XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. Financial statements as of December 31, 2018 and 2017

XP Investimentos CCTVM S.A.
Summary

Management Report

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

Submitted to the your appreciation the financial statements for the periods ended 31 December 2017 and 2018, accompanied by accompanying notes and independent auditors ' report.Please be advised that we have maintained our risk management policies in the period. In view of the regulatory standards from the Central Bank of Brazil, we remain at your disposal for any additional information necessary.**i. Performance**

In 2018, XP CCTVM continued with its expressive growth, despite the political instability and the deteriorated economic scenario. XP CCTVM continued its expansion history, presenting strong growth in all operating indicators, including net fundraising, number of customers and assets in custody. Demonstrating the growing strength of its brand and its broad product distribution capabilities, it is always committed to helping customers invest wisely and securely.

This performance was the result of constant development of the open platform of products, with a wide range of offer, together with the XPCCTVM's advisory differentials and the continuous process of brand consolidation, with the greater knowledge and preference of XP CCTVM by the target public.

ii. Risk management

Risk Management is structured entirely independently of business areas, reporting directly to senior management, to ensure exemption from the conflict of interest and a proper segregation of duties to good governance practices corporate and market.The organizational structure is outlined in accordance with the recommendations proposed by the Basel Accord, where policies, procedures and methodology are formalized consistent with risk tolerance and business strategy, and where the various risks inherent to operations and/or procedures are monitored, including market, liquidity, credit, and operating risks.

Such risk management processes are also related to going concern management procedures, mainly in terms of formulating impact analysis, business continuity plans, contingency plans, backup plans, crisis management, etc.

(a) Market risk

Market risk management for operations is carried out through policies, control procedures and prior identification of risks in new products and activities, with the purpose to maintain market risk exposure at levels considered acceptable by the institution and to meet 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 execute the requested operations, upon immediate communication to customers, in addition to intervening in cases of noncompliance and reporting all atypical events to the Risk Committee.

(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 operations, the complexity of the products and the extent of the Institution's liquidity risk exposure. The liquidity risk management process provides for identification, measurement and control procedures for exposure to liquidity risk, considering current market conditions and future forecasts in preparing scenarios for cash flow projections in different time horizons, including intraday.

(c) Credit risk

Credit risk management is the responsibility of the XP CCTVM risk department, to ensure compliance with the XP CCTVM policy and that the established operating limits are performed.

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

The credit analysis department is also actively involved in this process and is responsible for assessing credit risk of issues and issuers with which XP CCTVM maintains or intends to maintain credit relations, or intends to recommend credit risk positions to customers. It is also incumbent upon credit analysis department to recommend limiting the credit risk positions of customers.

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

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

Risk department is directly subordinated to Risk Officer, with no relation to commercial department, and with the necessary exemption to carry out its activities, since it does not participate in the definition of business strategies and does not carry out market operations of any nature.

(d) Operating risk

XP CCTVM, as set forth in Resolution No. 4.557/2017 by the National Monetary Council as of February 23, 2017, has an operating risk management structure that includes the preparation of institutional policies, the evaluation and monitoring of processes and procedures to mitigation of risks, strategies and contingency plans to ensure going concern, in addition to formalizing the single structure required by the regulatory agency.

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

iii. Investments

(a) Merger of Clear Corretora de Títulos e Valores Mobiliários S.A. ("Clear CTVM") by XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP CCTVM")

In order to capture synergies in financial, operating and administrative expenses, XP CCTVM at the EGM held on June 30, 2017, approved the merger of Clear CTVM, pursuant to the "Private Instrument of Filing and Justification of Merger" entered into on the same date, based on carrying amounts of the acquired company on the base date of May 31, 2017, according to the appraisal report summarized below:

Current and long-term assets	**141,522**
Cash and cash equivalents	255
Interbank liquidity investments	101,673
Securities and derivative financial instruments	37,789
Other credits	1,785
Other amounts and assets	20

Fixed assets	**118**
Fixed assets and intangible assets	118
Total assets	**141,640**
Current and long-term liabilities	**113,275**
Other obligations	113,275
Total liabilities	**113,275**
Equity	**28,365**

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

(b) Merger of Rico Corretora de Títulos e Valores Mobiliários and Flaflu Participações S.A. by XP CCTVM

As of November 29, 2016, the Agreement for the Purchase and Sale of Securities and Other Covenants was entered into, which regulates the acquisition by XP CCTVM of the total capital of holding company FLAFLU Participações S.A. (“FLAFLU”) and, indirectly, of its wholly-owned subsidiary Rico Corretora de Títulos e Valores Mobiliários S.A. (“Rico”). The objective of XP CCTVM with the operation was to expand its operations in brokerage and securities distribution market to retail, through the expansion of the customer base and absorption of innovative technology in online market developed by Rico, in view of the supplementary nature of positioning between the brands. The total amount disbursed by XP CCTVM in the transaction was R$ 404,727. The operation was approved by the Administrative Council for Economic Defense - CADE and by the Central Bank of Brazil.

The approval of the transfer of corporate control of Rico to XP CCTVM was published in the Federal Official Gazette as of August 10, 2017. As of October 4, 2018, the Central Bank of Brazil approved the merger of Rico Corretora de Títulos e Valores Mobiliários and Flaflu Participações S.A. by XP CCTVM.

At the EGM held on November 30, 2017, the merger of Rico and FLAFLU by XP CCTVM was approved, pursuant to the “Private Instrument of Filing and Justification of Merger” entered into on that same date, based on the carrying amounts of the acquired company on the base date of October 31, 2017, according to the appraisal report summarized below:

Rico CTVM

Current and long-term assets	**486,408**
Cash and cash equivalents	39
Interbank liquidity investments	434,998
Securities and derivative financial instruments	30,275
Loan operations	3,253
Other credits	17,442
Other amounts and assets	401
Fixed assets	**5,845**
Investments	33
Fixed assets and intangible assets	5,812
Total assets	**492,253**

Current and long-term liabilities	**434,852**
Other obligations	434,852
Total liabilities	**434,852**
Equity	**57,401**

FLAFLU

Current and long-term assets	**79**
Cash and cash equivalents	75
Other credits	4
Fixed assets	**57,401**
Investments	57,401
Total assets	**57,480**
Equity	**57,480**

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

iv. Other information

(a) Purchase and Sale Agreement with Itaú Unibanco S.A.

As of May 11, 2017, XP Controle Participações S.A., parent of XP Group, G.A. Brasil IV FIP and DYNA III FIP entered into a share purchase agreement with Itaú Unibanco S.A. for the sale of an interest in XP Investimentos S.A., a holding company that consolidates the investments of XP Group, which was completed as of August 31, 2018. As of such date, Itaú Unibanco S.A. holds 49.9% of the total capital of XP Investimentos S.A., with approximately 30% of the voting capital, remaining the control of XP Group with its current controlling shareholders.

Rio de Janeiro, March 27, 2019.

Executive Board.

Members of the Executive Board

Julio Capua Ramos da Silva

Guilherme Dias Fernandes Benchimol

Jairo Luiz de Araujo Brito
Accountant
CRC (Regional Accounting Council) RJ-110743/O-4

KPMG

KPMG Auditores Independentes
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
Telefone +55 (11) 3940-1500
kpmg.com.br

Independent auditors' report on the financial statements

To the shareholders and Board of Directors of
XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A.
Rio de Janeiro - State of Rio de Janeiro

Opinion

We have audited the financial statements of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP CCTVM"), which comprise the statement of financial position as of December 31, 2018, and the respective statements of profit or loss, of changes in equity and of cash flows for the semester and fiscal year then ended, as well as the corresponding notes, including significant accounting policies and other information.

In our opinion, the financial statements above present fairly, in all material respects, the financial position of XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. as of December 31, 2018, the performance of its operations and cash flows for the semester and fiscal year then ended, according to the accounting policies adopted in Brazil applicable to institutions authorized by Central Bank of Brazil - BACEN.

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities under those standards are described in the following section titled "Auditors' responsibilities for the audit of financial statements." We are independent in relation to XP CCTVM, according to the relevant ethical principles provided in the Accountant Professional Code of Ethics and in professional regulations issued by the Federal Accounting Council, and we have complied with other ethical responsibilities in accordance with such regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information in the financial statements and auditor's report

XP CCTVM's management is responsible for such other information which comprises the

Management Report.

Our opinion on the financial statements does not encompass Management Report, and we do not express any form of audit conclusion on this report.

In connection with the audit of financial statements, our responsibility is of reading Management Report and, in doing so, considering if such report is, in a relevant manner, inconsistent with the financial statements or with our knowledge obtained during the audit or, in any other way, appears to present a material misstatement. If, based on the work performed, we conclude that there is a material misstatement in the Management Report, we are required to report such fact. We have nothing to report in this regard.

Management and governance responsibilities for the financial statements

Management is responsible for preparation and appropriate presentation of financial statements in accordance with accounting policies adopted in Brazil applicable to institutions authorized by BACEN and for the internal controls it has determined necessary to enable the preparation of financial statements free of any material misstatement, irrespective of whether caused by fraud or by error.

In preparing the financial statements, management is responsible for assessing XP CCTVM's ability to continue operating, releasing, when applicable, matters related to its going concern and using such basis of accounting in preparing financial statements, except when management decides to file for the XP CCTVM's liquidation or to close its operations, or if it does not have any realistic alternative to avoid closing operations.

The ones in charge of XP CCTVM's governance are the ones responsible for the inspection of the preparation process of financial statements.

