tax loss carryforwards/adjusted income	74.099	65.718
Current and deferred IR/CSLL	(32.583)	(26.094)
Effective rate	44%	40%

14 Shareholders' equity

a) *Capital*

Capital stock in the amount of R\$ 408,045 (R\$ 232,834 on June 30, 2015) is represented by 1,370,818,780 common shares (1,287,876,594 on June 30, 2015) and 1,420,772,854 preferred shares class C (1,287,839,797 on June 30, 2015), with no par value.

b) *Capital increase*

On May 25, 2016, the extraordinary shareholders' meeting approved the capital increase of the Brokerage Firm, upon issuance of 132,933,057 new preferred shares, nominative and with no par value, at the total issuance price of R\$ 120,000.

On December 30, 2015, the special shareholders' meeting approved the capital increase of the Brokerage Firm, upon issuance of 59,092,960 new common shares, nominative and with no par value, at the total issuance price of R\$ 40,058.

On September 30, 2015, the special shareholders' meeting approved the capital increase of the Brokerage Firm, upon issuance of 23,849,226 new common shares, nominative registered and with no par value, at the total issuance price of R\$ 15,153.

On April 13, 2015, the Central Bank of Brazil homologated the capital increase approved at the Special Shareholders' Meeting - AGE of November 1, 2013, derived from the approval of the protocol and justification of the Appraisal Report at book value of the total shareholders' equity of XP Holding Financeira S.A., then integral parent company of the Brokerage Firm, and its subsequent merger by the Brokerage Firm. As result of the merger of the assets and cash investments, net of liabilities recorded at XP Holding Financeira S.A., the capital stock of the Brokerage Firm was increased by R\$ 153,325, upon issuance of 1,431,458,836 nominative shares with no par value, of which 715,739,643 are common shares and 715,719,193 are preferred shares class C.

(c) Capital reserve

As result of the Merger, mentioned in note 14b, the assets of the Brokerage Firm was increased, to the capital reserve account, by the amount of R\$ 120,247, mainly equivalent to the economic benefit derived from probable future reduction of taxes.

(d) Legal reserve

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

(e) Statutory reserve

Statutory reserve for investment and expansion is stated at the remaining net income balance recorded in balance sheet after legal deductions aiming at ensuring funds for investments. This reserve cannot exceed the capital stock.

(f) Dividends and interest on own capital

To the shareholders is guaranteed a minimum compulsory dividend of 25% of the net income for the year, after the specific allocation.

On December 29, 2015, the special shareholders' meeting approved the distribution of dividends in the amount of R\$ 20,000 to the retained earnings' account, paid on January 22, 2016

On March 04, 2015, the special shareholders' meeting approved the distribution of dividends in the amount of R\$ 13,744 to the statutory reserve account, paid on the same date.

15 Income from services rendered

	2016	2015
Income from distribution of investment fund quotas	19.023	12.606
Income from brokerage in stock exchange operations	144.836	98.441
Income from commissions of issuing securities	30.160	20.277
Income from loan commissions - BTC	3.845	2.560
Income from custody services	6.129	3.544
Income from allocation of letter of guarantee	11.642	6.878
Income from onlendings of bank fees	618	505
Others	3.144	972
Total	219.397	145.783

16 Other operating income

	2016	2015
Recovery of charges and expenses	643	428
Fines received ⁽ⁱ⁾	7.693	3.000
Interest on arrears ⁽ⁱⁱ⁾	553	2.320
Others	393	24
Total	9.282	5.772

⁽ⁱ⁾ Income from collection of fine of 0.3% per day on the negative balance of the checking account, derived from financial settlements of stock exchange operations generated by the clients.

⁽ⁱⁱ⁾ Income from interest derived from the Selic restatement of prepaid income and social contribution taxes available for offset from prior periods.

17 Other operating expenses

	<u>2016</u>	<u>2015</u>
Operating errors ^(*)	(10.262)	(2.871)
Losses with clients ^(**)	(3.132)	-
Fines	(141)	(782)
Others	(860)	(280)
Total	<u>(14.395)</u>	<u>(3.933)</u>

^(*) Operating errors result from indemnities paid to clients by the Brokerage Firm mostly derived from errors in the performance of orders caused by flaws in the system or people.

^(**) On June 30, 2016, refers to loss on delinquent clients derived from stock exchange operations.

