

# **XP Inc.**

**Interim condensed consolidated  
financial statements at  
September 30, 2021  
and report on review**



## Report on review of interim condensed consolidated financial statements

To the Board of Directors and Shareholders  
XP Inc.

### Introduction

We have reviewed the accompanying interim condensed consolidated balance sheets of XP Inc. and its subsidiaries (the "Company") as at September 30, 2021 and the related interim condensed consolidated statements of income and of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.


### Scope of review

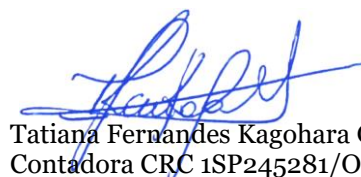
We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements referred to above are not prepared, in all material respects, in accordance with IAS 34.

São Paulo, november 3, 2021

  
PricewaterhouseCoopers  
Auditores Independentes Ltda.  
CRC 2SP000160/O-5

  
Tatiana Fernandes Kagohara Gueorguiev  
Contadora CRC 1SP245281/O-6

	Note	September 30, 2021	December 31, 2020
<b>Cash</b>		2,822,563	1,954,788
<b>Financial assets</b>		<b>119,626,346</b>	<b>90,190,827</b>
<b>Fair value through profit or loss</b>		<b>68,903,724</b>	<b>57,149,446</b>
Securities	4	53,432,287	49,590,013
Derivative financial instruments	5	15,471,437	7,559,433
<b>Fair value through other comprehensive income</b>		<b>28,566,049</b>	<b>19,039,044</b>
Securities	4	28,566,049	19,039,044
<b>Evaluated at amortized cost</b>		<b>22,156,573</b>	<b>14,002,337</b>
Securities	4	857,665	1,828,704
Securities purchased under agreements to resell	3	7,870,587	6,627,409
Securities trading and intermediation	9	1,064,775	1,051,566
Loan operations	7	10,535,402	3,918,328
Accounts receivable		355,607	506,359
Other financial assets	15	1,472,537	69,971
<b>Other assets</b>		<b>3,990,936</b>	<b>1,760,999</b>
Recoverable taxes		127,322	127,623
Rights-of-use assets	12	260,094	183,134
Prepaid expenses	8	3,412,774	1,393,537
Other		190,746	56,705
<b>Deferred tax assets</b>	<b>17</b>	1,041,750	505,046
<b>Investments in associates and joint ventures</b>	<b>11</b>	1,184,978	699,907
<b>Property and equipment</b>	<b>12</b>	293,029	204,032
<b>Goodwill and Intangible assets</b>	<b>12</b>	775,409	713,562
<b>Total assets</b>		<b>129,735,011</b>	<b>96,029,161</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

	Note	September 30, 2021	December 31, 2020
<b>Financial liabilities</b>		<b>88,559,863</b>	<b>70,600,989</b>
<b>Fair value through profit or loss</b>		<b>16,588,140</b>	<b>10,056,806</b>
Securities	4	2,082,211	2,237,442
Derivative financial instruments	5	14,505,929	7,819,364
<b>Evaluated at amortized cost</b>		<b>71,971,723</b>	<b>60,544,183</b>
Securities sold under repurchase agreements	3	24,234,372	31,839,344
Securities trading and intermediation	9	19,634,754	20,303,121
Financing instruments payable	13	19,212,527	5,551,849
Accounts payables		928,892	859,550
Borrowings	14	1,885,165	284,087
Other financial liabilities	15	6,076,013	1,706,234
<b>Other liabilities</b>		<b>27,744,423</b>	<b>14,522,206</b>
Social and statutory obligations		583,657	667,448
Taxes and social security obligations		412,081	435,849
Private pension liabilities	16	26,711,015	13,387,913
Provisions and contingent liabilities	20	27,577	19,711
Other		10,093	11,285
<b>Deferred tax liabilities</b>	17	-	<b>8,352</b>
<b>Total liabilities</b>		<b>116,304,286</b>	<b>85,131,547</b>
<b>Equity attributable to owners of the Parent company</b>		<b>13,427,265</b>	<b>10,894,609</b>
Issued capital		23	23
Capital reserve		11,050,645	10,663,942
Other comprehensive income		(223,377)	230,644
Retained earnings		2,599,974	-
<b>Non-controlling interest</b>		<b>3,460</b>	<b>3,005</b>
<b>Total equity</b>	18	<b>13,430,725</b>	<b>10,897,614</b>
<b>Total liabilities and equity</b>		<b>129,735,011</b>	<b>96,029,161</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**XP Inc. and its subsidiaries**  
**Unaudited interim condensed consolidated statements**  
**of income and of comprehensive income**  
**For the nine and three months period ended September 30, 2021 and 2020**  
*In thousands of Brazilian Reals, except earnings per share*