Auditors' responsibilities for the audit of financial statements

Our objective is to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, irrespective whether it is caused by fraud or error, and to issue an audit report with our opinion. Reasonable assurance is a high level of assurance, but not an assurance that the audit work performed according to Brazilian and international audit standards will always detect occasional material misstatements. Misstatements may occur due to fraud or error, and are considered material when they can influence, individually or jointly, the economic decisions of stakeholders, taken based on such financial statements, within a reasonable perspective.

As part of the audit work performed according to Brazilian and international audit standards, we applied our professional judgment and maintained a skeptical approach during the audit work. In addition:

– We have identified and evaluated the risks of material misstatement in financial statements, irrespective of whether caused by fraud or error, planned and executed audit procedures in response to such risks, as well as obtained appropriate and sufficient audit evidence to base our opinion. The risk of non-detection of material misstatement resulting from fraud is greater than that of error, since fraud may include the action of deceiving internal controls, collusion, forgery, omission, or willful misrepresentations.

– We have been provided with an understanding of internal controls relevant for the audit in order to plan audit procedures appropriate to the circumstances, but not with the objective of expressing an opinion on the efficacy of XP CCTVM's internal controls.

– We evaluated the accounting policies used and the reasonability of accounting estimates and respective information provided by management.

– We made conclusions on adequacy of use, by management, of going concern accounting basis and, based on the audit evidence obtained, if there is relevant uncertainty about the events or conditions that may give rise to a significant doubt as to the XP CCTVM's going concern. If we conclude that there is relevant uncertainty, we must draw attention in our audit report to the respective disclosures in financial statements or include a modification in our opinion if the disclosures are inadequate. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions could lead the XP CCTVM to no longer maintaining itself as a going concern.

- We have evaluated the general presentation, the structure and content of the financial statements, including disclosures, and whether the financial statements represent the corresponding transactions and the events in a way compatible with the objective of appropriate presentation.

We communicate with those that are responsible for the governance concerning, among other aspects, the planned scope, the timing of the audit and the significant findings of the audit, including any significant deficiencies in internal controls that we have identified during our work.

São Paulo, March 26, 2019

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

(In thousands of Brazilian Reais)

Assets	Note	2018	2017
Current		**12,694,681**	**4,634,322**
Cash and cash equivalents	**4**	**3,322**	**2,660**
Interbank liquidity investments		**6,566,108**	**901,571**
Open market investments	5a	6,566,108	901,571
Securities and derivative financial instruments		**4,856,801**	**2,816,528**
Own portfolio	6	3,439,826	2,270,829
Subject to repurchase agreement	6	716,802	-
Derivative financial instruments	7	29,710	21,742
Subject to guarantees	6	670,463	523,957
Loan operations		**-**	**1,422**
Loan operations		-	1,422
Other receivables		**1,219,947**	**885,766**
Foreign exchange portfolio		3,694	3,034
Income receivables	8	98,830	82,500
Negotiation and intermediation of securities	9	909,697	663,760
Taxes and contributions to be offset	10	108,907	17,964
Tax credits	16	82,046	104,055
Sundry	10	24,051	16,295
Allowance for other doubtful receivables	8 and 10	(7,278)	(1,842)
Other amounts and assets		**48,503**	**26,375**
Prepaid expenses	11	48,503	26,375
Long-term assets		**809,925**	**196,703**
Securities and derivative financial instruments		**723,093**	**98,798**
Own portfolio	6	196,314	-
Derivative financial instruments	7	210,567	98,798
Subject to guarantee	6	316,212	-
Other credits		**62,480**	**72,124**
Tax credits	16	48,122	62,546
Sundry	10	14,358	9,578
Other amounts and assets		**24,352**	**25,781**
Prepaid expenses	11	24,352	25,781
Fixed assets		**502,214**	**484,553**
Fixed assets	**15a**	**93,864**	**41,377**
Intangible assets	**15b**	**408,350**	**443,176**
Total assets		**14,006,820**	**5,315,578**

(In thousands of Brazilian Reais)

Liabilities

	Note	2018	2017
Current		**12,688,073**	**3,960,017**
Fundraising in the open market		**6,792,317**	**514,018**
Own portfolio	13	713,347	-
Third-party portfolio	13	6,078,970	514,018
Interdependent relations		**2,379**	**1,339**
Loan obligations		**84,857**	**90,856**
Domestic loans	14	84,857	90,856
Derivative financial instruments		**237,209**	**9,147**
Derivative financial instruments	7	237,209	9,147
Other obligations		**5,571,311**	**3,344,657**
Tax and similar collections		221	160
Foreign exchange portfolio		4,632	4,014
Social and statutory	25	178,604	106,703
Tax and social security	12	56,511	39,319
Negotiation and intermediation of securities	9	5,260,757	3,157,089
Sundry	10	70,586	37,372
Long-term liabilities		**86,054**	**246,726**
Loan obligations		**54,416**	**137,357**
Domestic loans	14	54,416	137,357
Derivative financial instruments		**1,675**	**97,639**
Derivative financial instruments	7	1,675	97,639
Other obligations		**29,963**	**11,730**
Sundry	10	29,963	11,730
Profit or loss of future fiscal years		**33**	**130**
Equity	**17**	**1,232,660**	**1,108,705**
Share capital			
Domiciled in the country		708,045	608,045
Capital reserves		224,649	224,649
Earnings reserve		297,646	275,996
Equity valuation adjustments		2,320	15
Total liabilities		**14,006,820**	**5,315,578**

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

(In thousands of Reais, unless profit per share or number of shares)

		2018		2017
	Note	**2nd semester**	**Fiscal year**	**Fiscal year**
Revenue from financial intermediation		**440,951**	**691,567**	**503,093**
Loan operations		-	258	64
Income from securities operations	6	432,166	679,502	477,344
Income from derivative financial instruments	7	5,104	4,751	21,566
Income from exchange operations		3,681	7,056	4,119
Financial intermediation expenses		**(164,762)**	**(187,565)**	**(108,215)**
Market fundraising operations	13	(157,072)	(168,433)	(86,550)
Loans and on-lending operations	14	(6,055)	(13,696)	(20,951)
Allowance for other doubtful income receivables		(1,635)	(5,436)	(714)
Gross profit from financial intermediation		**276,189**	**504,002**	**394,878**
Other operating income/(expenses)		**(159,384)**	**(55,752)**	**75,549**
Income from services rendered	18	874,947	1,701,805	1,078,991
Employee expenses		(119,018)	(183,570)	(111,881)
Other administrative expenses	21	(814,080)	(1,392,332)	(771,244)
Income from interests	15b	-	-	13,492
Tax expenses		(87,603)	(172,361)	(128,028)
Other operating income	19	22,735	55,086	36,917
Other operating expenses	20	(36,365)	(64,380)	(42,698)
Operating income		**116,805**	**448,250**	**470,427**
Non-operating income		**(6,073)**	**(8,279)**	**(1,167)**
Income before income tax and interests		**110,732**	**439,971**	**469,260**
Income tax and social security contribution	**16d**	**37,622**	**(37,913)**	**(124,053)**
Provision for income tax		13,110	(19,810)	(51,704)
Provision for social security contribution		3,815	(22,258)	(44,788)
Deferred tax assets		20,697	4,155	(27,561)
Employee profit sharing	**25**	**(131,318)**	**(298,008)**	**(178,951)**
Net income for the semester/fiscal year		**17,036**	**104,050**	**166,256**
Interest on equity	**17**	**(82,100)**	**(82,100)**	**-**
Net income per share:		0.00	0.03	0.04

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

(In thousands of Reais)

	Share capital	Capital reserve	Legal reserve	Statutory reserve	Equity valuation	Retained earnings	Total
Balances as of December 31, 2016	**408,045**	**224,649**	**8,879**	**100,861**	**(137)**	**-**	**742,297**
Capital increase (note 17b)	200,000	-	-	-	-	-	200,000
Adjustment to market value of available-for-sale financial assets	-	-	-	-	152	-	152
Net income for the fiscal year	-	-	-	-	-	166,256	166,256
Profit allocation	-	-	8,313	157,943	-	(166,256)	-
Balances as of December 31, 2017	**608,045**	**224,649**	**17,192**	**258,804**	**15**	**-**	**1,108,705**
Changes in fiscal year	**200,000**	**-**	**8,313**	**157,943**	**152**	**-**	**366,408**
Balances as of December 31, 2017	**608,045**	**224,649**	**17,192**	**258,804**	**15**	**-**	**1,108,705**
Capital increase (note 17b)	100,000	-	-	-	-	-	100,000
Adjustment to market value of available-for-sale financial assets	-	-	-	-	2,305	-	2,305
Net income for the fiscal year	-	-	-	-	-	104,050	104,050
Distributed dividends (note 17e)	-	-	-	(300)	-	-	(300)
Interest on equity (note 17f)	-	-	-	-	-	(82,100)	(82,100)
Profit allocation	-	-	1,097	20,853	-	(21,950)	-
Balances as of December 31, 2018	**708,045**	**224,649**	**18,289**	**279,357**	**2,320**	**-**	**1,232,660**
Changes in fiscal year	**100,000**	**-**	**-**	**(300)**	**2,305**	**104,050**	**206,355**
Balance as of June 30, 2018	**708,045**	**224,649**	**17,192**	**258,504**	**15**	**87,014**	**1,295,419**
Adjustment to market value of available-for-sale financial assets	-	-	-	-	2,305	-	2,305
Net income for the semester	-	-	-	-	-	17,036	17,036
Interest on equity (note 17f)	-	-	-	-	-	(82,100)	(82,100)
Profit allocation	-	-	1,097	20,853	-	(21,950)	-
Balances as of December 31, 2018	**708,045**	**224,649**	**18,289**	**279,357**	**2,320**	**-**	**1,232,660**
Changes in the semester	**-**	**-**	**1,097**	**(258,504)**	**2,305**	**(87,014)**	**(62,759)**

