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

Financial statements as of June 30, 2018 and 2017

(Free translation of the original report in portuguese as published in brazil containing interim financial information prepared in accordance with accounting practices adopted in Brazil)

Contents

Management Report

To the shareholders of
XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. (“XP CCTVM”)
Rio de Janeiro - RJ

We present for you consideration, the financial statements as of June 30, 2018 and 2017, together with the notes to the financial statements and auditors' report.

We inform you that we maintained our risk management policy during the period. In compliance with the Central Bank of Brazil regulation, we are at your disposal for any additional information you may require.

i. Performance

In the first half of 2018, XP CCTVM continued with its expressive growth, despite the political instability and the deteriorated economic scenario. The XP CCTVM maintained its expansion, presenting strong growth in all its operational indicators, including net borrowing, number of clients and assets under custody. Presenting the continued strength of its brand and its wide capacity of distribution of products, always maintaining the commitment to help the clients to invest of intelligent and safe manner.

This performance was a constant result of the development of the open product platform, with a wide range of offerings, along with the advisory differentials of XP CCTVM and the continuous process of brand consolidation, with the greater knowledge and preference of XP CCTVM by the target audience.

ii. 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 and operational 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.

(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.

(c) Credit Risk

Credit risk management is under responsibility of the XP CCTVM's risk area, seeking to ensure compliance with the XP CCTVM's policy provisions and ensure that the established operational thresholds are met.

XP CCTVM establishes its credit policy based on the domestic scenario, based on the portfolio breakdown by security, by issuer, by rating, by economic activity and by the duration of the portfolio. And regarding the external scenario, based on interest rates, inflation, among others.

The credit analysis area also actively participates in this process and is responsible for credit risk rating of issuances and issuers with which XP CCTVM have or intend to have credit relations, or intend to recommend credit risk positions to clients. The credit analysis area is also responsible for the limits of client's credit risk positions.

The analyses are presented to the Credit Advisory Committee, whose function is to determine whether the assessed credits are eligible as counterparty risk. Regarding credits for distribution to the client base of XP CCTVM, credit limits are also determined for each issuer and structured issuance.

The review of credits assessed by the Credit Advisory Committee is carried out periodically by the Credit Analysis Area, in accordance with internal rules and methodologies.

The risk area is directly subordinated to the Chief Risk Officer, without any relation with the commercial area. The credit analysis area is also subordinated to the Chief Risk Officer, with the necessary independence to carry out its activities, since it does not participate in the definition of business strategies and does not perform market transactions of any kind.

(d) Operational Risk

The XP CCTVM, in compliance with Resolution no. 4.557/2017, of the National Monetary Council (CMN), of February 23, 2017, has a structure of operational risk management that encompasses preparation of institutional policies, evaluation and monitoring of processes and procedures for risk mitigation, contingency plans and strategies to ensure business continuity, in addition to formalization of a single structure required by regulatory agency.

Complete description of operational risk management structure is available at our website: https://www.xpi.com.br/sobre-a-xp/compliance/.

iii. Investments

(a) Clear CTVM

Aiming to capture synergies in financial, operational and administrative expenses, XP CCTVM, at the Extraordinary Shareholders' Meeting held on June 30, 2017, approved the merge of Clear CTVM, pursuant to the "Merger Protocol and Justification Agreement" entered into on that same date, based on the book value on the base date of May 31, 2017, as described in the appraisal report summarized below:

Current and long-term Assets	**141,522**
Cash	255
Interbank investments	101,673
Securities and derivative financial instruments	37,789
Other credits	1,785
Other assets	20
Permanent assets	**118**
Property, equipment and intangible assets	118
Total Assets	**141,640**

Current and long-term Liabilities	**113,275**
Other liabilities	113,275
Total Liabilities	**113,275**
Shareholders' equity	**28,365**

The merge resulted in the extinction of Clear CTVM that was succeeded by XP CCTVM in all its assets, rights and obligations.

(b) Rico CTVM

On November 29, 2016, a Securities Sale and Purchase Agreement was signed, governing the acquisition of the total capital of the holding company FLAFLU Participações S.A. and, indirectly, the acquisition of the total capital of its wholly-owned subsidiary Rico Corretora de Títulos e Valores Mobiliários S.A. ("Rico") by XP CCTVM. The goal of XP CCTVM with such transaction is to expand its operations in the securies brokerage and distribution market in the retail segment, by expanding the client base and absorbing the innovative technology in the online market developed by Rico, with a view to a complementarity positioning between the brands. The total amount disbursed by XP CCTVM in the transaction was R$ 404,727. This transaction was approved by the Administrative Council for Economic Defense (CADE) and the Central Bank of Brazil.

On August 10, 2017, the transfer of corporate control approval of Rico to XP CCTVM was published in the Brazilian Official Gazette.

At the Extraordinary Shareholders' Meeting held on November 30, 2017, the merge of Rico and FLAFLU into XP CCTVM was approved, pursuant to the "Merger Protocol and Justification Agreement" entered into on that same date, based on the carrying amounts of the merged company as of October 31, 2017, as described in the appraisal report summarized below:

Rico CTVM

Current and long-term Assets	**486,408**
Cash	39
Interbank investments	434,998
Securities and derivative financial instruments	30,275
Credit operations	3,253
Other credits	17,442
Other assets	401
Permanent assets	**5,845**
Investments	33
Property, equipment and intangible assets	5,812
Total Assets	**492,253**
Long-term liabilities	**434,852**
Other liabilities	434,852
Total liabilities	**434,852**
Shareholders' equity	**57,401**

FLAFLU

Current and long-term Assets	**79**
Cash	75
Other credits	4
Permanent assets	**57,401**
Investments	57,401
Total Assets	**57,480**
Shareholders' equity	**57,480**

The merge resulted in the extinction of Rico and FLAFLU that were succeeded by XP CCTVM in all their assets, rights and obligations.

iv. Other information

(a) Purchase and sale agreement with Itau Unibanco S.A.

On May 11, 2017, XP Controle Participações S.A., the parent company of XP Group, G.A. Brasil IV FIP and DYNA III FIP entered into a share purchase and sale agreement with Itaú Unibanco S.A. for the disposal of interest in XP Investimentos S.A., a holding company that consolidates XP Group investments. Once all the previous conditions provided for in such agreement are fulfilled, including, but not limited to the approvals of the applicable regulatory bodies, Itaú Unibanco S.A. will hold approximately 49.9% of the total capital of XP Investimentos S.A., with approximately 30% of the voting capital, remaining the control of the XP Group with its current controlling shareholders. The transaction was approved on March 14, 2018 by CADE and on August 9, 2018 by the Central Bank of Brazil. Even after the conclusion of the purchase, estimated to August 31, 2018, the independence and autonomy of XP Investimentos S.A. will remain unchanged, without any operational or commercial integration, with free market competition.

Rio de Janeiro, August 28, 2018.

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

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Independent auditor's report on financial statements

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

Opinion
We have audited the 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 June 30,2018, the statements of profit and loss and other comprehensive income, changes in equity and cash flow for the six month period, and notes, comprising significant accouting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("the Company") as at June 30, 2018, and of its financial performance and its cash flows for the six-month period then ended in accordance with Accouting Practices Adopted in Brazil.

Basis for opinion
We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis - Purchase and sale agreements with Itau Unibanco S.A.
We draw the attention for the note 1 to the financial statements, which describes that on May 11, 2017, XP Controle Participações S.A., parent company of the Company, G.A. Brasil IV FIP and DYNA III FIP entered into a share purchase and sale agreement with Itaú Unibanco S.A. for the disposal of interest in XP Investimentos S.A., a holding company that consolidates XP Group investments. Once all the previous conditions provided for in such agreement are fulfilled, including, but not limited to the approvals of the applicable regulatory bodies, Itaú Unibanco S.A. will hold approximately 49.9% of the total capital of XP Investimentos S.A., with approximately 30% of the voting capital, remaining the control of the XP Group with its current controlling shareholders. The transaction was approved on March 14, 2018 by CADE and on August 9, 2018 by the Central Bank of Brazil. Even after the conclusion of the purchase, estimated to August 31, 2018, the independence and autonomy of XP Investimentos S.A. will remain unchanged, without any operational or commercial integration, with free market competition. Our opinion is not qualified in respect of this matter.