	Note	Nine months period ended September 30,		Three months period ended September 30,	
		2021	2020	2021	2020
Net revenue from services rendered	21	4,644,551	3,493,231	1,588,880	1,277,745
Net income from financial instruments at amortized cost and at fair value through other comprehensive income	21	(1,016,823)	298,585	(717,128)	189,527
Net income from financial instruments at fair value through profit or loss	21	5,189,757	1,964,691	2,299,607	633,465
<b>Total revenue and income</b>		<b>8,817,485</b>	<b>5,756,507</b>	<b>3,171,359</b>	<b>2,100,737</b>
Operating costs	22	(2,564,074)	(1,825,891)	(889,015)	(696,479)
Selling expenses	23	(163,973)	(94,367)	(57,654)	(38,322)
Administrative expenses	23	(3,348,345)	(2,077,587)	(1,267,171)	(809,596)
Other operating income (expenses), net	24	90,982	84,986	1,086	97,801
Expected credit losses	10	(62,290)	(38,171)	(5,284)	(9,541)
Interest expense on debt		(78,600)	(46,385)	(49,112)	(11,585)
Share of profit (loss) in joint ventures and associates	11	3,394	(564)	3,729	(564)
<b>Income before income tax</b>		<b>2,694,579</b>	<b>1,758,528</b>	<b>907,938</b>	<b>632,451</b>
Income tax expense	17	(92,769)	(279,427)	28,449	(91,167)
<b>Net income for the period</b>		<b>2,601,810</b>	<b>1,479,101</b>	<b>936,387</b>	<b>541,284</b>
<b>Other comprehensive income</b>					
<i>Items that can be subsequently reclassified to income</i>					
Foreign exchange variation of investees located abroad		13,036	76,575	(13,277)	6,900
Gains (losses) on net investment hedge		(11,739)	(80,370)	9,004	(7,531)
Changes in the fair value of financial assets at fair value through other comprehensive income		(458,772)	(33,914)	(236,173)	(45,072)
<b>Other comprehensive income (loss) for the period, net of tax</b>		<b>(457,475)</b>	<b>(37,709)</b>	<b>(240,446)</b>	<b>(45,703)</b>
<b>Total comprehensive income for the period</b>		<b>2,144,335</b>	<b>1,441,392</b>	<b>695,941</b>	<b>495,581</b>
<b>Net income attributable to:</b>					
Owners of the Parent company		2,599,974	1,475,613	935,662	540,434
Non-controlling interest		1,836	3,488	725	850
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent company		2,142,499	1,437,904	695,216	494,731
Non-controlling interest		1,836	3,488	725	850
<b>Earnings per share from total income attributable to the ordinary equity holders of the company</b>					
Basic earnings per share	26	4.6506	2.6742	1.6736	0.9794
Diluted earnings per share	26	4.5432	2.6534	1.6363	0.9710

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

XP Inc. and its subsidiaries  
 Unaudited interim condensed consolidated statements of changes in equity  
 For the nine months period ended September 30, 2021 and 2020  
 In thousands of Brazilian Reais



	Notes	Atributable to owners of the Parent						Non-Controlling interest	Total Equity
		Issued Capital	Capital reserve		Other comprehensive income (loss)	Retained Earnings	Total		
			Additional paid-in capital	Other Reserves					
<b>Balances at December 31, 2019</b>		<b>23</b>	<b>5,409,895</b>	<b>1,533,551</b>	<b>209,927</b>	<b>-</b>	<b>7,153,396</b>	<b>2,563</b>	<b>7,155,959</b>
<b>Comprehensive income for the period</b>									
Net income for the period		-	-	-	-	1,475,613	1,475,613	3,488	1,479,101
Other comprehensive income, net		-	-	-	(37,709)	-	(37,709)	-	(37,709)
<b>Transactions with shareholders - contributions and distributions</b>									
Share based Plan	25	-	-	78,547	-	-	78,547	(10)	78,537
Gain (loss) in changes in interest of subsidiaries, net		-	-	-	(377)	-	(377)	1,208	831
<b>Allocations of the net income for the period</b>									
Dividends distributed		-	-	-	-	-	-	(6,136)	(6,136)
<b>Balances at September 30, 2020</b>		<b>23</b>	<b>5,409,895</b>	<b>1,612,098</b>	<b>171,841</b>	<b>1,475,613</b>	<b>8,669,470</b>	<b>1,113</b>	<b>8,670,583</b>
<b>Balances at December 31, 2020</b>		<b>23</b>	<b>6,821,176</b>	<b>3,842,766</b>	<b>230,644</b>	<b>-</b>	<b>10,894,609</b>	<b>3,005</b>	<b>10,897,614</b>
<b>Comprehensive income for the period</b>									
Net income for the period		-	-	-	-	2,599,974	2,599,974	1,836	2,601,810
Other comprehensive income, net		-	-	-	(457,475)	-	(457,475)	-	(457,475)
<b>Transactions with shareholders - contributions and distributions</b>									
Share based Plan	25	-	-	390,496	-	-	390,496	2	390,498
Gain (loss) in changes in interest of subsidiaries, net		-	-	(3,793)	3,454	-	(339)	1,615	1,276
<b>Allocations of the net income for the period</b>									
Dividends distributed		-	-	-	-	-	-	(2,998)	(2,998)
<b>Balances at September 30, 2021</b>		<b>23</b>	<b>6,821,176</b>	<b>4,229,469</b>	<b>(223,377)</b>	<b>2,599,974</b>	<b>13,427,265</b>	<b>3,460</b>	<b>13,430,725</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**XP Inc. and its subsidiaries**  
**Unaudited interim condensed consolidated statements of cash flows**  
**For the nine months period ended September 30, 2021 and 2020**  
*In thousands of Brazilian Reais*