(In thousands of Reais)

	2018		2017
	2nd semester	**Fiscal year**	**Fiscal year**
Cash flow from operating activities			
Net income for the semester/fiscal year	17,036	104,050	166,256
Adjustments to net income			
Provision for deferred income tax and CSLL (Social Contribution on Net Income)	(20,697)	(4,155)	124,053
Impairment loss on other trade receivables	1,635	5,436	714
Provision for contingencies	240	5,675	4,784
Depreciations and amortizations	39,267	82,232	46,410
Employee profit sharing	131,318	298,008	178,951
Income from interests	-	-	(13,492)
Provision for interest	21,025	13,478	-
Adjusted net income	189,824	504,724	507,676
Variations in operating assets and liabilities	**(173,430)**	**(401,824)**	**(559,771)**
(Increase) decrease in interbank liquidity investments	(4,710,733)	(5,747,410)	258,115
(Increase) in securities and derivative financial instruments (assets and liabilities)	(1,997,089)	(2,529,765)	(1,639,519)
(Increase) decrease in credit operations	-	1,422	(1,422)
(Increase) in other credits, amounts and assets	(25,042)	(100,580)	(212,889)
Increase (decrease) in fundraising in the open market	5,394,121	6,278,299	(143,237)
Increase in interdependent relations	1,321	1,040	1,339
Increase (decrease) in Negotiation and intermediation of securities (assets and liabilities)	1,275,826	1,857,731	(1,824,533)
Increase (decrease) in other obligations	(4,818)	77,978	3,079,513
(Decrease) in profit or loss of future fiscal years	(48)	(97)	(98)
Taxes paid	(106,968)	(240,442)	(77,040)
Net cash flow from (used in) operating activities	**16,394**	**102,900**	**(52,095)**
Cash flow from investment activities			
Acquisitions of fixed assets	(50,055)	(76,357)	(26,209)
Disposals of fixed assets	7,484	7,497	3,763
Acquisition of intangible assets	(23,742)	(37,227)	(368,505)
Disposals of intangible assets	6,194	6,194	117
Dividends received	-	-	11,000
Net cash (used in) investment activities	**(60,119)**	**(99,893)**	**(379,834)**

(In thousands of Reais*)

	2018		2017
	2nd semester	**Fiscal year**	**Fiscal year**
Cash flow from financing activities			
Loan raising	-	-	244,923
Amortization of loans	(65,657)	(89,634)	-
Interest paid	(4,953)	(12,784)	(16,710)
Capital increase	-	100,000	200,000
Dividends paid	-	(300)	(27,438)
Interest on equity	(82,100)	(82,100)	-
Net cash from (used in) financing activities	**(152,710)**	**(84,818)**	**400,775**
Increase/(decrease) in cash and cash equivalents	**(196,435)**	**(81,811)**	**(31,154)**
Cash and cash equivalents at the beginning of the period	504,833	390,209	421,363
Cash and cash equivalents at the end of the period	308,398	308,398	390,209

1. Operations

XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("XP CCTVM"), headquartered at Avenida Afrânio de Melo Franco, No. 290, room 708, Leblon, Rio de Janeiro, operates in foreign exchange and securities market on its behalf and/or on behalf of third parties, at B3 S.A - Brasil, Bolsa, Balcão ("B3 S.A"), in addition to managing portfolios of investment pools.

XP CCTVM is a subsidiary of XP Investimentos S.A. which shareholders are XP Controle Participações S.A. and Itaú Unibanco S.A., holding respectively 30.12% and 49.90% of the total capital of XP Investimentos S.A. as of December 31, 2018 (31.87% and 0% in 2017), and 60.12% and 30.06% of interest in common shares (55.57% and 0% in 2017).

(a) Purchase and Sale Agreement with Itaú Unibanco S.A.

As of May 11, 2017, XP Controle Participações S.A., parent of XP Group, G.A. Brasil IV FIP and DYNA III FIP entered into a share purchase agreement with Itaú Unibanco S.A. for the sale of an interest in XP Investimentos S.A., a holding company that consolidates the investments of XP Group, which was completed as of August 31, 2018. As of such date, Itaú Unibanco S.A. holds 49.9% of the total capital of XP Investimentos S.A., with approximately 30% of the voting capital, remaining the control of XP Group with its current controlling shareholders.

2. Presentation of financial statements

(a) Statement of compliance

The financial statements of XP CCTVM are incumbent upon Management, were prepared in accordance with accounting policies adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil ("BACEN"), and are presented in accordance with the Accounting Plan of the Institutions of the National Financial System - COSIF.

Preparing financial statements calls for Management to use its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include provision for contingencies, other impairment loss on trade receivables and measurement at fair value of securities and derivative financial instruments. Settlement of transactions involving these estimates may result in values that differ significantly from those estimated due to inaccuracies inherent in the determination process. XP CCTVM regularly reviews the estimates and assumptions.

The financial statements for the fiscal year ended December 31, 2018 were approved by Management and submitted to the Audit Committee on March 27, 2019.

3. Summary of the accounting policies

(a) Determination of profit or loss

The result of transactions is determined in accordance with the accrual basis, income and expenses are recorded in the statement of profit or loss in the period in which they occur and always simultaneously when they are correlated.

(b) Cash and cash equivalents

Cash and cash equivalents include cash, open market investments (portfolio position), investments in interbank deposits and any other highly liquid short-term investments that are readily convertible into a known cash amount and which are not subject to a significant risk of change in value, and are held for the purpose of meeting short-term cash commitments and not for investments or other purposes.

Transactions are considered short-term when they have maturities of ninety days or less as from the date of acquisition.

(c) Interbank liquidity investments and fundraising in the open market

Recorded as the amount of the investment or acquisition, plus income earned up to the balance sheet and, when applicable, are deducted from any provision for devaluation.

(d) Securities and derivative financial instruments

The methodology used to measure market value (probable realizable value) of bonds and securities and derivative financial instruments is based on the economic scenario and on pricing models developed by Management, which include capturing quoted prices charged in the market, data disclosed by the various economic interest groups and stock exchanges, commodities and futures, applicable to the statement of financial position base date. Thus, when these items are effectively liquidated, the results may differ from those estimated.

Bonds and securities classified based on a set of criteria for registration and valuation of the securities portfolio, set by Bacen Circular No. 3.068/01, according to Management's intention, in three specific categories, taking into account the following accounting criteria:

Trading securities - securities acquired for the purpose of being traded frequently, actively, and adjusted to market value against the profit or loss.

Securities for sale - securities that are not classified as “trading securities" or "held-to-maturity". These securities are adjusted to market value, and the adjustment, net of tax effects, is recorded in a separate equity account. Gains and losses, when realized, are recognized in the statement of profit or loss.

Held-to-maturity securities - securities which Management intends and has the financial capacity to hold in the portfolio until maturity. These are recorded at acquisition cost, plus income earned against the profit or loss for the fiscal year.

Securities classified as "for trading" with maturity exceeding 12 months are classified in the statement of financial position, in current assets, regardless of their maturity, as determined in Bacen Circular No. 3.068/01.

Transactions with derivative financial instruments made by XP CCTVM are classified according to Management's intention. The base value of the derivative financial instrument contracts are recorded in off-statement of financial position accounts and the amounts receivable and payable adjusted to market value in the statement of financial position as follows:

- The adjustments of the futures contracts are calculated/paid daily according to type of asset and respective maturity and recognized in profit or loss for the period in which earned or incurred;

- Forward transactions are recorded at the market value of the spot market, with the installments receivable or payable at a future date adjusted to present value based on the market rates published by B3 S.A. and recognized in the statement of profit or loss depending on the maturity date of the contracts.

- Premiums paid or received on options transactions are recorded at cost in equity accounts and adjusted to market value, based on internally developed pricing models, against the statement of profit or loss.

- Assets and liabilities arising from swap transactions are recorded in equity accounts and adjusted to market value, using the cash flow method discounted using the rates published by B3 S.A., against the statement of profit or loss.

(e) Stock loans and short position in stocks

Stock loans (borrower position) and short position in stocks are carried out on the stock and commodities exchange (B3 S.A.) and are valued at the quoted prices of the respective assets in the market, based on data released by the various economic interest groups and stock exchanges, commodities and futures, plus, when applicable, commissions, costs and financial charges incurred up to the reporting date. Interest arising from the stock loans is recognized in a specific account in the statement of profit or loss.

(f) Allowance for other doubtful income receivables

Impairment loss on other trade receivables of other amounts receivable from customers and negative balance in the "debtors - pending settlement account" is recorded based on the expectation of losses in realizing amounts receivable from customers for operations, as well as guidelines from the Central Bank of Brazil (article 6 of Resolution No. 2.682/99).

(g) Negotiation and intermediation of securities (amounts payable and receivable)

B3 S.A. - *Brasil, Bolsa, Balcão* transactions on behalf of and on account of third parties. Brokerages on these transactions are classified as revenues, and service provision expenses are recognized at the time of the transactions. These balances are offset and the net amount is shown in the statement of financial position when, and only when, there is a legal and enforceable right to offset and the intention to liquidate them on a net basis, or to realize the assets and settle the liabilities simultaneously.