Other information accompanying the financial statements and the auditor's report
Management is responsible for the other information comprising the management report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Practices Adopted in Brazil 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process

Responsibilities of the auditor regarding the audit of financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, August 28, 2018

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ
Original report in Portuguese signed by
Rodrigo de Mattos Lia
Accountant CRC 1SP252418/O-3

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

Statements of financial position as of June 30, 2018 and 2017

(In thousands of Reais)

Assets

	Note	2018	2017
Current assets		**6,401,063**	**3,860,624**
Cash and due from banks	**4**	**1,820**	**611**
Interbank investments	**5a**	**2,053,712**	**980,904**
Money market investments		2,053,712	980,904
Securities and derivative financial instruments		**3,359,325**	**1,835,775**
Own portfolio	6	2,656,756	1,188,016
Derivative financial instruments	7	21,708	16,790
Subject to guarantees provided	6	680,861	630,969
Other receivables		**944,805**	**1,015,331**
Foreign exchange portfolio		3,100	3,398
Income receivable	8	71,270	31,282
Securities clearing accounts	9	683,314	431,282
Taxes and contributions recoverable	10	20,567	5,699
Tax credits	16	150,290	112,562
Sundry	10	22,002	433,601
Allowance for other receivables		(5,738)	(2,493)
Other assets		**41,401**	**28,003**
Prepaid expenses	11	41,401	28,003
Long-term assets		**187,363**	**155,623**
Securities and derivative financial instruments		**88,774**	**48,188**
Derivative financial instruments	7	88,774	48,188
Other receivables		**74,915**	**82,021**
Tax credits	16	57,728	80,432
Sundry	10	17,187	1,589
Other assets		**23,674**	**25,414**
Prepaid expenses	11	23,674	25,414
Permanent assets		**481,362**	**140,815**
Property and equipment	**15a**	**57,041**	**36,768**
Intangible assets	**15b**	**424,321**	**104,047**
Total assets		**7,069,788**	**4,157,062**

The notes are an integral part of these financial statements.

Liabilities

	Nota	2018	2017
Current liabilities		**5,572,563**	**2,908,097**
Money market repurchase commitments	**13**	**1,398,196**	**655,003**
Third-party portfolio		1,398,196	655,003
Interbranch Accounts		**1,058**	**1,082**
Borrowings	**14**	**86,541**	**45,722**
National currency borrowings		86,541	45,722
Derivative financial instruments		**19,212**	**11,454**
Derivative financial instruments	7	19,212	11,454
Other liabilities		**4,067,556**	**2,194,836**
Collection and levy of taxes and alike		193	189
Foreign exchange portfolio		4,519	3,579
Social and statutory	25	166,690	85,065
Tax and social security	12	97,592	83,761
Due in connection with securities dealing	9	3,758,548	1,988,339
Sundry	10	40,014	33,903
Long-term liabilities		**201,725**	**233,306**
Borrowings	**14**	**102,317**	**183,429**
National currency borrowings		102,317	183,429
Derivative financial instruments		**87,671**	**46,868**
Derivative financial instruments	**7**	87,671	46,868
Other liabilities		**11,737**	**3,009**
Sundry	10	11,737	3,009
Deferred income		**81**	**179**
Shareholders' equity	**17**	**1,295,419**	**1,015,480**
Capital Stocks			
Domestic		708,045	608,045
Capital reserves		224,649	224,649
Profit reserves		275,696	109,740
Equity valuation adjustments		15	21
Retained earnings		87,014	73,025
Total liabilities and shreholders' equity		**7,069,788**	**4,157,062**

The accompanying notes are an integral part of the financial statement for the semester ended June 30, 2018 and 2017.

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

Statements of income for the semester ended June 30, 2018 and 2017

(In thousands of Reais, except earnings per share and number of shares)

	Note	2018	2017
Financial of income		**250,616**	**266,720**
Loans		258	-
Securities income	6	247,336	248,192
Income from derivative financial instruments	7	(353)	17,113
Foreign exchange transactions		3,375	1,415
Financial intermediation expenses		**(22,803)**	**(51,435)**
Money market repurchase agreements	5b,13	(11,361)	(41,170)
Borrowings and onlendings	14	(7,641)	(10,814)
Allowance for doubtful accounts		(3,801)	549
Gross income from financial intermediation		**227,813**	**215,285**
Other operating income/(expenses)		**103,632**	**(5,418)**
Service revenues	18	826,858	405,220
Personnel expenses		(64,552)	(36,686)
Other administrative expenses	21	(578,252)	(332,917)
Income from investments	15b	-	5,592
Tax expenses		(84,758)	(55,181)
Other operating income	19	32,351	16,988
Other operating expenses	20	(28,015)	(8,434)
Operating income		**331,445**	**209,867**
Non-operating income		**(2,206)**	**49**
Income before taxation and profit sharing		**329,239**	**209,916**
Income and social contribution taxes	**16d**	**(75,535)**	**(54,396)**
Provision for income tax		(32,920)	(15,604)
Provision for social contribution		(26,073)	(15,334)
Deferred tax assets		(16,542)	(23,458)
Profit sharing	**25**	**(166,690)**	**(82,495)**
Net income		**87,014**	**73,025**
Net income per share		0.02	0.02

The accompanying notes are an integral part of the financial statement for the semester ended June 30, 2018 and 2017.

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.
Statement of changes in shareholders' equity
for the six-month periods ended June 30, 2018 and 2017
(In thousands of Reais)

			Profit reserve				
	Capital stock	Capital reserve	Legal reserve	Statutory reserve	Valuation Adjustment	Retained Earnings	Total
Balances at January 1, 2017	**408,045**	**224,649**	**8,879**	**100,861**	**(137)**	**-**	**742,297**
Capital increase approved (note 17b)	200,000	-	-	-	-	-	200,000
Adjustment to market value of financial assets available for sale	-	-	-	-	158	-	158
Net income for the six-month period	-	-	-	-	-	73,025	73,025
Balances at June 30, 2017	**608,045**	**224,649**	**8,879**	**100,861**	**21**	**73,025**	**1,015,480**
Changes in the semester	**200,000**	**-**	**-**	**-**	**158**	**73,025**	**273,183**
Balances at January 1, 2018	**608,045**	**224,649**	**17,192**	**258,804**	**15**	**-**	**1,108,705**
Capital increase approved (note 17b)	100,000	-	-	-	-	-	100,000
Net income for the six-month period	-	-	-	-	-	87,014	87,014
Dividends distributed in advance	-	-	-	(300)	-	-	(300)
Balances at June 30, 2018	**708,045**	**224,649**	**17,192**	**258,504**	**15**	**87,014**	**1,295,419**
Changes in the semester	**100,000**	**-**	**-**	**(300)**	**-**	**87,014**	**186,714**

The accompanying notes are an integral part of the financial statement for the semester ended June 30, 2018 and 2017.

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

Statements of cash flows

for the semester ended June 30, 2018 and 2017

(In thousands of Reais)

	2018	2017
Cash flow from operating activities		
Net income for the six-month period	87,014	73,025
Adjustments to net income		
Deferred Taxes	(41,901)	(37,053)
Allowance for other doubtful loans	3,801	(549)
Provision for contingencies	11,737	3,980
Depreciation and amortization	42,965	15,308
Employee profit sharing	166,690	82,495
Income (loss) from interest	-	(5,592)
Adjusted net income for the six-month period	270,306	131,614
Changes in operating assets and liabilities:	**(31,581)**	**(622,584)**
(Increase) in interest earning bank deposits	(884,174)	117,133
(Increase) Decrease in securities and derivative financial instruments (Assets and liabilities)	(532,676)	(656,772)
Decrease in credit operations	1,422	-
(Increase) Decrease in other credits and other assets	(17,095)	(425,316)
Increase (Decrease) in money market repurchase commitments	884,178	(2,252)
(Decrease) in interbranch accounts	(281)	1,082
Increase in securities clearing accounts (Assets and liabilities)	581,905	501,339
Increase (Decrease) in other liabilities	76,494	(117,629)
(Decrease) in deferred income	(49)	(49)
Taxes paid	(133,474)	(34,574)
Interest paid	(7,831)	(5,546)
Net cash used in operating activities	**238,725**	**(490,970)**
Cash flow from investment activities		
Acquisition of property, plant and equipment	(26,302)	(14,866)
Disposal of intangible assets	13	-
Acquisition of intangible assets	(13,485)	(7,275)
Dividends received	-	11,000
Net cash used in investment activities	**(39,774)**	**(11,141)**
Cash flow from financing activities		
(Decrease) Increase in borrowings	(31,524)	234,697
Capital increase	100,000	200,000
Dividends paid	(300)	(27,438)
Net cash from financing activities	**68,176**	**407,259**
(Decrease)/Increase in cash and cash equivalents	**267,127**	**(94,852)**
Cash and cash equivalents at the beginning of the six-month period	390,209	421,363
Cash and cash equivalents from Clear CTVM	-	129
Cash and cash equivalents at the end of the six-month period	657,336	326,511

The accompanying notes are an integral part of the financial statement for the semester ended June 30, 2018 and 2017.