	Note	Nine months ended	
		2021	September 30, 2020
<b>Operating activities</b>			
Income before income tax		2,694,579	1,758,528
<b>Adjustments to reconcile income before income taxes</b>			
Depreciation of property and equipment and right-of-use assets	12	46,465	52,972
Amortization of intangible assets	12	132,892	52,928
Loss on write-off of property, equipment and intangible assets and lease, net	12	14,663	61,888
Share of profit or (loss) in joint ventures and associates	11	(3,394)	562
Expected credit losses on financial assets		62,290	38,171
(Reversal of) Provision for contingencies, net	20	4,434	(53)
Net foreign exchange differences		358,229	2,981
Share based plan	25	390,498	78,537
Interest accrued		98,425	47,529
<b>Changes in assets and liabilities</b>			
Securities (assets and liabilities)		(13,059,146)	(23,926,297)
Derivative financial instruments (assets and liabilities)		(1,243,803)	314,825
Securities trading and intermediation (assets and liabilities)		(690,036)	5,066,641
Securities purchased (sold) under resale (repurchase) agreements		(8,850,219)	10,861,923
Accounts receivable		152,008	178,152
Loan operations		(6,622,032)	(1,375,823)
Prepaid expenses		(2,019,237)	(1,001,314)
Other assets and other financial assets		(1,578,971)	(216,882)
Financial instruments payable		9,199,037	2,695,808
Accounts payable		(34,840)	387,120
Social and statutory obligations		(83,791)	(113,027)
Tax and social security obligations		129,004	(262,915)
Private pension liabilities		13,323,102	5,890,232
Other liabilities and other financial liabilities		3,059,974	324,962
<b>Cash from operations</b>		<b>(4,519,869)</b>	<b>917,448</b>
Income tax paid		(478,676)	(48,097)
Contingencies paid	20	(2,174)	(592)
Interest paid		(12,423)	(62,015)
<b>Net cash flows (used in) from operating activities</b>		<b>(5,013,142)</b>	<b>806,744</b>
<b>Investing activities</b>			
Acquisition of intangible assets	12	(206,612)	(79,127)
Acquisition of property and equipment	12	(107,577)	(40,011)
Acquisition of subsidiaries, net of cash acquired		(857)	(55,741)
Acquisition of associates and joint ventures		(307,863)	(204,960)
<b>Net cash flows used in investing activities</b>		<b>(622,909)</b>	<b>(379,839)</b>
<b>Financing activities</b>			
Acquisitions of borrowings		1,570,639	-
Issuance of debt securities		4,334,562	-
Payments of borrowings and lease liabilities		(56,908)	(130,798)
Payment of debt securities in issued		(227,652)	(400,000)
Repurchase/payment of debentures		-	(64,717)
Transactions with non-controlling interests		1,276	831
Dividends paid to non-controlling interests		(2,998)	(6,136)
Proceeds from SPAC issuance of shares		1,134,797	-
<b>Net cash flows from (used in) financing activities</b>		<b>6,753,716</b>	<b>(600,820)</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,117,665</b>	<b>(173,915)</b>
Cash and cash equivalents at the beginning of the period		2,660,388	887,796
Effects of exchange rate changes on cash and cash equivalents		(161,134)	33,814
<b>Cash and cash equivalents at the end of the period</b>		<b>3,616,919</b>	<b>747,695</b>
Cash		2,822,563	642,491
Securities purchased under agreements to resell	3	548,380	-
Interbank certificate deposits	4	245,976	105,204

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

## 1. Operations

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XP Inc. (the "Company") is a Cayman Island exempted company with limited liability, incorporated on August 29, 2019. The registered office of the Company is Uglan House, 121 South Church Street in George Town, Grand Cayman. The Company's principal executive office is located in the city of São Paulo, Brazil.