This accounting group is subdivided into the following line items:

- Recording and settlement - Represented by the registration of transactions carried out on the stock exchanges on its own behalf and for customers;

- Debtors/Creditors pending settlement account - debtor or creditor balances of customers, in connection with transactions with fixed income securities, shares, commodities and financial assets, pending settlement as of the statement of the reporting date. Sales transactions are offset, and in the event the final amount is a credit, it will be recorded in liabilities, on the other hand if this amount is debt, it will be recorded in assets, provided that the offset balances refer to the same counterparty.

(h) Prepaid expenses

Refer to amounts paid the benefits or service provision rights of which will occur in future periods. They are recorded in assets and appropriated to the statement of profit or loss in accordance with the term of the estimated economic benefit.

(i) Other assets

These are shown at cost including, when applicable, income and monetary variations found, minus the corresponding provisions for losses or adjustments.

(j) Fixed assets

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

(k) Intangible assets

Intangible assets are measured at acquisition cost, less accumulated amortization. Software amortization is calculated using the straight-line method based on annual rates that reflect its estimated useful life, and the list of customers (related to the agreement to transfer the customer base of Um Investimentos) is based on the expectation of future profitability, with closure scheduled for June 2019.

The goodwill resulting from combining the businesses is stated at its cost value, which is amortized over a period of 7 years from the date of such combining, observing the expectation of future profits and the recoverable value is subject to evaluation at least annually or when there is an indication of loss of value.

(l) Impairment of financial assets

CPC 01 (R1) - Impairment of Assets establishes the need for entities to undertake regular analysis to verify the recoverable value of their assets.

Impairment of non-financial assets is recognized as a loss when the value of an asset or a cash-generating unit recorded in the ledgers is greater than its recoverable or realizable value. A cash-generating unit is the smallest identifiable group of assets that generates substantial cash flow regardless of other assets or groups of assets. Impairment losses, when applicable, are recorded in the statement of profit or loss for the period in which they were identified.

The amounts of non-financial assets are subject to periodic review, at least annually, to determine if there is any indication of impairment or realization of these assets.

Accordingly, in compliance with the related regulations, on December 31, 2018 and 2017, Management was not aware of any material adjustments that could affect recoverability of the amounts recorded.

(m) Other liabilities

Demonstrated at known or estimated amounts, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date..

(n) Contingent assets and liabilities, provisions and legal obligations

Contingent assets and liabilities and legal obligations are recognized, measured and disclosed in accordance with the criteria defined in CPC 25 - Provisions, Contingent Liabilities, and Contingent Assets, approved by CMN Resolution 3.823/09, as follows:

- *Contingent assets* - They are not recognized in the financial statements, except when the realization of the gain is practically certain, in which case said asset ceases to be contingent, and its recognition is appropriate.*Provisions for risks* - These are evaluated by legal advisors and by Management, taking into account the probability of loss of a judicial or administrative case that could generate an output of funds that is measurable with sufficient certainty. Provisions are recorded for lawsuits classified as probable losses by Management based on the legal advisors' opinions and disclosed in explanatory notes. When lawsuits are uncertain and dependent on future events to determine whether there is a likelihood of fund outflow, no provision is made but they are disclosed in an explanatory note if classified as possible loss, whereas no provision or disclosure is made if classified as a remote loss.

(In thousands of Reais, unless otherwise indicated)

- Contingent liabilities - Are uncertain and dependent on future events to determine whether there is a likelihood of outflow of funds; therefore, no provision is made, although when classified as possible loss provision is made.

- Legal obligations - Refer to legal claims in which the legality and constitutionality of certain taxes and contributions are being challenged. The disputed amount is quantified, provisioned and updated monthly.

(o) Income tax and social security contribution

The provision for income tax is recorded based on taxable income at the rate of 15%, plus an additional 10% on annual taxable income exceeding R$ 240.

On October 6, 2015, Law 13.169 was published, converting Provisional Decree 675, which raised the 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% as from January 1, 2019, in relation to financial institutions, private insurance corporations, capitalization companies 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. Thus, XP CCTVM adopted as a premise the constitution of the CSLLL tax credits adopting the tax rate of 20% on the total stock of credits recorded in its statement of financial position.

In December 2018, the XP CCTVM tax credit stock was adjusted to represent the 15% rate taking into account CSLL's return to that percentage as of January 1, 2019. The adjustment made to the tax credits base on December 31, 2018 was R$ 9,299 as shown in note 16 d.

(p) Earnings per share

Earnings per share presented in the statement of profit or loss is calculated based on the number of shares in circulation on the statement of financial position base date.

4. Cash and cash equivalent

	2018	2017
Cash and cash equivalents	3,322	2,660
Interbank liquidity investments [a]	304,676	387,549
Bank Deposit Certificates [b]	400	-
Total	**308,398**	**390,209**

[a] All interbank liquidity investments with original maturity of 90 days or less (except financed position) are considered cash and cash equivalents.

[b] Bank Deposit Certificates with daily liquidity are considered cash and cash equivalents.

(In thousands of Reais, unless otherwise indicated)

5. Interbank liquidity investments

(a) Investments in the open market

	2018			2017	
	Up to 3 months	**From 3 to 12 months**	**Total**	**Up to 3 months**	**Total**
Portfolio position	**304,676**	**179,632**	**484,308**	**387,549**	**387,549**
LTNs (National Treasury Bills)	272,125	147,047	419,172	-	-
NTNs (National Treasury Notes)	32,551	32,585	65,136	387,549	387,549
Financed position	**4,192,036**	**1,889,764**	**6,081,800**	**514,022**	**514,022**
NTNs (National Treasury Notes)	699,636	470,529	1,170,165	514,022	514,022
LTNs (National Treasury Bills)	3,492,400	1,419,235	4,911,635	-	-
Total	**4,496,712**	**2,069,396**	**6,566,108**	**901,571**	**901,571**

Interbank liquidity investments had an average fixed rate of 6.43% p.a. (2017: 6.91% p.a.).

(b) Income from interbank liquidity investments

	2018		2017
	2nd semester	**Fiscal year**	**Fiscal year**
Portfolio position	**47,446**	**82,606**	**54,640**
LTNs (National Treasury Bills)	21,479	29,917	16,914
NTNs (National Treasury Notes)	25,133	49,229	27,118
LFTs (Financial Treasury Bills)	834	3,460	10,304
Debentures	-	-	304
Financed position	**139,938**	**149,944**	**5,148**
LTNs (National Treasury Bills)	78,452	84,884	262
LFTs (Financial Treasury Bills)	7,700	8,537	5,496
NTNs (National Treasury Notes)	53,786	56,523	(610)
Total (Note 6c)	**187,384**	**232,550**	**59,788**

6. Marketable securities

(a) Asset position

						2018
	No maturity date	**Up to 3 months**	**From 4 to 12 months**	**Above 12 months**	**Market value**	**Cost**
Trading securities						
LFTs (Financial Treasury Bills)	-	29,829	-	2,137,780	2,167,609	2,167,344
LTNs (National Treasury Bills)	-	3,291	1,084	18,289	22,664	22,453
NTNs (National Treasury Notes)	-	-	2,831	55,056	57,887	53,627
Bank Deposit Certificates	-	954	27,506	48,388	76,848	77,307
Agribusiness Receivables Certificate	-	2,986	5,942	76,946	85,874	85,668
Certificate of Real Estate Receivables	-	-	800	119,463	120,263	121,452
Bill of Exchange	-	8	574	226	808	806
Real Estate Credit Bills	-	75	25,961	213	26,249	26,269

(In thousands of Reais, unless otherwise indicated)

						2017
	No maturity date	**Up to 3 months**	**From 4 to 12 months**	**Above 12 months**	**Market value**	**Cost**
Trading securities						
LTNs (National Treasury Bills)	-	25	89	2,447	2,561	2,475
LFTs (Financial Treasury Bills)	-	41,961	24,146	1,132,188	1,198,295	1,198,163
NTNs (National Treasury Notes)	-	-	356	8,752	9,108	8,569
Bank Deposit Certificates	-	7,251	4,293	174,499	186,043	186,175
Agribusiness Receivables Certificate	-	-	167	33,199	33,366	36,527
Certificate of Real Estate Receivables	-	-	416	29,667	30,083	31,944
Bill of Exchange	-	469	645	69	1,183	1,185
Real Estate Credit Bills	-	12	920	2,437	3,369	3,370
Agribusiness Letters of Credit	-	356	5,896	-	6,252	6,253
Commercial paper	-	-	-	23,269	23,269	23,269
Debentures	-	-	-	323,394	323,394	326,020
Shares in publicly traded companies	324	-	-	-	324	524
Investment fund units of ownership [(a)]	977,539	-	-	-	977,539	977,539
Securities	**977,863**	**50,074**	**36,928**	**1,729,921**	**2,794,786**	**2,802,013**
Agribusiness Letters of Credit	-	337	702	1,252	2,291	2,295
Financial Bonds	-	186	2,747	13,190	16,123	16,476
Debentures	-	158	77	112,141	112,376	111,235
Shares in publicly traded companies	385	-	-	-	385	385
Investment fund units of ownership [(a)]	1,836,938	-	-	-	1,836,938	1,836,938
Total trading securities	**1,837,323**	**37,824**	**68,224**	**2,582,944**	**4,526,315**	**4,522,255**
Available for sale securities						
LTNs (National Treasury Bills)	-	-	145,484	512,526	658,010	654,794
Total available for sale securities	**-**	**-**	**145,484**	**512,526**	**658,010**	**654,794**
Held-to-maturity securities						
Debt security abroad	-	-	153,709	-	153,709	155,292
Total held-to-maturity securities	**-**	**-**	**153,709**	**-**	**153,709**	**155,292**
Securities	**1,837,323**	**37,824**	**367,417**	**3,095,470**	**5,338,034**	**5,332,341**

[(a)] As of December 31, 2018, the amount of R$ 1,803,576 refers to investments in units of ownership of exclusive investment funds - Patagônia FIM IE and O´Connor III FIM CP (R$ 947,539 in exclusive investment funds Patagônia FIM IE, O´Connor III FIM CP and Pedras Secas FIM CP IE in 2017).