(In thousands of Reais, unless otherwise indicated)

1 Operations

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A ("XP CCTVM") is a privately-held organization headquartered at Avenida das Américas 3.434, bloco 7 - 2° andar, Barra da Tijuca, Rio de Janeiro, engaged in conducting transactions within the ambit of B3 S.A - Brasil, Bolsa, Balcão ("B3 S.A"), on its own and on behalf of third parties, in addition to managing investment club portfolios..

The final parent company of the XP CCTVM is XP Controle Participações S.A., which indirectly holds 31.6288% of the total capital of XP CCTVM on June 30, 2018 (31.8741% in 2017), with 55.5702% of participation on ordinary shares (55.5702% in 2017).

Corporate restructuring

(a) Clear CTVM

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FLAFLU

Current and long-term assets	**79**
Cash	75
Other credits	4
Permanent assets	**57,401**
Investments	57,401
Total assets	**57,480**
Shareholders' equity	**57,480**

The merge resulted in the extinction of Rico and FLAFLU that were succeeded by XP CCTVM in all their assets, rights and obligations.

(In thousands of Reais, unless otherwise indicated)

(c) Sale and purchase agreement with ItauUnibanco S.A.

On May 11, 2017, XP Controle Participações S.A., the parent company of XP Group, G.A. Brasil IV FIP and DYNA III FIP entered into a share purchase and sale agreement with Itaú Unibanco S.A. for the disposal of interest in XP Investimentos S.A., a holding company that consolidates XP Group investments. Once all the previous conditions provided for in such agreement are fulfilled, including, but not limited to the approvals of the applicable regulatory bodies, Itaú Unibanco S.A. will hold approximately 49.9% of the total capital of XP Investimentos S.A., with approximately 30% of the voting capital, remaining the control of the XP Group with its current controlling shareholders. The transaction was approved on March 14, 2018 by CADE and on August 9, 2018 by the Central Bank of Brazil. Even after the conclusion of the purchase, estimated to August 31, 2018, the independence and autonomy of XP Investimentos S.A. will remain unchanged, without any operational or commercial integration, with free market competition.

2 Presentation of the financial statements

(a) Statement of conformity

The financial statements of the XP CCTVM are Management's responsibility, have been prepared in comply with the Brazilian accounting practices applicable to institutions authorized to operate by the Central Bank of Brazil ("BACEN"), and are being presented in conformity with the Chart of Accounts for Institutions of the National Financial System - COSIF.

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. The XP CCTVM reviews the estimates and assumptions periodically.

The financial statements for the six-month period ended June 30, 2018 were approved by management and submitted to the Audit Committee on August 28, 2018.

(b) Change in accounting policy - Due in connection with securities dealing (amounts payable and receivable)

Pursuant to CPC 23 - "Accounting Policies, Change of Estimates and Error Correction", management decided to change the accounting and trading policy of assets and liabilities, with the purpose of presenting to the reader of these financial statements a better understanding of the equity position of XP CCTVM.

Previously, credit and debtor transactions were recorded separately in assets and liabilities, in this new format a reconciliation of the purchase and sale operations is performed and in case the final amount is a creditor, it will be recorded in the liability, on the other hand if this amount is debtor, it will be recorded in assets, it should be noted that the counterparties are the same and settlement is done by the net, in this way the presentation does not affect the equity of XP CCTVM and thus the balances of assets and liabilities will be better represented.

For the balances of June 30, 2017, we had the following changes in the amounts of assets and liabilities.

Assets	**Previous balance**	**Adjustment**	**Balance represented**
Due in connection with securities dealing	2,183,220	(1,751,938)	431,282
Total assets	**5,909,000**	**(1,751,938)**	**4,157,062**

Liabilities	**Previous balance**	**Adjustment**	**Balance represented**
Due in connection with securities dealing	3,740,277	(1,751,938)	1,988,339
Total liabilities	**5,909,000**	**(1,751,938)**	**4,157,062**

3 Significant accounting policies

(a) Statement of income

Income (loss) from transactions is determined in accordance with the accrual basis of accounting, income and expenses are recorded in the statement of income for the period they occur and always simultaneously when correlated.

(b) Cash and cash equivalents

Cash and cash equivalents include Cash and cash equivalents, money market investment (Own portfolio), interbank deposits 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 in the same or in a period lower than 90 days from the acquisition date.

(c) Interbank investments and money market repurchase commitments

Are recorded at cost of investment or acquisition, plus income accrued up to the balance sheet date and when applicable, less any provision for devaluation.

(d) Financial Instruments

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.

Securities are classified based on criteria for accounting and evaluation of securities portfolio defined by BACEN Circular Letter No. 3068/01 in accordance with Management's intention into three specific categories, complying with the following accounting criteria:

Financial assets held for trading - Financial assets acquired for being frequently and actively negotiated, adjusted to market value with the corresponding entry to income (loss).

Available for sale financial assets - Financial assets 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).

Held to maturity financial assets - Financial assets 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 counterpart to income (loss) for the semester.

Financial assets classified for held for trading category maturing at least 12 months are classified in the current assets in balance sheet, regardless of the maturity as determined by BACEN Circular Letter No. 3068/01.

Derivative financial instrument transactions carried out by the XP CCTVM are classified according to Management’s aim. Balances of derivative financial instruments contracts are recorded in memorandum accounts and the amounts receivable and payable adjusted to market value in the balance sheet as follows:

- Futures contract adjustments are calculated on a daily basis per type of asset and respective maturity and recognized in income (loss) when earned or incurred;
- Forward transactions are recorded at the spot market quoted value, amounts payable or receivable scheduled for a future date are adjusted to present value, based on the market rates disclosed by B3 S.A and recognized in the income statement over the contract period;

- Premium paid or received on options transactions are recorded at cost in balance sheet accounts and adjusted to market value, based on internally developed pricing models, as the counterpart to income.
- Assets and liabilities arising from swap transactions are recorded in balance sheets accounts and adjusted to market value, using the cash flow method discounted by the rates disclosed by B3 S.A., as the counterpart to income.

(e) Share loans and short position in shares

Share loan (borrower position) and short position in shares are conducted in stock and commodities exchange (B3 S.A.) 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 Income (loss).

(f) Impairment losses allowance

The XP CCTVM only operates with credit operations destined to acquisitions of shares, through financing margin account of certain clients. Allowance for other doubtful accounts is formed with basis on expected losses in the realization of trade accounts receivable for transactions conducted in the sessions of the B3 S.A., as well as Central Bank of Brazil guidelines (art, 6 of Resolution No. 2682/99).

(g) Due in connection with securities dealing (amounts payable and receivable)

Represented by transactions in B3 S.A, on 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.

The main captions that are included in this accounting group are:

· 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. A reconciliation of the purchase and sale transactions is made and in case the final amount is a creditor, it will be recorded in the liability, on the other hand if this amount is debtor, it will be recorded in assets.

(h) 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.

(i) Other assets

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

(j) Investments

Investments in subsidiaries are accounted for using the equity pickup and are recorded as a result of equity investments.

(k) Property, plant and equipment

Recorded at acquisition cost and adjusted for impairment, when applicable. Depreciation is calculated by the straight-line method considering the estimated useful lives of the assets.