XP Inc. is a holding company controlled by XP Controle Participações S.A., which holds 68.25% of voting rights and whose is ultimately controlled by a group of individuals. On December 13, 2019, the Company completed its Initial Public Offering ("IPO") and the common shares began trading on the Nasdaq Global Select Market ("NASDAQ-GS") under the symbol "XP".

XP Inc. and its subsidiaries (collectively, the "Company", "Group" or "XP Group") is a leading, technology-driven financial services platform and a trusted provider of low-fee financial products and services in Brazil. XP Group are principally engaged in providing its customers, represented by individuals and legal entities in Brazil and abroad, various financial products, services, digital content and financial advisory services, mainly acting as broker-dealer, including securities brokerage, private pension plans, commercial and investment banking products such as loans operations, transactions in the foreign exchange markets and deposits, through our brands that reach clients directly and through network of Independent Financial Advisers ("IFAs").

These unaudited interim condensed consolidated financial statements as of September 30, 2021 were approved by the Board of Directors on November 3, 2021.

### 1.1 Follow-on public offering

On July 1, 2020, XP Inc. concluded an underwritten public offering of 22,465,733 Class A common shares offered by General Atlantic (XP) Bermuda, L.P. and XP Controle Participações S.A. ("selling shareholders") at a public offering price of US\$42.50 per share, including the full exercise of the underwriters' option to purchase an additional 2,930,313 Class A common shares from the selling shareholders. The Company did not receive any proceeds from the sale of Class A common shares by the selling shareholders and there were no changes in the Company's control structure as a result of such transaction.

On December 7, 2020, XP Inc closed of its underwritten secondary public offering of 31,654,894 Class A common shares, 7,130,435 of which were issued and sold by the Company and 24,524,459 of which were sold by ITB Holding Brasil Participações Ltda. The offering was made pursuant to a registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission ("SEC").

The offering price per Class A common share was US\$39.00, resulting in gross proceeds of US\$283,087 thousand (or R\$1,444,530) to XP Inc, deducting R\$31,599 thousand as underwriting discounts and commissions. Additionally, the Company incurred in R\$7,271 thousand regarding other offering expenses, of which R\$5,622 thousand was recognized directly in income statements and an amount of R\$1,649 in equity as transaction costs.

### 1.2 Spin-off of Itaú's investment in XP Inc.

In January 2021, XP Inc. reached an agreement with Itaú Unibanco in connection with Itaú's spin-off of its investment in XP Inc., and has entered into two agreements regarding to the corporate reorganization announced by Itaú Unibanco Holding S.A. on December 31, 2020 (Itaú Agreements).

The Itaú Agreements establish certain steps to be taken as a result of the corporate reorganization approved and announced by its shareholders, which on May 31, 2021 the US Federal Reserve Board's (FED) and July 26, 2021 the Brazilian Central Bank (BACEN) approved the legal and accounting segregation of the Itaú's investments in XP Inc. to XPart.

On June 22, 2021, XP Inc. filed a registration statement on Form F-4 with the U.S. Securities and Exchange Commission, or the "SEC" as part of the Itau spin-off of its investment in XP Inc. The prospectus relates to the Class A common shares, or "XP Shares," of XP Inc., including Class A common shares in the form of Brazilian Depositary Receipts of XP (each representing one XP Share), or the "XP BDRs."

On October 1, 2021, XPart general shareholders meeting approved the abovementione spin-off. As result, the corporate reorganization has taken place and XPart ceased to exist. On October 4, 2021, XP Inc. started trading its BDR ("Brazilian Depositary Receipts") under symbol XPBR31, on brazilian stock exchange B3.

This transaction enhance XP Inc's corporate governance structure and contributes to improve its capital structure and leverage capacity. The transaction had no material impacts on XP Inc. results of operations and financial condition..



## 2. Basis of preparation and changes to the Group's accounting policies

### a) Basis of preparation

The unaudited interim condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020, and the unaudited interim condensed consolidated statements of income and comprehensive income for nine and three months ended September 30, 2021, changes in equity, and cash flows for nine months period ended September 30, 2021 and 2020 ("the financial statements") have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2020. The list of notes that were not presented in this unaudited interim condensed is described below:

Note to financial statements of December 31, 2020	Description
3.	Summary of significant accounting policies
4.	Significant estimated and judgements
5.	Group structure
11.	Accounts receivable
12.	Recoverable taxes
24.	Social and Statutory obligations
25.	Tax and social security obligations
29. (a)	Key-person management compensation
38. (b) to (f)	Management of financial risks and financial instruments

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the new accounting policies adopted for the current interim reporting period, see Note 2 (b) and (c).