The market value of securities is based on price quotation on the statement of reporting date. If there is no market price quotation, the amounts are estimated based on quotations from distributors or pricing models.

Securities, including derivative financial instruments, are held in custody at the Brazilian Clearing and Depository Company (CBLC), Special Clearing and Custody System (SELIC or B3 S.A.), except for units of ownership of investment funds, the records of which are kept by the respective administrators, and overseas debt securities, the records of which are in euroclear.

Securities related to the provision of guarantees are related to transactions carried out in the B3 S.A.

The short positions of shares are shown in the liabilities of Other Bonds - Trading and Intermediation of Securities - note 9.

(In thousands of Reais, unless otherwise indicated)

(b) Profit or loss from securities

		2018	2017
	2nd semester	Fiscal year	Fiscal year
Income from securities			
Fixed income securities	224,012	377,332	273,982
Variable income securities	(184)	(1,282)	805
Investment funds	20,954	70,902	56,219
Interbank liquidity investments (note 5b)	187,384	232,550	146,338
Total	**432,166**	**679,502**	**477,344**

7. Derivative financial instruments

As of December 31, 2018 and 2017, the positions for derivative financial instruments are as follows:

					2018
	Up to 3 months	From 4 to 12 months	Above 12 months	Carrying amount	Reference amount
Active Position					
Options premium					
DI Index	-	-	1,475	1,475	3,888
Swap					
CDI (Interbank Deposit Certificate) x IPCA (Extended National Consumer Price Index)	3,097	529	-	3,626	710
IGPM (General Market Price Index) x CDI	1,568	59	5,722	7,349	212,500
IPCA x CDI	-	108	173,230	173,338	175,410
TJLP (Long-Term Interest Rate) x CDI	-	24,349	29,784	54,133	1,256,100
PRE x CDI	-	-	356	356	741,665
Derivative financial instruments	**4,665**	**25,045**	**210,567**	**240,277**	**2,390,273**

(In thousands of Reais, unless otherwise indicated)

					2017
	Up to 3 months	**From 4 to 12 months**	**Above 12 months**	**Carrying amount**	**Reference amount**
Active Position					
Swap					
CDI (Interbank Deposit Certificate) x IPCA (Extended National Consumer Price Index)	713	7	-	720	127,300
CDI x IGPM	-	2,929	2,164	5,093	210,000
IPCA x CDI	-	-	65,842	65,842	1,251,100
IGPM (General Market Price Index) x CDI	-	-	661	661	10,000
TJLP (Long-Term Interest Rate) x CDI	1,040	5,004	30,131	36,175	791,663
Term					
Shares	9,979	2,070	-	12,049	12,344
Futures					
Foreign exchange coupon	-	-	-	-	50
Dollar	-	-	-	-	129,967
Financial assets and commodities	-	-	-	-	2,259
Index	-	-	-	-	7,684
Derivative financial instruments	**11,732**	**10,010**	**98,798**	**120,540**	**2,542,367**

					2018
	Up to 3 months	**From 4 to 12 months**	**Above 12 months**	**Carrying amount**	**Reference amount**
Passive Position					
Options premium					
DI Index	-	-	1,675	1,675	3,888
Swap					
CDI x TJLP	53,875	-	-	53,875	125,820
CDI (Interbank Deposit Certificate) x IPCA (Extended National Consumer Price Index)	172,187	-	-	172,187	1,713,600
IPCA x CDI	3,552	-	-	3,552	59,164
CDI x IGPM	7,260	-	-	7,260	750,000
CDI x PRE	335	-	-	335	700,000
Derivative financial instruments	**237,209**	**-**	**1,675**	**238,884**	**3,352,472**

(In thousands of Reais, unless otherwise indicated)

					2017
	Up to 3 months	**From 4 to 12 months**	**Above 12 months**	**Carrying amount**	**Reference amount**
Passive position					
Swap					
CDI (Interbank Deposit Certificate) x IPCA (Extended National Consumer Price Index)	-	-	64,986	64,986	1,251,100
CDI x IGPM	-	-	654	654	10,000
IPCA x CDI	703	7	-	710	127,300
IGPM (General Market Price Index) x CDI	-	2,903	2,105	5,008	210,000
CDI x TJLP	925	4,609	29,894	35,428	791,663
Futures					
Dollar	-	-	-	-	122,425
Financial assets and commodities	-	-	-	-	1,036,618
Index	-	-	-	-	7,684
Derivative financial instruments	**1,628**	**7,519**	**97,639**	**106,786**	**3,556,790**

Derivative financial instrument net revenue and expense amounts for the periods are shown below

		2018	**2017**
	2nd semester	**Fiscal year**	**Fiscal year**
Derivative financial instruments			
Options	6,146	6,365	(314)
Swap	2,103	2,174	1,683
Futures	(3,148)	(4,279)	19,620
Term	3	491	577
Total	**5,104**	**4,751**	**21,566**

8. Income receivables

	2018	**2017**
Income receivable	98,830	82,500
(-)Allowance for other doubtful receivables	(1,823)	(369)
	97,007	**82,131**

(In thousands of Reais, unless otherwise indicated)

9. Negotiation and intermediation of securities

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Cash and settlement records	163,953	89,781	-	218,421
Debtors/creditors pending settlement - current account customers	743,365	5,094,642	654,202	2,884,367
Commissions and brokerages payable	-	76,046	-	54,215
Other receivables from Negotiation and intermediation of securities	2,370	-	2,875	-
Share transactions	9	-	6,683	-
Shares in publicly-traded companies - short position (Note 6b)	-	288	-	86
Total	**909,697**	**5,260,757**	**663,760**	**3,157,089**

10. Taxes to be offset, other credits and other obligations - Sundry

Assets	**2018**	**2017**
Salary advances and prepayments	224	197
Advances for suppliers	1,502	586
Admission of debt with autonomous investment agent	11,161	13,399
Debtors for escrow deposits	14,358	10,253
Amounts receivable related companies	1,637	331
Reimbursement of fund expenses	1,961	938
Reimbursement of stock exchange transaction fees	6,935	9
Other receivables	631	160
(-) Impairment loss on other trade receivables	(5,455)	(1,473)
Total other Sundry receivables	**32,954**	**24,400**
Taxes and contributions to be offset [(a)]	108,907	17,964
Total	**141,861**	**42,364**

Liabilities	**2018**	**2017**
Obligations for assets and rights	636	1,749
Rent payable	14,624	-
Employee expenses payable	22,746	21,286
Amounts payable - related companies	10,271	7,720
Provision for legal proceedings (note 23)	17,405	11,730
Sundry creditors	1,656	2,613
Other liabilities [(b)]	33,211	4,004
Total	**100,549**	**49,102**

[(a)] Refers mainly to unused prepaid amounts of income tax and social security contribution for fiscal years 2018, 2017, 2016, 2015, 2013 and 2012, in the amounts of R$ 88,802 (R$ 17,757 in 2017). They also include taxes to be offset (PIS, COFINS, ISS), in the amount of R$ 20,105 (R$ 207 in 2017).

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

(In thousands of Reais, unless otherwise indicated)

11. Other amounts and assets

Prepaid expenses are broken down as follows:

	2018	2017
Wolwacz & Ruschel Ltda.	1,321	2,009
Pan - Business Acceleration Program	22,124	30,541
Expenses paid in advance [(a)]	49,410	19,606
Total	**72,855**	**52,156**

[(a)] Mainly includes prepaid expenses relating to the marketing campaign.

(a) Wolwacz & Ruschel Ltda.

On April 1, 2011, XP CCTVM hired Wolwacz & Ruschel Ltda. ("WR"), a company operating in the area of Education, delivering courses related to financial market issues, to conduct educational events related to its performance. Events include, but are not limited to, courses, seminars, workshops, and lectures.

This encompasses the creation, promotion and organization of the Event by WR with all the inherent costs.

In addition to these services, WR provides operational strategy projects for the variable income market, which can be included as tools to be used by all XP CCTVM home broker customers. Moreover, its educational services include publicizing the XP CCTVM brand and recommending it to participants on courses promoted by WR who are interested in making transactions in the financial market.

Under the contract, XP CCTVM has paid the sum of R$ 5,250, which expense is being amortized over the term of the contract, which is ten years.

(b) Pan - Business Acceleration Program

Starting in the first half of 2014, XP CCTVM implemented an incentive campaign to attract new customers (Pan - Business Acceleration Program) with its network of autonomous agents, offering an advance on compensation with the main objective of increasing fundraising and consequently the increase in revenue that will be generated over time by such 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, according to a technical study, they are being appropriated into income on a straight-line basis for four years.