(l) Intangible

Intangible assets are measured at acquisition cost, less accumulated amortization. The amortization of software's is calculated on a straight-line basis at annual rates that reflect their estimated useful life, whereas the list of clients (related to the agreement of transfer of the client base of Um Investimentos) is amortized based on the expected future profitability, with estimated conclusion on June 2019.

The goodwill from business combination is shown at its cost value, and 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 impairment.

(m) Impairment assessment

CPC 01 (R1) - Asset Impairment establishes that the entities must perform regular analysis to verify the degree of recoverable value of its assets.

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 recorded on June 30, 2018 the amount of R$ 2,275 related to impairment of property, plant and equipment. As of June 30, 2017 Management was not aware of any relevant adjustment that might affect the ability to recover the values recorded.

(n) Other liabilities

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

(o) 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. 3823/09, as follows:

· Contingent assets - Are not recognized in the financial information unless when the realization of gain is virtually certain, and, in this case, the related asset is no longer a contingent asset and its recognition is appropriate.

· Contingent liabilities - are evaluated by legal advisors and Management, taking into consideration the possibility of loss in lawsuit or administrative proceeding that may generate a reliably measurable disbursement. These processes may be of a civil, labor and fiscal nature. Provisions are formed for claims classified as probable losses by the legal advisors and disclosed in the notes, when the claims are uncertain and depend on future events to determine if there is likelihood of disbursement; therefore, provisions are not recorded for them, but they are disclosed if classified as possible loss, and a provision is not recorded nor are they disclosed if classified as remote loss.

· Legal obligations (tax and social security) - refer to claims challenging the legality and constitutionality of the federal taxes. The amount discussed is quantified, accrued and updated monthly.

(p) 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.

(In thousands of Reais, unless otherwise indicated)

Act No. 13169, enactment of Provisional Measure No. 675, was published on October 6, 2015 and raised Social Contribution on Net Income (CSLL) rate from 15% to 20% on taxable income generated in the period from September 1, 2015 to December 31, 2018 and 15% beginning as of January 1, 2019, in relation to financial institutions, legal entities engaged in private insurance, capitalization, and those referred to in items I to VII, IX and X of paragraph 1 of Article 1 of Supplementary Law no. 105, of January 10, 2001.

Deferred taxes were formed, on temporary differences, at the rate of 25% for income tax and 20% for social contribution, once that provision for taxable income will result in the full realization of tax credit before the rate of 20% becomes effective (as from January 1, 2019) and 25% (up to December 31, 2018).

(q) Earnings per share

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

4 Cash and cash equivalents

Cash and cash equivalents	2018	2017
Cash	1,820	611
Interbank investments	655,516	325,900
Total	**657,336**	**326,511**

5 Interbank investments

(a) Money market repurchase commitments

	2018	2017
Own portfolio	**655,516**	**325,900**
National Treasury Bills	400,448	95,575
Financial Treasury Bills	100,027	230,325
National Treasury Notes - B Series	155,041	-
Financed Operations	**1,398,196**	**655,004**
Financial Treasury Bills	-	655,004
National Treasury Notes - B Series	794,342	-
National Treasury Bills	603,854	-
Total	**2,053,712**	**980,904**

Money market interbank investments, on June 30, 2018, mature in the first business day of the subsequent month and were practiced at a prefixed average rate of 6.35% p.a. (2017: 10.11% p.a.).

(b) Income (loss) from Interbank investments

	2018	2017
Own portfolio	**35,160**	**39,281**
National Treasury Bills	8,438	11,894
National Treasury Notes - B Series	24,096	15,423
Financial Treasury Bills	2,626	11,660
Debentures	-	304
Financed Operations	**10,006**	**40,891**
National Treasury Bills	6,432	5,500
Financial Treasury Bills	837	3,629
National Treasury Notes - B Series	2,737	31,762
Total	**45,166**	**80,172**

(In thousands of Reais, unless otherwise indicated)

6 Financial Instruments

(a) Asset position

						2018
Held for Trading	**Without maturity**	**Up to 3 months**	**4-12 months**	**>12 months**	**Market value**	**Cost**
Own portfolio	**1,359,716**	**139,577**	**164,865**	**992,598**	**2,656,756**	**2,657,320**
Fixed income securities	**-**	**139,577**	**164,865**	**992,598**	**1,297,040**	**1,297,596**
Financial Treasury Bills	-	127,818	121,715	760,841	1,010,374	1,010,318
National Treasury Bills	-	6,092	2,644	2,937	11,673	11,685
National Treasury Notes - B Series	-	1,133	3,685	18,172	22,989	23,014
National Treasury Notes - F Series	-	-	-	3,314	3,314	3,422
Bank deposit certificates	-	2,844	26,864	82,857	112,566	112,733
Agribusiness Receivables certificates	-	-	3,776	104,006	107,783	107,961
Mortgage-backed securities	-	-	-	3,573	3,573	3,579
Bills of exchange	-	542	598	546	1,686	1,685
Real estate receivables bills	-	481	679	490	1,649	1,648
Agribusiness credit bills	-	667	2,404	451	3,522	3,524
Financial bills	-	-	1,833	1,115	2,948	3,060
Debentures	-	-	667	14,296	14,962	14,967
Variable income securities	**114**	**-**	**-**	**-**	**114**	**117**
Shares of listed companies	114	-	-	-	114	117
Investment Fund Quotas [(a)]	**1,359,602**	**-**	**-**	**-**	**1,359,602**	**1,359,607**
Subject to guarantees provided	**31,277**	**74,848**	**11,149**	**563,587**	**680,861**	**680,832**
Fixed income securities	**-**	**74,848**	**11,149**	**563,587**	**649,584**	**649,555**
Financial Treasury Bills	-	74,848	11,149	563,587	649,584	649,555
Investment Fund Quotas [(b)]	**31,277**	**-**	**-**	**-**	**31,277**	**31,277**
Securities	**1,390,993**	**214,425**	**176,014**	**1,556,186**	**3,337,617**	**2,327,834**

(In thousands of Reais, unless otherwise indicated)

						2017
Held for Trading	**On demand**	**Up to 3 months**	**4-12 months**	**>12 months**	**Market value**	**Cost**
Own portfolio	**296,573**	**361,226**	**12,553**	**517,664**	**1,188,016**	**1,188,803**
Fixed income securities	**-**	**361,226**	**12,553**	**517,664**	**891,443**	**892,230**
National Treasury Bill	-	349,779	418	2,145	352,342	352,440
Financial Treasury Bill	-	9,322	161	404,182	413,665	413,514
National Treasury Notes - B Series	-	-	-	7,091	7,091	6,893
Bank deposit certificates	-	685	2,596	16,989	20,270	20,522
Agribusiness Receivables certificates	-	-	478	26,230	26,708	27,110
Mortgage-backed securities	-	-	-	26,588	26,588	26,870
Financial bills	-	-	-	913	913	967
Bills of exchange	-	23	77	29	129	130
Real estate credit bills	-	35	206	482	723	721
Certificates of receivables Agribusiness	-	1,382	8,617	268	10,267	10,738
Debentures	-	-	-	32,747	32,747	32,325
Variable income securities	**638**	**-**	**-**	**-**	**638**	**638**
Shares of listed companies	638	-	-	-	638	638
Investment Fund Quotas[(a)]	**295,935**	**-**	**-**	**-**	**295,935**	**295,935**
Subject to purchase and sale commitments	**83**	**-**	**36,002**	**594,884**	**630,969**	**630,621**
Fixed income securities	**-**	**-**	**36,002**	**594,884**	**630,886**	**630,538**
Financial Treasury Bills	-	-	36,002	594,884	630,886	630,538
Variable income securities	**83**	**-**	**-**	**-**	**83**	**83**
Shares of listed companies	83	-	-	-	83	83
Securities	**296,656**	**361,226**	**48,555**	**1,112,548**	**1,818,985**	**1,819,424**

[(a)] As of June 30, 2018, the amount of BRL 1,356,635 refers to investment in quotas of investment funds - Patagonia FIM IE, OConnor III FIM CP and Pedras Secas FIM CP IE. As of June 30, 2017, the amount of BRL 295,511 refers to investment in exclusive fund quotas - Caieiras I FIM CP IE, OConnor III FIM CP and Pedras Secas FIM CP IE.