The unaudited interim condensed consolidated financial statements are presented in Brazilian reais ("R\$"), which is the Group's presentation currency and all amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

### b) New accounting policies adopted by the Group

#### (i) Financial assets at Fair Value Through Profit or Loss ("FVPL")

##### *Investments held in trust account*

The Group has a certain class of securities derived from our subsidiary, which qualify as financial instruments, primarily due to their short-term nature. These securities are classified as FVPL. The group's investments held in the trust account are comprised of money market funds, and are recognized at fair value, with the changes in fair value recognized in the consolidated statements of income. The estimated fair value of the investments held in the trust account is determined using available market information.

**(ii) Financial liabilities designated at FVPL**

**Classification and subsequent measurement**

The Group applied the fair value option as an alternative measurement for selected financial liabilities. Financial liabilities can be irrevocably designated as measured at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, or a group of financial instruments is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. The amount of change in the fair value of the financial liabilities designated at FVPL that is attributable to changes in the credit risk of that liabilities shall be presented in other comprehensive income. See more information in Note 4 e).

**(iii) Derivative financial instruments**

**Derivative warrant liabilities**

The Group evaluates if the warrants issued in connection with the Initial Public Offering (the “Public Warrants”) and the Private Placement Warrants issued by XPAC Acquisition Corp. are derivatives or contain features that qualify as embedded derivatives in accordance with IFRS 9 – Financial Instruments. The Group’s derivatives instruments are recorded at Financial instruments measure at fair value through profit or loss. Accordingly, the Group recognizes the warrant as financial liabilities at fair value and remeasures the warrants to fair value at each reporting period. The liabilities are subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Group’s consolidated statements of income. The fair value of the Public Warrants have been measured based on the listed market price of such warrants.

**(iv) Commitments subject to possible redemption**

**XPAC Acquisition Corp. redeemable shares**

The Group accounts for the common stock subject to redemption in cash held by the noncontrolling interest holders of XPAC Acquisition Corp., a consolidated subsidiary, as a financial liability measured at amortized cost. The instrument is initially recognized at fair value, net of derivative warrant liabilities component and the corresponding eligible transaction costs. The warrant component issued to the noncontrolling interest holders of XPAC Acquisition Corp. are separately accounted as derivatives and measured at fair value with the change in fair value recorded in the statement of income.

**c) New standards, interpretations and amendments adopted by the Group**

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

These amendments had no impact on the unaudited interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

**d) Basis of consolidation**

There were no changes since December 31, 2020 in the accounting practices adopted for consolidation of the Company’s direct and indirect interests in its subsidiaries for the purposes of these unaudited interim condensed consolidated financial statements, except for the following items:

Entity name	Country of incorporation	Principal activities	% of Group’s interest (i)	
			September 30,2021	December 31,2020
<b>Directly controlled</b>				
XPAC Sponsor LLC (ii)	Cayman	Special Purpose Acquisition (SPAC) Sponsor	100.00%	-

**Indirectly controlled**

XP Comercializadora de Energia Ltda. (ii)	Brazil	Energy trading	100.00%	-
Leadr Serviços Online Ltda. (iii)	Brazil	Social media	-	99.99%
XP Private (Europe) S.A. (iii)	Switzerland	Investment advisor	-	100.00%
XProject Participações S.A (ii)	Brazil	Holding	100.00%	-
Instituto XP (ii)	Brazil	Non-profit entity	100.00%	-
XPAC Acquisition Corp. (iv)	US	Special Purpose Acquisition (SPAC)	20.00%	-

**Consolidated investments funds**

XP Alesia Fund SP CL Shares - Brazil Internacional Fund SPC. (ii)	Cayman	Investment fund	100.00%	-
Newave Fundo de Investimento em Participações Multiestratégia. (ii)	Brazil	Investment fund	100.00%	-

- (i) The percentage of participation represents the Group's interest in total capital and voting capital of its subsidiaries.  
(ii) New subsidiaries and investment funds commenced operations during the three months period ended of September 30, 2021.  
(iii) Subsidiaries closed in the three months period ended September 30, 2021.  
(iv) New subsidiaries which the Group holds operational control. The operational control refers to relevant rights the Company have over the subsidiary, that includes, among other topics, the right to nominate the directors and propose the *target* entity for merger.

**e) Interests in associates and joint ventures**

**i. Associates**

Associates are companies in which the investor has a significant influence but does not hold control. Investments in these companies are initially recognized at cost of acquisition and subsequently accounted for using the equity method. Investments in associates and joint ventures include the goodwill identified upon acquisition, net of any cumulative impairment loss.

**ii. Joint ventures**

The Group has joint venture whereby the parties that have joint control of the arrangement have rights to the net assets.

**iii. Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

If its interest in the associates and joint ventures decreases, but the Group retains significant influence or joint control, only the proportional amount of the previously recognized amounts in Other comprehensive income is reclassified in Income, when appropriate.