18 Other administrative expenses

	<u>2016</u>	<u>2015</u>
Expenses with water, energy and gas	(95)	(220)
Rental expenses	(3.377)	(4.662)
Expenses with communications	(2.998)	(3.016)
Expenses for maintenance and preservation of assets	(1.332)	(702)
Material expenses	(97)	(102)
Data processing expenses	(28.380)	(17.371)
Promotion and public relations expenses	(771)	(493)
Advertising and publicity expenses	(14.705)	(2.451)
Publishing expenses	(26)	(100)
Insurance costs	(7)	(7)
Outsourced service expenses	(4.692)	(2.613)
Surveillance and security expenses	(59)	(82)
Financial service expenses (note 19)	(124.787)	(71.401)
Specialized technical service expenses	(7.421)	(2.658)
Transportation expenses	(576)	(441)
Travel expenses	(1.080)	(1.183)
Depreciation and amortization expenses	(16.798)	(2.229)
Other administrative expenses	(1.082)	(502)
Total	<u>(208.283)</u>	<u>(110.233)</u>

19 Expenses with financial system services

	<u>2016</u>	<u>2015</u>
Autonomous agents of Investments	(118.091)	(65.294)
Fees for processing and custody services rendered ⁽¹⁾	(5.136)	(4.438)
Commission paid to XP Securities	(491)	(999)
Other	(1.069)	(670)
Total	<u>(124.787)</u>	<u>(71.401)</u>

⁽¹⁾ Comprised of operating fees and charges and bank fees.

20 Provisions and contingent liabilities

	<u>2016</u>	<u>2015</u>
Provision for labor lawsuits (note 9 b)	2.545	1.933
Provision for civil lawsuits (note 9 b)	143	479
Total	<u>2.688</u>	<u>2.412</u>

Provision for labor lawsuits

The Brokerage Firm has several labor lawsuits. On June 30, 2016, there are 20 lawsuits accrued which are classified as probable loss in the amount of R\$ 2,545 (R\$1,933 on June 30, 2015). There are 9 lawsuits classified as possible loss in the total amount of R\$ 1,638 (R\$1,071 on June 30, 2015).

	<u>2016</u>	<u>2015</u>
Opening balance	2.383	1.598
Formation	162	489
Reversal/payments	-	(154)
Closing balance	<u>2.545</u>	<u>1.933</u>

Civil lawsuits

The Brokerage Firm has several civil lawsuits. On June 30, 2016, there are 9 accrued which are classified as probable loss in the amount of R\$ 143 (R\$ 479 on June 30, 2015). In addition, on that date there are 26 lawsuits classified as possible loss in the amount of R\$ 14,968 (R\$ 1,071 on June 30, 2015), for which there is no provision in conformity with the prevailing accounting practices.

Labor contingent liabilities

On July 31, 2014, the Brokerage Firm decided to settle the entire installment payment with the Municipality of Rio de Janeiro in regard to the collection of ISS on income from brokerage for the period from January 1999 to December 2003, whose final term would only be in 2017, being paid the amount of R\$ 210. On the same date, the Brokerage Firm decided to pay at sight the benefit of article 2 of Law No. 12.996/2014, which reopened the term provided for in article 7 of Law No. 11.941/2009, all the debit of the assessment notice filed on 07/28/2011, derived from the non-payment of IRPJ and CSLL on appraisal of membership certificates of the stock exchange calculated up to the date of demutualization

The value paid was R\$ 2,568, already including all the discounts for payment at sight provided for in the law. All the debits above are under responsibility of the former parent company of the Brokerage Firm and the value of guarantee was sufficient to refund the amount paid.

The Brokerage Firm was assessed by the Federal Revenue Service in respect to the obligation to collect pension contributions in view of payments as profit sharing to employees, allegedly, not in compliance with Law No. 10.101/00. Currently, the proceedings are at the Division of Control and Tax Follow-up awaiting the filing of voluntary appeal by XP Investimentos. It is important to highlight the existence of prior court decisions favorable to CARF on the theme and legal opinions sustaining the defense of XP Investimentos. There is also the possibility of XP Investimentos questioning the collection in court. In the opinion of legal advisors contracted by the Brokerage Firm the probability of loss was classified as possible in the amount of R\$ 14,813.

21 Related party transactions

(a) Commercial contractual transactions with related parties

In the normal course of business, the Companies of XP Group carry out commercial and financial operations with the Brokerage Firm. These operations include: (i) the provision of education, advisory and corporate consulting services; (ii) financial advisory and consultancy in general; (iii) management of funds and provision of Portfolio Management services; (iv) provision for IT and data processing services; and (v) provision for insurance services.

The operations involving related parties were carried out at usual market rates, terms and conditions on the dates of the transactions.