[(b)] B3 SA is creating an integrated clearing house, which will integrate variable income and fixed income clearings together with derivative clearing, which will lead to a process of transition of guarantees that resulted in the creation of the BM & FBOVESPA Liquidity Investment Fund, which refers to an investment fund, under the terms of the applicable regulation, without administrative costs. The Fund is constituted with the exclusive purpose of depositing quotas in favor of the safeguard structure of the clearing house.

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 investments are under the custody of Companhia Brasileira de Liquidação e Custódia (CBLC), SELIC or B3 S.A., except investment fund quotas whose records are maintained by respective administrators.

The securities related to the provision of guarantees are related to the operations carried out at B3 S.A.

(In thousands of Reais, unless otherwise indicated)

The sold positions of shares and loans of shares contracted are presented in liabilities under Other Obligations - Due in connection with securities dealing - note 9.

(c) Securities income

Income from securities	**2018**	**2017**
Fixed income securities	153,320	160,670
Variable income securities	(1,098)	(16,190)
Investment Funds		
Interbank investments (note 5b)	49,948	23,540
	45,166	80,172
Total	**247,336**	**248,192**

7 Derivative financial instruments

On June 30, 2018, the XP CCTVM has equity position in derivatives in the amount of R$ R$ 110,482 (R$ 64,978 in 2017) in assets and R$106,883 (R$ 58,322 in 2017) in liabilities. The composition of the derivative financial instruments by maturity and index are as follows:

					2018
Asset position	**Up to 3 months**	**4-12 months**	**>12 months**	**Book value**	**Reference value**
Option premiums					
Currency	497	-	-	497	444,943
Swap					
CDI x IGPM	-	-	10	10	710
CDI x IPCA	-	-	5,972	5,972	212,500
IGPM x CDI	-	2,336	1,700	4,036	175,410
IPCA x CDI	50	109	53,081	53,239	1,256,100
TJLP x CDI	2,102	14,518	28,011	44,631	741,665
Forward					
Shares	2,041	56	-	2,097	2,040
Derivative financial instruments	**4,690**	**17,018**	**88,774**	**110,482**	**2,833,368**

					2017
Asset position	**Up to 3 months**	**4-12 months**	**>12 months**	**Book value**	**Reference value**
Option premiums					
Currency	1,699	-	-	1,699	9,310,697
Swaps					
CDI x IPCA	-	721	1,281	2,002	526,000
CDI x IGPM	2,811	1,811	5,403	10,025	260,000

(In thousands of Reais, unless otherwise indicated)

IPCA x CDI			18,620	18,620	944,100
IGPM x CDI			110	110	10,000
TJLP x CDI	468	2,846	22,774	26,088	701,661
Forward					
Shares	6,170	264	-	6,434	6,435
Derivative financial instruments	**11,148**	**5,642**	**48,188**	**64,978**	**11,758,893**

					2018
	Up to 3 months	**4-12 months**	**>12 months**	**Book value**	**Reference value**
Liability position					
Option premiums					
Currency	497	-	-	497	444,943
Swap					
CDI x IGPM	-	2,305	1,636	3,941	175,110
CDI x IPCA	49	108	52,697	52,854	1,156,100
IGPM x CDI	-	-	6	6	410
IPCA x CDI	-	-	5,473	5,473	112,500
CDI x TJLP	1,946	14,307	27,860	44,113	741,665
Derivative financial instruments -	**2,492**	**16,720**	**87,671**	**106,883**	**2,630,728**

					2017
Liability position	**Up to 3 months**	**4-12 months**	**>12 months**	**Book value**	**Reference value**
Option premiums					
Currency	3,240	-	-	3,240	13,038,536
Swap					
CDI x IPCA	-	-	18,154	18,154	845,100
CDI x IGPM	-	-	103	103	10,000
IPCA x CDI	-	712	951	1,663	427,000
CDI x TJLP	358	2,541	22,325	25,224	701,661
IGPM x CDI	2,803	1,800	5,335	9,938	260,000
Derivative financial instruments	**6,401**	**5,053**	**46,868**	**58,322**	**15,282,297**

(In thousands of Reais, unless otherwise indicated)

Derivative financial instrument net income and expenses for the period are as follows:

	2018	2017
Derivative financial instruments		
Options	219	(164)
Swap intermediation	275	340
Futures	(1,131)	15,741
Forward transactions	488	-
Swap	(204)	1,196
Total	**(353)**	**17,113**

8 Income receivable

	2018	2017
Clients	71,270	31,282
	71,270	**31,282**

9 Due in connection with securities dealing

	2018		2017	
	Asset	Liability	Asset	Liability
Clearing house for registration and settlement	185,135	135,135	157,262	20,360
Payables/receivables-settlements outstanding	492,339	3,557,805	264,908	1,930,549
Commissions and brokerage fees payable	-	65,606	-	37,015
Other credits - Due in connection with securities dealing	5,840	-	-	292
Operations with shares	-	-	9,112	59
Shares of listed companies - Short position (Note 6b)	-	2	-	64
Total	**683,314**	**3,758,548**	**431,282**	**1,988,339**

(In thousands of Reais, unless otherwise indicated)

10 Recoverable taxes, other credits and other liabilities - Sundry

Assets	2018	2017
Salary advances	2,835	1,617
Advances - Rico CTVM (note 1)	-	409,574
Advances for suppliers	1,410	442
Acknowledgment of debt with independent financial advisors	12,438	10,661
Debtors due to guarantee deposits	17,187	1,589
Receivables from associated companies	927	327
Reimbursement of fund expenses	1,581	472
Reimbursement of rates of stock exchange operations	315	8,457
Other credits receivable	2,496	2,051
(-)Impairment losses allowance	(4,540)	(2,493)
Total other miscellaneous receivables	**34,649**	**431,108**
Taxes and contributions recoverable [(a)]	20,567	5,699
Total	**55,216**	**436,807**

Liabilities	2018	2017
Liabilities for assets and rights	1,076	2,209
Personnel expenses payable	10,659	5,977
Amounts payable - Associated companies	11,487	7,528
Provision for claims (Note 23)	11,737	3,009
Sundry creditors	249	1,480
Other liabilities [(b)]	16,543	16,709
Total	**51,751**	**36,912**

[(a)] They refer mainly to amounts of R$ 20,241 (R$ 5,488 in 2017) in the amount of R$ 20,241 in anticipation of income and social contribution taxes for 2017, 2016, 2015, 2013 and 2012. They also include taxes to be offset (PIS, COFINS, ISS), in the amount of R$ 326 (R$ 185 in 2017).

[(b)] Refer to amounts provisioned for suppliers in national and foreign currencies.

11 Other Assets

Prepaid expense presents the following breakdown:

	2018	2017
Wolwacz & Ruschel Ltda.	1,597	2,100
Pan - Program of business acceleration	28,743	30,994
Prepaid expenses [(i)]	34,735	20,323
Total	**65,075**	**53,417**

[(i)] Includes substantially prepaid expenses relating to marketing campaign.

(a) Wolwacz & Ruschel Ltda.

On April 1, 2011, the XP CCTVM contracted 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.

(In thousands of Reais, unless otherwise indicated)

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 XP CCTVM in the home broker. In addition, its educational services include the disclosure of the XP CCTVM'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 XP CCTVM paid the amount of R$ 5,250, whose expense is being amortized over the life of the agreement, which is ten years.

(b) Pan - Program of business acceleration

From the first semester of 2014, the XP CCTVM implemented a campaign of incentive to the attraction of new clients (Pan - Program of business acceleration) with its network of independent financial advisors, 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 classified these payments as prepaid expenses and, in accordance with technical study, are being recognized in income (loss) over four years on a straight-line basis On June 30,2018 was activated the amount of R$ 5,820.

12 Other liabilities - Tax and social security

	2018	2017
Deferred income and social contribution taxes	721	1,257
Taxes and contributions on outsourced services	5,166	4,058
Taxes and contributions on salaries	4,029	2,122
Provisions for income and contributions on income	60,731	56,921
Taxes on client retention	13,438	9,419
Social Integration Program (PIS) and Social Insurance Financial Contribution (COFINS)	7,210	5,802
ISS	6,184	4,147
Others	113	35
Total	**97,592**	**83,761**

13 Money market repurchase commitments

	2018	2017
Own portfolio	**1,398,196**	**655,003**
Financial Treasury Bills	-	655,003
National Treasury Bills	603,854	-
National Treasury Notes - B Series	794,342	-
Total	**1,398,196**	**655,003**

On June 30, 2018, R$ 11,361 (R$ 41,170 in 2017) was recognized related to expenses in the money market repurchase commitments.