12. Other obligations - Tax and social security

	2018	2017
Deferred income tax and social security contribution	7,702	1,205
Taxes and contributions on third-party services	5,521	4,353
Taxes and contributions on salaries	8,527	8,549
Taxes on customer retention	21,843	10,902
PIS and COFINS	5,524	7,215
ISS	7,273	7,044
Other	121	51
Total	**56,511**	**39,319**

(In thousands of Reais, unless otherwise indicated)

13. Fundraising in the open market

	2018	**2017**
Own portfolio	**713,347**	**-**
LFTs (Financial Treasury Bills)	399,283	-
LTNs (National Treasury Bills)	314,064	-
Third-parties' portfolio	**6,078,970**	**514,018**
LTNs (National Treasury Bills)	4,912,341	-
NTNs (National Treasury Notes)	1,166,629	514,018
Total	**6,792,317**	**514,018**

As of December 31, 2018, R$ 168,433 (R$ 86,550 in 2017) was recognized regarding fundraising expenses in the open market.

14. Loan obligations

On January 19, 2017, CCTVM XP took out a loan with Banco J.P. Morgan S.A., in the amount of R$ 100,000, for which a bank credit note for the same amount was issued, which has the personal guarantee of XP CCTVM, by means of suretyship. The purpose of fundraising was to pay part of the acquisition of Rico Corretora, see note 1. Said financing has an interest rate of 111% of the accumulated variation of the CDI and maturity on July 8, 2019. The amortization schedule provides for 7 equal, quarterly, consecutive installments for payment of the principal, the first on January 15, 2018, and the last on the maturity date. Interest shall be paid quarterly starting from the date of issue, the first installment being on April 19, 2017 and the last on the maturity date. These loans contain covenants, complying with certain performance conditions. Failure to comply with such covenant may result in the Company being required to repay the loan before the date indicated. As of December 31, 2018, the restated amount of this loan is R$ 44,256 (R$ 101,608 in 2017).

As of April 7, 2017, XP CCTVM took out a loan with Itaú Unibanco, in the amount of R$ 126,000. This obligation has an interest rate of 113% of the accumulated variation of the CDI, maturing on March 8, 2021. Amortization will be in 36 equal installments, beginning on April 6, 2018 with the last installment on the maturity date. Interest will be paid monthly starting from the issue date. As of December 31, 2018, the restated amount of this loan is R$ 95,017 (R$ 126,605 in 2017).

As of December 31, 2018, R$ 13,696 (R$ 20,951 in 2017) was recognized regarding loan obligations.

(In thousands of Reais, unless otherwise indicated)

15. Fixed assets

(a) Fixed assets in use

	Fixed assets in progress	Data processing system	Furniture and equipment	Security systems	Facilities	Total
Balance as of 12/31/2017	**-**	**13,735**	**7,752**	**4,910**	**14,980**	**41,377**
Additions	47,329	22,310	4,401	376	1,941	76,357
Disposals / Write-offs	-	(40)	(833)	(30)	(5,078)	(5,981)
Depreciation	-	(7,281)	(1,528)	(2,892)	(4,672)	(16,373)
Transfers	(47,329)	163	9,188	188	36,274	(1,516)
Balance as of 12/31/2018	**-**	**28,887**	**18,980**	**2,552**	**43,445**	**93,864**

Balance as of 12/31/2016	**1,061**	**9,545**	**6,057**	**458**	**7,440**	**24,561**
Additions	2,187	6,335	2,207	5,650	9,830	26,209
Disposals / Write-offs	(961)	(170)	(412)	(9)	(2,211)	(3,763)
Transfers	(2,287)	1,441	-	-	846	-
Rico merger	-	44	1,097	38	452	1,631
Depreciation	-	(3,460)	(1,197)	(1,227)	(1,377)	(7,261)
Balance as of 12/31/2017	**-**	**13,735**	**7,752**	**4,910**	**14,980**	**41,377**

(b) Intangible assets

	Software	Intangible developed Internally	List of customers	Brands	Goodwill	Other	Total
Balance as of 12/31/2017	**21,953**	**10,813**	**2,501**	**33**	**338,443**	**69,433**	**443,176**
Additions	25,842	10,377	-	-	-	1,008	37,227
Disposals/Write-offs	(14)	(6,316)	-	-	-	-	(6,330)
Amortization	(14,485)	(6,973)	(2,166)	-	(33,222)	(9,013)	(65,859)
Transfers	809	(673)	-	-	-	-	136
Balance as of 12/31/2018	**34,105**	**7,228**	**335**	**33**	**305,221**	**61,428**	**408,350**

(In thousands of Reais, unless otherwise indicated)

Balance as of 12/31/2016	**15,348**	**4,286**	**6,449**	**-**	**-**	**-**	**26,083**
Additions	9,872	5,522	-	-	-	-	15,394
Disposals / Write-offs	(117)	-	-	-	-	-	(117)
Rico merger	3,095	1,387	-	33	-	-	4,515
Transfers	-	-	-	-	346,039	70,253	416,292
Amortization	(6,245)	(382)	(3,948)	-	(7,596)	(820)	(18,991)
Balance as of 12/31/2017	**21,953**	**10,813**	**2,501**	**33**	**338,443**	**69,433**	**443,176**

(a) List of customers

As of November 24, 2015, XP CCTVM signed an Agreement to Transfer of the Customer Base of UM Investimentos, a company operating in the same segment, which agreement is intended to transfer the list of UM customers to XP CCTVM together with the corresponding assets in custody, including all rights related to such customers.

The contractual terms were agreed to enable said transfer of the customer portfolio, with an express non-compete section, as well as committing itself to the entire migration process of that customer base. In return for the transfer of said customer base, XP CCTVM agreed to pay the amount of R$ 10,916, which is being amortized over a 43-month period.

(b) Brands, goodwill and other

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

Clear CCTVM

As of July 24, 2014, XP CCTVM entered into a Share Purchase Agreement and Other Covenants ("Agreement") with the shareholders of Clear Corretora de Títulos e Valores Mobiliários S.A. ("Clear"), amended on September 29, 2015 and December 30, 2015, to regulate the acquisition of all shares issued by Clear ("Transaction"), such transaction being conditioned to approval by the Central Bank of Brazil.

The Central Bank of Brazil sent a letter to the Brokerage House on September 3, 2015, approving all necessary steps to finalize the transaction. With this preliminary approval, on September 29, 2015, the transaction was finalized with the consequent payment of the base price of fifty-five million reais (R$ 55,000), adjusted for the variation of the DI Rate (Interbank Deposit Rate) from July 24, 2014 to September 3, 2015, with Clear becoming a wholly-owned subsidiary of XP CCTVM. Thereafter, Clear's shareholders became shareholders of XP Controle Participações S.A., indirect parent of XP CCTVM.

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

In addition to the base price and as provided in the Agreement and subsequent amendments, on December 30, 2015, XP CCTVM paid an increase to the base price in the total adjusted amount of R$ 53,087 to the shareholders of Clear. The base price may be subject to additional increase depending on certain targets being met, so that the estimated fair value of this provision of R$ 10,730 was provisioned as of December 31, 2015.

The identified intangibles and their amortization periods are: Customer Relations in the amount of R$ 11,078 (20 months), Technology R$ 209 (36 months) and Brand R$ 1,877 (240 months), in addition to goodwill for 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.

(In thousands of Reais, unless otherwise indicated)

Rico CTVM

As of November 29, 2016, the Agreement for the Purchase and Sale of Securities and Other Covenants was entered into, which regulates the acquisition by XP CCTVM of the total capital of holding company FLAFLU Participações S.A. and, indirectly, of its wholly-owned subsidiary Rico Corretora de Títulos e Valores Mobiliários S.A. ("Rico"). With this transaction, XP CCTVM aimed to extend its operations in brokerage and securities distribution market to retail, through expanding the customer base and absorbing innovative technology in online market developed by Rico, in view of the complementary nature of positioning between the brands. The total amount disbursed by XP CCTVM in the transaction was R$ 404,727. The transaction was approved by the Administrative Council for Economic Defense - CADE and by the Central Bank of Brazil and was published in the Federal Official Gazette on August 10, 2017.

The identified intangibles and their amortization periods are: Customer Relations in the amount of R$ 50,077 (96 months), Technology R$ 2,028 (36 months) and Brand R$ 19,305 (120 months), in addition to goodwill for future profitability in the amount of R$ 281,701 (up to 2024), balances transferred to intangible assets due to the incorporation of Rico CTVM, see note 1.

16. Income tax and social security contribution

(a) Deferred taxes

As established by Resolution No. 3.059/02, amended by Bacen Resolutions 3.355/06 and 4.441/15, XP CCTVM recognizes its deferred tax assets and liabilities ("tax credits" and "deferred tax liabilities") arising from temporary differences meeting the following conditions: (i) presentation of a history of taxable profits or income for purposes of income tax and social security contribution on net income, proven by the occurrence of these situations in at least three of the last five fiscal years, which period should include the fiscal year in question; and (ii) the expected generation of future taxable profits or income for purposes of income tax and social security contribution on net income in subsequent periods, based on an internal technical study demonstrating the likelihood of future tax and contribution obligations occurring which allow realization of the tax credit within a maximum of ten years.