	2016		2015	
	Assets (Liabilities)	Income (Expenses)	Assets (Liabilities)	Income (Expenses)
XP Educação Assessoria Empresarial e Participações Ltda. ⁽¹⁾				
Accounts receivable	12	-	7	-
Suppliers	(1.774)	-	(206)	-
Technical advisory expenses	-	(2.905)	-	(340)
Tecfinance Informática e Projetos de Sistemas Ltda. ⁽¹⁾				
Accounts receivable	19	-	5	-
Suppliers	(9.246)	-	(2.059)	-
Development and maintenance of system expenses	-	(14.076)	-	(6.007)
Infostocks Informações e Sistemas Ltda. ⁽¹⁾				
Accounts receivable	38	-	44	-
Suppliers	(3.456)	-	(73)	-
Marketing expense	-	(7.914)	-	(479)
XP Controle e Participações S.A. ⁽¹⁾				
Accounts receivable	2.851	-	2.851	-
XP Gestão de Recursos Ltda. ⁽¹⁾				
Accounts receivable	191	-	60	-
Suppliers	-	-	(1)	-
Service income	-	35	-	29
XP Corretora de Seguros Ltda. ⁽¹⁾				
Accounts receivable	35	-	55	-
XP Holding Investimentos ⁽¹⁾				
Suppliers	-	-	(18)	-
XP Securities LLC ⁽¹⁾				
Suppliers	(226)	-	(191)	-
Expenses with financial system services	-	(491)	-	(998)

XP Finance Desenvolvimento de Negócios Ltda. ⁽¹⁾				
Accounts receivable	11	-	3	-
Money & Markets Editora Ltda. ⁽¹⁾				
Accounts receivable	11	-	4	-
Clear ⁽²⁾				
Accounts receivable	164	-	-	-
XP Advisory Gestão de Recursos Ltda. ⁽¹⁾				
Accounts receivable	26	-	-	-
Financial advisory	-	(13)	-	-
Yuias Crédito Privado Fundo de Investimento Multimercado ⁽³⁾				
Investment fund quotas	5.968	-	55.426	-
Income (loss) from investment in quotas	-	7.155	-	24.246
XP Peregrino Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	4.590	-	52.470	-
Income (loss) from investment in quotas	-	(1.263)	-	4.705
XP Pilgrim Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	6.104	-	50.753	-
Income (loss) from investment in quotas	-	4.386	-	10.155
Oconnor Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	15.114	-	15.158	-
Income (loss) from investment in quotas	-	699	-	800
Oconnor II Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	59.553	-	20.010	-
Income (loss) from investment in quotas	-	4.238	-	10
Oconnor III Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	8.836	-	-	-
Income (loss) from investment in quotas	-	336	-	-
Frade Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	69.884	-	-	-
Income (loss) from investment in quotas	-	5.789	-	-
Pedras Secas Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	39.732	-	-	-
Income (loss) from investment in quotas	-	4.432	-	-
Corveta Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	-	-	-	-
Income (loss) from investment in quotas	-	(3.124)	-	-
Newbery Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	-	-	-	-
Income (loss) from investment in quotas	-	788	-	-
XPA Hedge Fundos de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	1.704	-	-	-
Income (loss) from investment in quotas	-	(172)	-	-
Caieiras I Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	77.252	-	-	-
Income (loss) from investment in quotas	-	152	-	-
XP Crédito Estruturado Fundo de Investimento Multimercado Crédito Privado ⁽³⁾				
Investment fund quotas	-	-	-	-
Income (loss) from investment in quotas	-	668	-	-
Total Assets	292.095	-	196.846	-
Total Liabilities	(14.702)	-	(2.548)	-
Total	277.393	(1.280)	194.298	32.121

(1) Associated companies.

(2) Subsidiaries.

(3) Exclusive investment funds

(b) Directors' fees

	2016	2015
Compensation of key management personnel		
Directors' fees	(573)	(441)
Total	(573)	(441)

22 Profit sharing program

The Brokerage Firm has a profit sharing program to its employees. This program is not extensive to the Executive Board. The base dates of this participation are the months of June and December. In the semester ended June 30, 2016, it was calculated for purposes of distribution the amount of R\$ 52,718 (June 30, 2015 - R\$ 30,618).

23 Operating Limits (Basel Agreement)

	2016			2015		
	Requirement	Situation	Margin (insufficiency)	Requirement	Situation	Margin (insufficiency)
Basel - total ^(a)	373.353	530.624	157.271	288.369	386.031	97.662
Property, plant and equipment ^(b)	265.312	106.023	159.289	193.015	19.295	173.720
Minimum capital ^(a)	1.500	408.045	406.545	1.500	232.834	231.334

^(a) The requirement refers to the minimum limit required.

^(b) This requirement refers to the maximum permitted limit.

* * *

Guilherme Dias Fernandes Benchimol
 CPF: 025.998.037-48
 Director

Julio Capua Ramos da Silva
 CPF: 893.287.367-49
 Director

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