(In thousands of Reais, unless otherwise indicated)

14 Borrowings

On January 19, 2017, XP CCTVM raised a loan with Banco JP Morgan S.A. in the amount of R$ 100,000, for which a bank credit note in the same amount was issued, which has the collateral guarantee of XP CCTVM, by means of a surety. The purpose of such fund-raising was to pay part of the acquisition amount of Rico Corretora (see note 1). This financing bears an interest rate of 111% of the accumulated variation of the Interbank Deposit Certificate (CDI) rate, maturing on July 8, 2019. Its amortization schedule provides for 7 equal, quarterly and consecutive installments of principal payment, the first on January 15, 2018 and the last on the maturity date. Interest is payable quarterly as of the date of issuance, with the first installment on April 19, 2017 and the last installment on the maturity date. This loan contains a covenant. Non-compliance with this covenant may require XP CCTVM to pay the loan before the date indicated. As June 30, 2018 the restated amount of such loan is R$ 72,504 (R$ 102,223 in 2017)

On April 7, 2017, XP CCTVM raised a loan with ItauUnibanco in the amount of R$ 126,000. Such obligation bears interest rate of 113% of the accumulated variation of the Interbank Deposit Certificate (CDI) rate, maturing on March 8, 2021. The amortization will occur in 36 equal installments, with the first installment on April 6, 2018 and the last installment on the maturity date. Interest will be paid monthly after the issuance date. As June 30, 2018 the restated amount is R$ 116,045 (R$ 126,928 in 2017).

On June 30, 2018, R$ 7,641 was recognized (R$ 10,814 in 2017) related to borrowing expenses.

15 Permanent assets

(a) Property and Equipment

	Fixed assets in progress	Data processing system	Machinery and equipment	Security systems	Installation	Total
Balance at 12/31/2017	**-**	**13,735**	**7,752**	**4,910**	**14,980**	**41,377**
Additions	7,045	13,444	3,832	376	1,593	26,290
Depreciation	-	(3,830)	(680)	(1,703)	(2,138)	(8,351)
Impairment	-	-	-	-	(2,275)	(2,275)
Balance at 06/30/2018	**7,045**	**23,349**	**10,904**	**3,583**	**12,160**	**57,041**
Balance at 12/31/2016	**1,061**	**9,545**	**6,057**	**458**	**7,440**	**24,561**
Additions	2,046	3,925	1,811	1,673	5,411	14,866
Transfers	(961)	-	710	-	251	-
Depreciation	-	(1,482)	(610)	(43)	(524)	(2,659)
Balance at 06/30/2017	**2,146**	**11,988**	**7,968**	**2,088**	**12,578**	**36,768**

(b) Intangible assets

	Software	Internally developed intangible	List of customers	Brand	Goodwill	Other [a]	Total
Balance at 12/31/2017	**21,967**	**10,812**	**2,501**	**33**	**338,443**	**69,433**	**443,189**
Additions	9,102	3,378	-	-	-	1,005	13,485
Disposals	(14)	-	-	-	-	-	(14)
Amortization	(9,343)	(540)	(1,328)	-	(16,613)	(4,515)	(32,339)
Transfers	673	(673)	-	-	-	-	-
Balance at 06/30/2018	**22,385**	**12,977**	**1,173**	**33**	**321,830**	**65,923**	**424,321**
Balance at 12/31/2016	**15,348**	**4,286**	**6,449**	**-**	**-**	**-**	**26,083**

(In thousands of Reais, unless otherwise indicated)

Additions	4,741	2,534	-	-	-	-	7,275
Transfers	-	-	-	-	73,343	1,800	75,143
Amortization	(2,088)	(190)	(2,176)	-	-	-	(4,454)
Balance at 06/30/2017	**18,001**	**6,630**	**4,273**	**-**	**73,343**	**1,800**	**104,047**

(a) List of customers

On November 24, 2015, the XP CCTVM 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 Company 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 XP CCTVM agreed to pay R$ 10,916, which will be amortized in 43 months.

(b) Brands, goodwill and others

Refers to the intangibles identified in the acquisition of Clear and Rico, as detailed below:

Clear CCTVM

On July 24, 2014, the XP CCTVM signed a Share Purchase Agreement ("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 the Company 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 the XP CCTVM. Subsequently, the shareholders of Clear became shareholders of XP Controle Participações S.A., indirect controlling of the XP CCTVM.

After completion, Central Bank of Brazil finally approved transaction on December 18, 2015, as disclosed in 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, XP CCTVM paid an addition to the base price in the total certain and adjusted amount of R$ 53,087 to the shareholders of Clear. Base price may be added of certain amounts depending on achievement of certain goals, therefore, on December 31, 2015, a provision of R$10,730 was recorded for estimated fair value.

Identified intangibles assets and their amortization periods are: Clients' relations in the amount of R$ 11,078 (20 months), Technology R$ 209 (36 months) and Brand 1,877 (240 months), and goodwill on future profitability in the amount of R$ 91,000 (up to 2022), balances transferred to intangible assets due to the incorporation of Clear CTVM, see note 1.

Rico CCTVM

On November 29, 2016, a Contract for the Purchase and Sale of Securities and Other Covenants was signed, governing the acquisition of total equity capital of the holding company FLAFLU Participações S.A. and, indirectly, the acquisition of total equity capital of its wholly-owned subsidiary Rico Corretora de Títulos e Valores Mobiliários S.A. ("Rico") by XP CCTVM. The goal of XP CCTVM with such transaction is to expand its operations in the security brokerage and distribution market in the retail segment, by expanding the client base and absorbing the innovative technology in the online market developed by Rico, with a view to a complementarity positioning between the brands. The total amount to be disbursed by XP CCTVM in that transaction is R$ 404,727. This transaction was approved by the Administrative Council for Economic Defense (CADE) and by the Central Bank of Brazil, published on August 10, 2017 in the Official Gazette.

(In thousands of Reais, unless otherwise indicated)

The identified intangibles and their amortization periods are as follows: Customer relationships in the amount of R$ 50,077 (96 months), Technology R$ 2,028 (36 months) and Mark 19,305 (120 months), in addition to goodwill for future profitability in the amount of R$ 281,701 (up to 2,024), balances transferred to intangible assets due to incorporation of Rico CTVM, see note 1.

16 Income and social contribution taxes

(a) Deferred taxes

Pursuant to Resolution No. 3059/02, amended by Resolution No. 3355/06 and Resolution No. 4441/15, both of BACEN, the XP CCTVM 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 profit or taxable income history for the purpose of income tax and social contribution on net income, proven by occurrence of these situations in, at least, three of the last five years, period that should include current year; and (ii) expected generation of future income or taxable income for income tax and social contribution on net income purposes, in subsequent periods, based on internal technical study that demonstrates likelihood of occurrence of future obligations with taxes and contributions that permit realization of tax credit in at most ten years.