(b) Deferred tax credit activity

	Balance as of 12/31/2017	**Constitution/(Realization)**	**Balance as of 12/31/2018**
Provisions for autonomous agent commissions	26,287	4,744	31,031
Adjustment to market value of securities and derivatives	3,824	(2,427)	1,397
Tax credit arising from goodwill on the acquisition of investments	113,482	(46,215)	67,267
Impairment loss on trade receivables and provisions for contingencies	5,424	3,832	9,256
IR and CS - Tax loss and negative basis	17,584	3,113	20,697
Other Temporary Provisions	-	520	520
Total tax credits on temporary differences	**166,601**	**(36,433)**	**130,168**

(In thousands of Reais, unless otherwise indicated)

	Balance as of 12/31/2016	Constitution/(Realization)	Balance as of 12/31/2017
Deferred income tax and social security contribution on:			
Provisions for agent commissions and bonuses	132	26,155	26,287
Adjustment to market value of securities and derivatives	712	3,112	3,824
Tax credit arising from goodwill on the acquisition of investments	155,973	(42,491)	113,482
Impairment loss on trade receivables and provisions for contingencies	2,439	2,985	5,424
Profit sharing	-	17,584	17,584
Total tax credits on temporary differences	**159,256**	**7,345**	**166,601**

c) Estimate of realization of recoverable tax credits

			2018
	Income Tax	**Social security contribution**	**Total deferred taxes**
Up to 1 year	51,279	30,767	82,046
From 1 to 2 years	15,684	9,411	25,095
From 2 to 3 years	8,607	5,164	13,771
Above 4 years	5,785	3,471	9,256
Total	**81,355**	**48,813**	**130,168**

			2017
	Income Tax	**Social security contribution**	**Total deferred taxes**
Up to 1 year	57,809	46,247	104,055
From 1 to 2 years	14,863	8,918	23,781
From 2 to 3 years	14,085	8,451	22,536
From 3 to 4 years	4,705	2,823	7,528
Above 4 years	5,438	3,263	8,701
Total	**96,900**	**69,702**	**166,601**

The total present value of tax credits is R$ 122,758 (R$ 155,702 in 2017), and was calculated based on the expected realization of temporary differences presented in the previous table.

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

(In thousands of Reais, unless otherwise indicated)

(d) Reconciliation of income tax and social security contribution

	2018	2017
Income before income tax and interests	**439,971**	**469,260**
Interest on equity	(82,100)	-
Income before income tax after interest on equity	**357,871**	**469,260**
Employee profit sharing	(298,008)	(178,951)
Income before income tax/CSLL calculated by taxable income	**59,863**	**290,309**
(+) permanent additions	4,037	714
(-) permanent exclusions	(313)	(13,492)
(=) negative basis of income tax/CSLL/adjusted profit (A)	**63,587**	**277,531**
Current and deferred income tax/CSLL (B)	**(28,614)**	**(124,053)**
Tax Credit Effect - CSLL - 5% (C) [a]	**(9,299)**	**-**
(=) Accounting expense income tax/social security contribution 2018 (B + C)	**(37,913)**	**(124,053)**
Effective rate = (B / A)	45%	45%

[a] Effect on line item of social security contribution expense on deferred net income, related to write-off of 5% tax credit item considering return of CSLL tax rate to 15% as of 01/01/2019.

17. Equity

(a) Share capital

Share capital amounting to 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 of class C (1,744,560,820 in 2017), with no par value.

(b) Capital increase

An EGM was held as of January 22, 2018, in which it was resolved the capital increase of XP CCTVM, through the issuance of 157,573,887 new common shares and 157,573,887 new registered preferred shares, with no par value, at the total issue price of R$ 100,000. Such capital increase was approved by BACEN as of May 24, 2018.

An EGM was held as of June 16, 2017, in which it was resolved the capital increase of XP CCTVM, through the issuance of 348,765,003 new common shares and 348,765,003 new registered preferred shares, with no par value, at the total issue price of R$ 200,000. Such capital increase was approved by BACEN as of June 29, 2017.

(c) Capital reserve

In the second semester of 2016, XP Investimentos S.A (indirect parent ofstock broker) undertook 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 share capital of XP Investimentos, were initially received in treasury and promptly and immediately attributed to GA XP Participação, the sole shareholder of GA Financeira, without increasing or reducing the share capital of XP Investimentos.

As of August 29, 2016, based on the base date of July 31, 2016, GA Financeira XP S.A. approved at an EGM all the terms and conditions of the “Filing and Justification of Merger” and “Assessment Reports” of Astic BD Holding Financeira S.A. in a definitive manner, adopting the accounting criterion in assessment of net assets of acquired company. The transaction consisted of the merger of Astic Financeira by GA Financeira. As a result of the transaction, Astic Financeira was extinguished by operation of law, for all legal purposes, so that GA

Financeira succeeded Astic Financeira in all its rights and obligations, pursuant to article 227 of Law 6404/76. The merger of Astic Financeira by GA Financeira did not result in capital increase of GA Financeira, since GA Financeira holds all the shares issued by Astic Financeira.

As of August 30, 2016, at an EGM, XP CCTVM approved all the terms and conditions for the “Filing and Justification of Merger” and “Assessment Reports” 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 share capital of XP Investimentos, will be initially received in treasury and promptly and immediately attributed to GA XP Participação, the sole shareholder of GA Financeira, without increasing or reducing the share capital of XP Investimentos.

The reverse merger of GA Financeira into XP CCTVM resulted in a capital increase for the latter in the amount of R$ 104,402, arising from a tax credit from goodwill paid by GA Financeira, based on expected future profitability, customer portfolio and other intangible assets. Thus, XP CCTVM recorded a deferred tax asset as counter entry to special goodwill reserve on merger, capital reserve.

(d) Legal reserve

Constituted at a rate of 5% of net income calculated in each balance sheet, until reaching 20% of share capital as provided for in corporate law.

(e) Statutory reserve

As of May 3, 2018, the EGM resolved the distribution of dividends in the amount of R$ 300 paid to the shareholder XP Controle 3 Participações S.A.

The statutory reserve for investment and expansion is constituted by the remaining balance of net income calculated in statement of financial position after legal allocations, whose purpose is to guarantee funds for investments. This reserve may not exceed the share capital.

(f) Dividends and interest on own capital

Shareholders are assured a minimum mandatory dividend at the rate of 25% of net income for the year, after specific allocations.

Before the AGM, Board of Directors may resolve on the declaration and payment of dividends and interest on equity, based on statements of financial position or earnings reserve existing in the last statement of financial position. These dividends are fully allocated to mandatory dividend.

As of September 28, 2018, an EGM resolved on the distribution of Interest on Equity in the amount of R$ 58,900, based on the statement of financial position as of August 30, 2018.

As of December 28, 2018, an EGM resolved on the distribution of Interest on Equity in the amount of R$ 23,200, based on the statement of financial position as of November 30, 2018.

(In thousands of Reais, unless otherwise indicated)

18. Revenue from service provision

	2nd semester	2018 Fiscal year	2017 Fiscal year
Revenue from distribution of units of ownership of investment funds	182,538	319,430	135,575
Revenue from brokerage in stock exchange operations	352,789	706,686	508,993
Revenue of commissions from placement of securities	308,090	616,585	388,864
Revenue from loan commissions - BTC	12,875	22,963	14,700
Revenue from custody services	1	10	182
Revenue from allocation of letter of guarantee	9,066	18,062	17,429
Others	9,588	18,069	13,248
Total	**874,947**	**1,701,805**	**1,078,991**

19. Other operating income

	2nd semester	2018 Fiscal year	2017 Fiscal year
Revenue from incentives of *Tesouro Direto*	-	9,931	4,226
Recovery of charges and expenses	2,939	6,555	3,598
Fines incurred [a]	17,545	34,497	21,482
Interest received	675	1,282	1,580
Reversal of provisions	-	393	5,536
Others	1,576	2,428	495
Total	**22,735**	**55,086**	**36,917**

[a] Revenue generated from collection of fine at a rate of 1% per day on the negative balance in account “debtors - pending settlement account", resulting from financial settlements of stock exchange operations generated by the customers.

20. Other operating expenses

	2nd semester	2018 Fiscal year	2017 Fiscal year
Operating errors [a]	(17,813)	(36,768)	(28,123)
Fines	(6,865)	(7,091)	(2,323)
Negative exchange variations	(6)	(272)	(388)
Others [b]	(11,681)	(20,249)	(11,864)
Total	**(36,365)**	**(64,380)**	**(42,698)**

[a] Operating errors are the result of indemnities paid to customers by XP CCTVM, mostly derived from errors in execution of orders for failures of the system or of people.

[b] Mainly comprised by provision and update of contingencies.