**f) Business development**

**Investments in XP Energia**

On May 4, 2021 the Group entered into an agreement, to acquire 100% of total share capital of Solis Comercializadora de Energia Ltda. later denominated XP Comercializadora de Energia Ltda. The company's objective is to operate in the wholesale electricity trade, through brokerage, representation, intermediation, purchase, sale, import and export; provision of intermediation services between energy buyers and sellers, among other related services. This acquisition are not

considered material for XP Inc. interim financial statements. The purchase prices were mostly allocated to goodwill, representing the value of expected synergies arising from the acquisition.

#### **Investments in XProject**

On August 23, 2021 the Group entered into an agreement, to acquire 100% of total share capital of UFUK Empreendimentos e Participações S.A. later referred to as XProject Participações S.A. The company is a holding which has an objective to acquire participation as a partner or a shareholder in other companies in Brazil and abroad. This acquisition is not considered material for XP Inc. interim financial statements. The purchase price is mostly allocated to goodwill, representing the value of expected synergies arising from the acquisition.

#### **Minority stake acquisitions**

XP Inc. entered in agreements through our proprietary funds to acquire a minority stake in (i) Giant Steps, a leader in systematic funds in Brazil; (ii) Capitânia Investimentos, an independent traditional asset manager in Brazil specializing in Corporate Credit, Real Estate and Infrastructure investment strategies and (iii) Jive Investments, the largest independent alternative investment manager in Brazil, offering credit recovery, real estate, and other distressed asset strategies. The completion of these transactions ("closing") are subject to compliance with certain precedent conditions. The closing of Jive Investments occurred in October, 2021.

#### **g) Segment reporting**

In reviewing the operational performance of the Group and allocating resources, the chief operating decision maker of the Group ("CODM"), who is the Group's Chief Executive Officer ("CEO") and the Board of Directors ("BoD"), represented by statutory directors holders of ordinary shares of the immediate parent of the Company, reviews selected items of the statement of income and of comprehensive income.

The CODM considers the whole Group as a single operating and reportable segment, monitoring operations, making decisions on fund allocation and evaluating performance based on a single operating segment. The CODM reviews relevant financial data on a combined basis for all subsidiaries and joint ventures. Disaggregated information is only reviewed at the revenue level (Note 21), with no corresponding detail at any margin or profitability levels.

The Group's revenue, results and assets for this one reportable segment can be determined by reference to the unaudited interim condensed consolidated statements of income and of comprehensive income and unaudited interim condensed consolidated balance sheet.

See Note 21 (c) for a breakdown of total revenue and income and selected assets by geographic location.

#### **h) Estimates**

The preparation of unaudited interim condensed consolidated financial statements of the Group requires judgments and estimates and to adopt assumptions that affect the amounts presented referring to revenues, expenses, assets and liabilities at the reporting date. Actual results may differ from these estimates.

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements and estimates in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are set the consolidated financial statements for the year ended December 31, 2020.

### **3. Securities purchased (sold) under resale (repurchase) agreements**

#### **a) Securities purchased under agreements to resell**

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
<b>Available portfolio</b>	<b>3,854,709</b>	<b>1,409,742</b>
National Treasury Notes (NTNs) (i)	3,332,551	876,146
Financial Treasury Bills (LFTs) (i)	60,115	452,714
National Treasury Bills (LTNs) (i)	327,426	44,093
Debentures (ii)	124,193	36,789
Real Estate Receivable Certificates (CRI) (ii)	10,424	-

<b>Collateral held</b>	<b>4,018,317</b>	<b>5,218,037</b>
National Treasury Bills (LTNs) (i)	996,572	976,468
National Treasury Notes (NTNs) (i)	792,081	4,241,569
Financial Treasury Bills (LFTs)	498,498	-
Debentures (ii)	802,550	-
Real Estate Receivable Certificates (CRI) (ii)	928,616	-
<b>Expected Credit Loss (iii)</b>	<b>(2,439)</b>	<b>(370)</b>
<b>Total</b>	<b>7,870,587</b>	<b>6,627,409</b>

(i) Investments in purchase and sale commitments collateral-backed by sovereign debt securities refer to transactions involving the purchase of sovereign debt securities with a commitment to sale originated in the subsidiary XP CCTVM and in exclusive funds and were carried out at an average fixed rate of 6.12% p.a. (1.91% p.a. as of December 31, 2020).

(ii) Refers to fixed-income securities issued by private companies.

(iii) The reconciliation of gross carrying amount and the expected credit loss segregated by stages are presented in the Note 10.

As of September 30, 2021, R\$ 548,380 (December 31, 2020 - R\$ 593,673) from the total amount of available portfolio is being presented as cash equivalents in the statements of cash flows.