(b) Movement of tax credits and deferred tax liabilities

	Balances at 12/31/2017	Formation/ (Realization)	Balances at 06/30/2018
Income and social contribution taxes deferred on:			
Provisions for commissions for independent financial advisors	26,287	6,964	33,251
Mark-to-market - Securities and derivatives	3,824	(3,288)	536
Tax credit from goodwill on acquisition of investments	113,482	(20,745)	92,737
Allowance for doubtful accounts and provisions for contingencies	5,424	46	5,470
Provision for Profit Sharing and Results	-	75,011	75,011
Tax loss and negative basis of income tax and social contribution	17,584	(17,584)	-
Other Temporary Provisions	-	1,013	1,013
Total tax credits on temporary differences	**166,601**	**41,417**	**208,018**

	Balances at 12/31/2016	Formation/ (Realization)	Balances at 06/30/2017
Income and social contribution taxes deferred on:			
Provisions for commissions for independent financial advisors	132	16,983	17,115
Mark-to-market - Securities and derivatives	712	(2)	710
Tax credit arising from goodwill on the acquisition of investments	155,973	(21,410)	134,563
Allowance for doubtful accounts and provisions for contingencies	2,439	(113)	2,326
Profit Sharing and Results	-	38,280	38,280
Total tax credits on temporary differences	**159,256**	**33,738**	**192,994**

(In thousands of Reais, unless otherwise indicated)

(c) Expected realization of tax credits

			2018
In years:	**Income tax**	**Social contribution**	**Total deferred taxes**
Up to 1	83,495	66,795	150,290
1-2	17,665	11,574	29,239
2-3	12,330	7,398	19,728
3-4	2,057	1,234	3,291
From 4 years	3,419	2,051	5,470
Total	**118,965**	**89,053**	**208,018**

			2017
In years:	**Income tax**	**Social contribution**	**Total deferred taxes**
Up to 1	62,534	50,028	112,562
1-2	21,099	15,337	36,436
2-3	14,142	8,485	22,627
3-4	11,045	6,628	17,673
4-5	2,310	1,386	3,696
Total	**111,130**	**81,864**	**192,994**

The present value of total tax credits is R$ 199,473 (R$ 173,708 in 2017), and was calculated based on the expectation of realization of temporary differences presented in the previous table.

Profit projections that make it possible to generate a taxable base of calculation include macroeconomic and interest assumptions that adequately represent Management's expectation of return.

(d) Reconciliation of income and social contribution taxes

	2018	**2017**
Income (loss) before taxation and profit sharing	**329,239**	**209,916**
Employee profit sharing	(166,690)	(82,495)
Income before IR/CSLL calculated based on taxable income	**162,549**	**127,421**
(+)Additions	5,411	1,456
(-)Exclusions	(47)	(5,592)
(-)Effect of additional tax	(12)	(12)
(=) Income Tax/Social Contribution on Net Income/adjusted income negative basis (A)	**167,901**	**123,273**
Current and deferred IR/CSLL (B)	**(75,535)**	**(54,396)**
Effective rate = (B / A)	-45%	-44%

17 Shareholders' equity

(a) Capital Stock

The Capital in the amount of R$ 708,045 (R$ 608,045 in 2017) is represented by 1,902,134,707 common shares (1,744,560,820 in 2017) and 1,902,134,707 preferred shares class C (1,744,560,820 in 2017), with no par value.

(b) Capital increase

On January 22, 2018, at the extraordinary general meeting, a capital increase of XP CCTVM was approved by means of the issuance of 157,573,887 new common shares and 157,573,887 new preferred shares, with no par value, at the issue price of a total of R$ 100,000. This capital increase was approved by the Central Bank on May 24, 2018.

On June 16, 2017, the extraordinary shareholders' meeting approved the capital increase of the XP CCTVM, upon issuance of 348,765,003 new common shares and 348,765,003 new preferred shares, nominative and with no par value, at the total issue price of R$ 200,000. This capital increase was approved by BACEN on June 29, 2017.

(c) Capital reserve

In the second half of 2016, XP Investimentos current denomination of XP Control 2 (indirect controller of the CCTVM) conducted a corporate restructuring. The Spun-off Portion, formerly held by GA Financeira, represented by 2,042,276 registered common shares, with no par value, of the capital of XP Investimentos was initially received in treasury and immediately attributed to GA XP Participação, the sole shareholder of GA Financeira, with no XP Investimentos capital increase or decrease.

As of August 29, 2016, with the base date on July 31, 2016, during a Special Shareholders' Meeting, GA Financeira XP S.A. definitely approved all the terms and conditions of the "Protocol for Justification of Partial Spin-off" and "Appraisal Reports" of Astic BD Holding Financeira S.A.; accounting criterion was adopted to evaluate net assets of the merged company. The operation consisted in the merger of Astic Financeira by GA Financeira. As a result of this transaction, Astic Financeira was terminated in accordance with the law and for all legal ends and effects, so that GA Financeira succeeded Astic Financeira in all its rights and obligations, pursuant to the terms of Article 227 of Law no. 6.404/76. The incorporation of Astic Financeira by Financeira did not result in capital increase of GA Financeira, since GA Financeira holds the total shares of Astic Financeira.

At the Extraordinary Shareholders' Meeting held on August 30, 2016, the XP CCTVM definitely approved all terms and conditions of "Protocol for Justification of Merger" and "Appraisal Report" of GA Financeira XP S.A.

The Spun-off Portion, formerly held by GA Financeira, represented by 2,042,276 registered common shares, with no par value, of the capital of XP Investimentos will be initially received in treasury and immediately attributed to GA XP Participação, the sole shareholder of GA Financeira, with no XP Investimentos capital increase or decrease.

Downstream merger of GA Financeira into the Company increased capital of the latter by R$104,402, due to tax credit deriving from goodwill paid by GA Financeira based on expected future earnings, client portfolio and other intangible assets. Accordingly, the XP CCTVM recorded deferred tax asset as a contra-entry to special goodwill reserve upon merger, capital reserve.

(d) Legal reserve

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

(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.

(In thousands of Reais, unless otherwise indicated)

(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.

18 Service fee income

	2018	2017
Income from distribution of investment fund quotas	136,892	46,311
Income from brokerage in stock exchange operations	353,897	232,133
Income from commissions of issuing securities	308,495	106,481
Income from loan commissions - BTC	10,088	6,005
Income from custody services	9	179
Revenue from allocation of letter of guarantee	8,996	8,675
Other	8,481	5,436
Total	**826,858**	**405,220**

19 Other operating income

	2018	2017
Income from direct treasury incentives	9,931	4,151
Recovery of charges and expenses	3,616	736
Fines received [a]	16,952	9,140
Interest received	607	-
Reversal of provisions for contingencies	393	-
Other	852	2,961
Total	**32,351**	**16,988**

[a] Income from collection of fine of 1% per day on the negative balance of the current account, derived from financial settlements of stock exchange operations generated by the clients.

20 Other operating expenses

	2018	2017
Operating errors [a]	(18,955)	(5,086)
Losses with clients	(1,659)	(1,135)
Fines	(226)	(160)
Foreign exchange variations	(266)	(223)
Other	(6,909)	(1,830)
Total	**(28,015)**	**(8,434)**

[a] Operating errors result from indemnities paid to clients by the XP CCTVM mostly derived from errors in the performance of orders caused by flaws in the system or people.

(In thousands of Reais, unless otherwise indicated)

21 Other administrative expenses

	2018	2017
Expenses with water, energy and gas	(593)	(227)
Rental expenses	(7,555)	(4,010)
Expenses with communications	(4,116)	(3,869)
Expenses for maintenance and preservation of assets	(1,378)	(666)
Material expenses	(30)	(33)
Data processing expenses	(77,540)	(50,266)
Promotion and public relations expenses	(473)	(1,526)
Advertising and publicity expenses	(71,966)	(33,297)
Publishing expenses	(111)	(57)
Insurance costs	(277)	(8)
Outside service expenses	(12,149)	(8,672)
Surveillance and security expenses	(55)	(49)
Financial service expenses (note 22)	(338,450)	(199,172)
Specialized technical service expenses	(14,457)	(10,241)
Transportation expenses	(425)	(412)
Travel expenses	(3,069)	(1,812)
Depreciation and amortization expenses	(40,690)	(15,308)
Other administrative expenses	(4,918)	(3,292)
Total	**(578,252)**	**(332,917)**

22 Expenses with financial system services

	2018	2017
Independent financial advisors	(308,967)	(184,749)
Fees for processing and custody services rendered [a]	(25,900)	(11,956)
Commission paid to XP Securities/ Advisory	(1,707)	(236)
Others	(1,876)	(2,231)
Total	**(338,450)**	**(199,172)**

[a] Comprised of operating fees and charges and bank fees.

23 Provisions and contingent liabilities

	2018	2017
Labor claims (Note 10)	1,479	2,141
Civil claims (Note 10)	9,160	-
Tax claims (Note 10)	1,098	868
Total	**11,737**	**3,009**

Provision for labor claims

On June 30, 2018, there are provisions recorded for 8 labor claims classified as probable loss in the amount of R$ 1,479 (R$ 2,141 in 2017). There are 10 claims classified as possible loss, totaling R$18,448 (R$ 18,820 in 2017), for which no provisions were recorded in accordance with prevailing accounting practices.