(In thousands of Reais, unless otherwise indicated)

21. Other administrative expenses

	2018	2018	2017
	2nd semester	**Fiscal year**	**Fiscal year**
Water, electric power and gas expenses	(527)	(1,120)	(347)
Rent expenses	(25,721)	(33,276)	(9,265)
Communication expenses	(5,051)	(9,167)	(7,886)
Assets maintenance and preservation expenses	(1,393)	(2,771)	(2,228)
Expenses with material	(50)	(80)	(82)
Data processing expenses	(97,342)	(174,882)	(108,421)
Promotion and public relations expenses	(1,122)	(1,595)	(1,884)
Advertising and publicity expenses	(113,503)	(185,469)	(83,095)
Expenses on publications	(197)	(308)	(98)
Insurance expenses	(485)	(762)	(96)
Third parties' services expenses	(40,560)	(52,709)	(15,804)
Expenditure on security and surveillance services	(101)	(156)	(101)
Expenditure on financial services (Note 22)	(459,213)	(797,663)	(466,582)
Expenditure on specialized technical services	(16,485)	(30,942)	(18,485)
Transports expenses	(324)	(749)	(846)
Travel expenses	(3,421)	(6,490)	(3,482)
Depreciation and amortization expenses	(41,575)	(82,265)	(46,410)
Other administrative expenses	(7,010)	(11,928)	(6,132)
Total	**(814,080)**	**(1,392,332)**	**(771,244)**

22. Expenditure on financial services

	2018	2018	2017
	2nd semester	**Fiscal year**	**Fiscal year**
Autonomous investment agents	(418,768)	(727,735)	(431,163)
Fees for processing and custody services [(a)]	(37,152)	(63,052)	(29,937)
Commission paid to XP Securities/Advisory	(1,231)	(2,938)	(1,115)
Other	(2,062)	(3,938)	(4,367)
Total	**(459,213)**	**(797,663)**	**(466,582)**

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

(In thousands of Reais, unless otherwise indicated)

23. Provisions and contingent liabilities

	2018	2017
	Fiscal year	**Fiscal year**
Provision for labor proceedings (Note 10)	2,404	1,839
Provision for tax proceedings (Note 10)	9,393	8,923
Provision for civil proceedings (Note 10)	5,608	968
Total	**17,405**	**11,730**

Provision for labor proceedings

As of December 31, 2018, there are 7 labor proceedings classified as a probable loss in the amount of R$ 2,404 (R$ 1,839 in 2017). There are 8 lawsuits classified as possible losses amounting to R$ 4,532 (R$ 18,820 in 2017), for which there is no provision in accordance with accounting policies in force.

		2018	2017
	2nd semester	**Fiscal year**	**Fiscal year**
As of January 1	**1,479**	**1,839**	**2,914**
Constitution	1,028	1,704	3,490
Reversal/payments	(103)	(1,139)	(4,565)
Final balance	**2,404**	**2,404**	**1,839**
Appeal escrow deposit	**(622)**	**-**	**622**

Civil proceedings

As of December 31, 2018, there are 18 civil proceedings classified as a probable loss in the amount of R$ 5,608 (R$ 968 in 2017). There are 121 lawsuits classified as possible losses amounting to R$ 64,550 (R$ 79,015 in 2017), for which there is no provision in accordance with accounting policies in force.

		2018	2017
	2nd semester	**Fiscal year**	**Fiscal year**
As of January 1	**1,098**	**968**	**447**
Constitution	6,622	7,398	1,294
Reversal/payments	(2,112)	(2,758)	(773)
Final balance as of December 31	**5,608**	**5,608**	**968**

Tax proceedings

As of December 31, 2018, there is one lawsuit classified as probable risk of loss in the amount of R$ 9,393 related to the PIS and COFINS proceeding - extension of the calculation basis over other revenues (R$ 8,923 in 2017). This lawsuit is supported by court deposit in its entirety. Such proceeding arises from the acquisition of Rico CTVM and, after the merger, became part of the XP CCTVM balances.

(In thousands of Reais, unless otherwise indicated)

In 2014, XP CCTVM was notified by the Internal Revenue Office for a requirement of social security contributions due to employee profit sharing payments, allegedly in violation of Law 10.101/00. Currently, the case files are with the Tax Control and Monitoring Division awaiting the filing of a voluntary appeal by XP CCTVM. It is important to highlight the existence of favorable precedents of CARF on the subject and the contracting of legal opinions that support the defense of the XP CCTVM. There is also the possibility that XP CCTVM challenges the collection in the Judiciary Branch. On the opinion of the legal advisors hired by XP CCTVM, the likelihood of loss was classified as possible in the amount of R$ 19,971 (R$ 18,765 in 2017).

24. Transactions with related parties

(a) Trade and contractual transactions with related parties

The main balances of assets and liabilities, as well as the transactions that influenced the profit or loss for the fiscal years ended December 31, 2018 and 2017, related to transactions with related parties, arise from XP CCTVM's transactions with XP Group controlling shareholders, entities and key-management personnel.

In the normal course of their business, XP Group Companies conduct trade and financial transactions with XP CCTVM under normal market conditions. These transactions include: (i) provision of education, consulting and business advisory services; (ii) financial advisory and financial consulting in general; (iii) management of resources and service provision in portfolio management area; (iv) service provision in information technology and data processing area; and (v) service provision in the insurance area.

XP CCTVM is directly controlled by XP Controle 3 Participações S.A., being indirectly controlled by XP Investimentos S.A., having XP Control Participações as its ultimate parent.

During the fiscal years ended December 31, 2018 and 2017, XP CCTVM performed the following operations with related parties:

	Type of relationship	2018	2017
Assets			
Cash and cash equivalents	Parent Companies	46	-
Interbank liquidity investments	Parent Companies	33,514	-
Securities	Parent Companies	400	-
Other credits			
Sundry - receivables	Parent Companies	18	18
Sundry - receivables	Related Parties	1,619	313
Liabilities			
Loan obligations	Parent Companies	(94,921)	-
Other obligations:			
Social and statutory	Parent Companies	(18,720)	-
Sundry - amounts payable	Related Parties	(10,270)	(7,720)
Profit or loss			
Income from securities operations	Parent Companies	3,303	-
Interest on equity	Parent Companies	(82,100)	-
Revenue from service provision	Related Parties	(1,990)	100
Loans and on-lending expenses	Parent Companies	(8,120)	-
Systems development and maintenance expenses	Related Parties	(65,072)	(55,473)
Advertising and publicity expenses	Related Parties	(45,031)	(31,777)
Expenditure on financial system services:			
Commissions	Related Parties	(2,938)	(976)
Expenses of technical services:			
Other administrative revenues/expenses	Related Parties	(456)	(332)

(In thousands of Reais, unless otherwise indicated)

(b) Officers´ fees

		2018	2017
	2nd semester	Fiscal year	Fiscal year
Compensation of key management personnel			
Officers´ Fees	(630)	(1,168)	(1,014)
Total	**(630)**	**(1,168)**	**(1,014)**

25. Profit sharing program

XP CCTVM has a share of profit program for its employees. This program is not extensible for the Executive Board. This participation is based on the months of June and December. For distribution purposes, it was provisioned in line item Social and statutory the amount of R$ 334,298 (R$ 178,951 in 2017).

26. Operational limits (Basel accord)

As of December 31, 2018, XP CCTVM reached the rate of 15.27% (20.14% in 2017).

			2018			2017
	Requirement	Status	Margin (insufficiency)	Requirement	Status	Margin (insufficiency)
Total Basel [(a)]	8.63%	15.27%	6.64%	9.25%	20.14%	10.89%
Fixed ratio [(b)]	390,903	93,865	297,038	340,789	129,953	210,835
Minimum capital [(a)]	441,653	781,807	340,154	152,261	681,577	529,316

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

[(b)] The requirement refers to the maximum limit permitted.

27. Risk management

Risk Management is structured in a completely independent of business areas manner, reporting directly to senior management, to ensure exemption of conflict of interest, and segregation of functions appropriate to good corporate governance and market practices.

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

Such risk management processes are also related to going concern management procedures, mainly in terms of formulating impact analysis, business continuity plans, contingency plans, backup plans, crisis management, etc.

(a) Market risk

Market risk management for operations is carried out through policies, control procedures and prior identification of risks in new products and activities, with the purpose to maintain market risk exposure at levels considered acceptable by the institution and to meet 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 execute the requested operations, upon immediate communication to customers, in addition to intervening in cases of noncompliance and reporting all atypical events to the Committee. The complete description of the 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 operations, the complexity of the products and the extent of the Institution's liquidity risk exposure. The liquidity risk management process provides for identification, measurement and control procedures for exposure to liquidity risk, considering current market conditions and future forecasts in preparing scenarios for cash flow projections in different time horizons, including intraday. 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 department, to ensure compliance with the XP CCTVM policy and that the established operating limits are performed.

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

The credit analysis department is also actively involved in this process and is responsible for assessing credit risk of issues and issuers with which XP CCTVM maintains or intends to maintain credit relations, or intends to recommend credit risk positions to customers. It is also incumbent upon the credit analysis department to recommend limiting the credit risk positions of customers.

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

Review of credits assessed in 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 relation with the commercial department. Credit Analysis Department is also directly subordinated to Risk Officer, with the necessary exemption to carry out its activities, since it does not participate in the definition of business strategies and does not carry out market operations of any nature.

(d) Operating risk

XP CCTVM, as set forth in article 4, paragraph 2 of Resolution No. 4.557/2017 by the National Monetary Council as of February 23, 2017, has an operating risk management structure that includes the preparation of institutional policies, the evaluation and monitoring of processes and procedures to mitigation of risks, strategies and contingency plans to ensure going concern, in addition to formalizing the single structure required by the regulatory agency. The complete description of the operating risk management structure is available at the institution's headquarters.

28. Capital management framework

In compliance with BACEN Resolution No. 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 compatible way to the risks incurred by XP CCTVM according to the nature and complexity of the products and services offered to its customers. The structure description is available on our website.

EXECUTIVE BOARD

Guilherme Dias Fernandes Benchimol	Officer
Frederico Arieta da Costa Ferreira	Officer

Jairo Luiz de Araújo Brito	*Hélio Alves Viana Júnior*
Accountant - CRC (Regional Accounting Council): RJ-110743/O-4	*Controller - Individual Taxpayer's Registry (CPF) No. 107.161.678-16*