#### b) Securities sold under repurchase agreements

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
National Treasury Bills (LTNs)	3,226,372	18,318,498
National Treasury Notes (NTNs)	10,186,389	13,497,944
Financial Treasury Bills (LFTs)	7,616,361	-
Debentures	937,282	22,902
Real Estate Receivable Certificates (CRI)	1,883,820	-
Financial credit bills (LF)	384,148	-
<b>Total</b>	<b>24,234,372</b>	<b>31,839,344</b>

As of September, 2021, securities sold under repurchase agreements were agreed with average interest rates of 6.14% p.a. (December 31, 2020 - 1.89% p.a.), with assets pledged as collateral.

## 4. Securities

#### a) Securities classified at fair value through profit and loss:

	<b>September 30, 2021</b>		<b>December 31, 2020</b>	
	<b>Gross carrying amount</b>	<b>Fair value</b>	<b>Gross carrying amount</b>	<b>Fair value</b>
<b>Financial assets (i) At fair value through profit or loss</b>				
<b>Available portfolio</b>	<b>52,648,616</b>	<b>52,237,733</b>	<b>49,157,111</b>	<b>49,590,013</b>
Brazilian government bonds	17,630,049	17,224,174	30,752,903	31,129,671
Investment funds	22,688,820	22,688,568	11,216,914	11,221,774
Stocks issued by public-held company	5,654,154	5,654,154	3,802,610	3,802,470
Debentures	1,953,882	1,901,922	1,111,595	1,114,967
Structured transaction certificate	239,621	266,800	485,012	515,960
Bank deposit certificates (ii)	402,123	404,568	371,455	372,329
Agribusiness receivables certificates	642,128	642,551	359,607	363,721
Certificate of real estate receivable	534,286	540,656	97,606	96,930
Financial credit bills	289,160	293,257	81,465	82,209
Others (iv)	2,614,393	2,621,083	877,944	899,982
<b>Investments held in trust accounts</b>	<b>1,194,554</b>	<b>1,194,554</b>	<b>-</b>	<b>-</b>
US government bonds (iii)	1,194,554	1,194,554	-	-
<b>Total</b>	<b>53,843,170</b>	<b>53,432,287</b>	<b>49,157,111</b>	<b>49,590,013</b>

- (i) Financial assets include R\$ 26,711,015 (December 31, 2020 – R\$ 13,387,913) related to Specially Constituted Investment Fund (“FIE”) as presented in Note 16, out of which R\$ 25,518,086 (December 31, 2020 – R\$ 10,625,520) are Investments funds.
- (ii) Bank deposit certificates includes R\$ 245,976 presented as cash equivalents in the statements of cash flows.
- (iii) Related to investmets received through IPO transactions derived by XPAC Acquisition Corp. These funds are restricted for use and may only be used for purposes of completing an initial business combination or redemption of public shares as set forth in XPAC Acquisition Corp. trust agreement.
- (iv) Mainly related to bonds issued and traded overseas.

b) Securities at fair value through other comprehensive income are presented in the following table:

	September 30, 2021		December 31, 2020	
	Gross carrying amount	Fair value (i)	Gross carrying amount	Fair value (i)
<b>Financial assets</b>				
<b>At fair value through other comprehensive income</b>				
Brazilian government bonds	28,335,676	27,630,060	19,011,499	19,039,044
Bonds	937,181	935,989	-	-
<b>Total</b>	<b>29,272,857</b>	<b>28,566,049</b>	<b>19,011,499</b>	<b>19,039,044</b>

- (i) Includes expected credit losses in the amount of R\$ 13,206 (2020 – R\$ 8,855). The reconciliation of gross carrying amount and the expected credit loss are presented in the Note 10.

c) Securities evaluated at amortized cost are presented in the following table:

	September 30, 2021		December 31, 2020	
	Gross carrying amount	Book value (i)	Gross carrying amount	Book value (i)
<b>Financial assets</b>				
<b>At amortized cost</b>				
Bonds	790,660	789,087	1,829,791	1,828,704
Rural Product Note	28,286	28,286	-	-
Debentures	40,292	40,292	-	-
<b>Total</b>	<b>859,238</b>	<b>857,665</b>	<b>1,829,791</b>	<b>1,828,704</b>

- (i) Includes expected credit losses in the amount of R\$ 1,573 (2020 – R\$ 1,087). The reconciliation of gross carrying amount and the expected credit loss are presented in the Note 10.

d) Securities on the financial liabilities classified at fair value through profit or loss are presented in the following table:

	September 30, 2021		December 31, 2020	
	Gross carrying amount	Fair value	Gross carrying amount	Fair value
<b>Financial liabilities</b>				
<b>At fair value through profit or loss</b>				
Securities loaned	1,565,981	1,565,981	2,237,442	2,237,442

e) Securities on the financial liabilities designated at fair value through profit or loss are presented in the following table:

On May 6, 2021, XP Investimentos, issued non-convertible Debentures, in the aggregate amount of R\$ 500,018, with the objective of funding the Group’s working capital for the construction of our new headquarters “Vila XP” at São Roque, State of São Paulo and designated this instrument as fair value through profit or loss in order to align it with the Group’s risk

management and investment strategy. The principal amount is due on April 10, 2036. The accrued interest is payable every month from the issuance date and is calculated based on the IPCA (Brazilian inflation index) plus 5%p.a.