(In thousands of Reais, unless otherwise indicated)

	2018	2017
Opening balance	**1,839**	**2,914**
Recordings	676	2,854
Reversal/payments	(1,036)	(3,627)
Closing balance	**1,479**	**2,141**
Deposits as collateral	**622**	**915**

Civil claims

On June 30, 2018, there are provisions recorded for 15 labor claims classified as probable loss in the amount of R$ 1,098 (R$ 868 in 2017). In addition, on the same date, 127 claims classified as possible losses totaling R$ 63,465 (R$ 79,015 in 2017), for which there is no provision in accordance with accounting practices in force.

	2018	2017
Opening balance	**968**	**447**
Recordings	776	1,126
Reversal/payments	(646)	(705)
Closing balance	**1,098**	**868**

Tax claims

In 2014, XP CCTVM received a tax assessment notice issued by the Federal Revenue Service regarding to for requirement of social security contributions related to profit sharing payments to employees, which are allegedly in disagreement with Law No. 10101/00. Currently, lawsuit files are held by CARF waiting for the judgment of the XP CCTVM Voluntary Appeal. It is important to emphasize that there are favorable previous CARF decisions and legal opinions on this theme that support XPCCTVM defense. It is also possible that XP CCTVM has the chance of questioning this charge in Courts. The likelihood of loss was classified, by XP CCTVM tax specialistas, as possible in the amount of R$ 19,361 (R$ 18,765 as of December 31, 2017).

On June 30, 2018, there is one lawsuit classified as a probable risk of loss in the amount of R$ 9,159 related to a PIS and Cofins tax process extension of the calculation basis over other revenues. This lawsuit is fully supported by a judicial deposit. The process in question comes from the acquisition of Rico CTVM and after the merge it became part of the XP CCTVM balances.

No outstanding balance as of June 30, 2017.

	2018
Opening balance	**8,923**
Recordings	236
Closing balance	**9,159**

24 Related party transactions

(a) Commercial contractual transactions with related parties

The main balances of assets and liabilities as of June 2018 and 2017, related to transactions with related parties, arise from transactions between companies to XP CCTVM and its subsidiaries, parent companies, affiliated companies and with their partners and key management professionals.

In the normal course of business, the Companies of XP Group carry out commercial and financial operations with the XP CCTVM. These operations include: (i) the rendering of education, advisory and corporate consulting services; (ii) financial advisory and consulting 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.

(In thousands of Reais, unless otherwise indicated)

XP CCTVM is directly controlled by XP Controle 3 Participações S/A, being indirectly controlled by XP Investimentos S.A. and the final parent company is XP Controle Participações.

Related-party transactions of the XP CCTVM as of June 30, 2018 and 2017 are as follows:

	Nature of the relationship	2018	2017
Assets			
Other receivables:			
Sundry - other cash receivable	Parent company	36	19
Sundry - other cash receivable	Related Parties	890	356
Liabilities			
Funding in the open market	Related Parties	1,392,431	-
Other liabilities:			
Sundry - other cash receivable	Related Parties	(11,487)	(7,528)
Profit or loss			
Service revenue	Related Parties	610	42
Development and systems maintenance expenses	Related Parties	(30,145)	(25,655)
Advertising expenses	Related Parties	(22,639)	(12,479)
Expenses on services of the financial system:			
Commissions	Related Parties	(1,707)	(236)
Expenses of technical services:			
Technical assistance	Related Parties	-	(213)
Other administrative income / expenses	Related Parties	(177)	-

(b) Directors' fees

	2018	2017
Key management personnel compensation		
Directors' fees	(538)	(490)
Total	**(538)**	**(490)**

25 Profit sharing program

The XP CCTVM 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. It has been provisioned for distribution purposes, the amount R$ 166,690 (R$ 82,495 in 2017).

(In thousands of Reais, unless otherwise indicated)

26 Operating Limits (Basel Agreement)

As of June 30, 2018, the XP CCTVM had an index of 20.63% (25.55% in 2017).

	2018			2017		
	Requirement	**Situation**	**Margin (insufficiency)**	**Requirement**	**Situation**	**Margin (insufficiency)**
Basel - total [a]	314,374	752,019	437,645	310,041	856,372	546,331
Property, plant and equipment [b]	376,009	57,053	318,956	428,186	59,468	368,718
Minimum capital required[a]	1,500	708,045	706,545	1,500	608,045	606,545

[a] The requirement refers to the minimum limit required.

[b] This requirement refers to the maximum permitted limit.

27 Risk management

Risk Management is structured entirely independently of the business areas, reporting directly to top management, to ensure conflict of interest exemption, and segregation of functions appropriate to good corporate and market governance practices.

The organizational structure is outlined in accordance with the recommendations proposed by the Basel Agreement, where policies, procedures and methodology are formalized consistent with risk tolerance and business strategy and where the various risks inherent in the operations and / or operations are monitored. processes, including market, liquidity, credit and operational risks.

Such risk management processes are also associated with business continuity management processes, mainly in terms of formulating impact analyzes, continuity plans, disaster recovery plans, backup plans, crisis management, etc.

(a) Market risk

The market risk management of the operations is carried out through policies, control procedures and prior identification of risks in new products and activities, aiming at maintaining exposure to market risk at levels considered acceptable by the institution and meeting the business strategy and limits defined by the Risk Committee. With the formalized rules, the risk department has the objective of controlling, monitoring and ensuring compliance with the pre-established limits, and may refuse, in whole or in part, to receive and / or perform the requested operations, upon immediate communication to the clients, in addition to intervening in cases of noncompliance and reporting to the Committee all atypical events. The complete description of the market risk management structure is available at the institution's headquarters.

(b) Liquidity Risk

The Liquidity Risk Management Policy was established based on the guidelines of the Central Bank of Brazil, seeking to provide permanent management adequacy to the nature of the operations, the complexity of the products and the size of the Institution's liquidity risk exposure. The liquidity risk management process provides for identification, measurement and control procedures for exposure to liquidity risk, taking into account current market conditions and future forecasts in the preparation of scenarios for projections of cash flows in different time horizons, including intradia. The complete description of the liquidity risk management structure is available at the institution's headquarters.

(c) Credit Risk

Credit risk management is the responsibility of the XP CCTVM risk area, which aims to ensure compliance with the XP CCTVM policy and ensure that the established operational limits are met.

The CCTVM XP establishes its credit policy based on the internal scenario, such as composition of the portfolio by title, issuer, rating, economic activity and duration of the portfolio. And in the external scenario as interest rates, inflation, among others.

The credit analysis area is also actively involved in this process and is responsible for evaluating the credit risk of the issues and issuers with which CCTVM maintains or intends to maintain credit relationships or intends to recommend credit risk positions to customers. It is also up to the credit analysis area to recommend limiting the credit risk positions of the clients.

The analyzes carried out are presented to the Credit Advisory Committee, whose function is to determine if the credits evaluated are eligible as counterparty risk. With regard to credits intended for distribution to the customer base of XP CCTVM, the credit limits for each issuer and structured issue are also determined.

The review of the credits evaluated in the Credit Advisory Committee is carried out periodically by the Credit Analysis Department, in accordance with internal standards and methodologies.

The risk area is subordinated directly to the Risk Officer, without any link with the commercial area. The credit analysis area is also subordinated to the Risk Officer, having the necessary exemption to carry out its activities, since it does not participate in the definition of business strategies and does not perform the market operations of any nature.

(d) Operational Risk

The CCTVM XP, in compliance with the provisions of article 4, paragraph 2 of Resolution No. 4557 / 2017 of the National Monetary Council of February 23, 2017, has an operational risk management structure that includes the elaboration of institutional policies, the evaluation and monitoring of processes and procedures aimed at risk mitigation, strategies and contingency plans to ensure business continuity, in addition to formalizing the single structure required by the regulatory body. The complete description of the operational risk management structure is available at the institution's headquarters.

28 Capital management structure

In compliance with BACEN Resolution 4557 / 2017, XP CCTVM, adopted a capital management policy that constitutes a set of principles, procedures and instruments that ensure the capital adequacy of XP CCTVM in a timely, comprehensive and risks incurred by XP CCTVM according to the nature and complexity of the products and services offered to its clients. The structure description is available on our website.

* * *

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