	September 30, 2021		December 31, 2020	
	Gross carrying amount	Fair value	Gross carrying amount	Fair value
<b>Financial liabilities</b>				
<b>At fair value through profit or loss</b>				
Debentures	520,604	516,230	-	-

Unrealized gains/(losses) due to own credit risk for liabilities for which the fair value option has been elected are recorded in other comprehensive income. Gain/(losses) due to own credit risk were not material for the period ended of September 30, 2021.

**Determination of own credit risk for items for which the fair value option was elected**

The debenture own credit risk is calculated as the difference between its yield and its benchmark rate for similar Brazilian federal securities.

e.1) Difference between aggregate fair value and aggregate remaining contractual principal balance outstanding

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of September 30, 2021 for instruments for which the fair value option has been elected.

	September 30, 2021		
	Contractual principal outstanding	Fair value	Fair value/(under) contractual principal outstanding
<b>Long-term debt</b>			
Debentures	520,604	516,230	(4,374)

f) Securities classified by maturity:

	Assets		Liabilities	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
<b>Financial assets</b>				
<b>At fair value through PL and at OCI</b>				
<b>Current</b>	<b>43,989,552</b>	<b>34,572,107</b>	<b>1,565,981</b>	<b>2,237,442</b>
Non-stated maturity	31,477,684	15,246,105	1,565,981	2,237,442
Up to 3 months	1,967,844	794,025	-	-
From 3 to 12 months	10,544,024	18,531,977	-	-
<b>Non-current</b>	<b>38,021,990</b>	<b>34,065,805</b>	<b>516,230</b>	<b>-</b>
After one year	38,021,990	34,065,805	516,230	-

Evaluated at amortized cost

<b>Current</b>	<b>790,659</b>	<b>1,829,791</b>	-	-
Up to 3 months	625,485	1,623,487	-	-
From 3 to 12 months	165,174	206,304	-	-
<b>Non-current</b>	<b>68,579</b>	-	-	-
After one year	68,579	-	-	-
<b>Total</b>	<b>82,870,780</b>	<b>70,467,703</b>	<b>2,082,211</b>	<b>2,237,442</b>

The reconciliation of expected loss to financial assets at amortized cost – securities according with IFRS 9 are presented in Note 10.

## 5. Derivative financial instruments

The Group trades derivative financial instruments with various counterparties to manage its overall exposures (interest rate, foreign currency and fair value of financial instruments) and to assist its customers in managing their own exposures.

Below is the composition of the derivative financial instruments portfolio (assets and liabilities) by type of instrument, stated fair value and by maturity:

	September 30, 2021					
	Notional	Fair Value	%	Up to 3 months	From 3 to 12 months	Above 12 months
<b>Assets</b>						
Options	187,673,232	5,689,128	70%	1,433,999	1,949,338	2,305,791
Swap contracts	26,791,031	1,233,690	10%	64,316	26,130	1,143,244
Forward contracts	19,887,314	8,438,970	7%	751,062	2,069,160	5,618,748
Future contracts	36,216,396	102,522	13%	4,879	2,433	95,210
Others (i)	7,127	7,127	0%	7,127	-	-
<b>Total</b>	<b>270,575,100</b>	<b>15,471,437</b>	<b>100%</b>	<b>2,261,383</b>	<b>4,047,061</b>	<b>9,162,993</b>
<b>Liabilities</b>						
Options	180,232,851	6,422,387	72%	1,136,064	2,039,309	3,247,014
Swap contracts	23,590,126	406,979	10%	86,570	114,285	206,124
Forward contracts	23,628,239	7,485,685	9%	69,930	1,839,985	5,575,770
Future contracts	21,452,001	144,064	9%	11,223	7,278	125,563
Others (i)	46,814	46,814	0%	46,814	-	-
<b>Total</b>	<b>248,950,031</b>	<b>14,505,929</b>	<b>100%</b>	<b>1,350,601</b>	<b>4,000,857</b>	<b>9,154,471</b>

(i) Related to Public Warrants and Private placement Warrants liabilities issued by XPAC Acquisition Corp.

	December 31, 2020					
	Notional	Fair Value	%	Up to 3 months	From 3 to 12 months	Above 12 months
<b>Assets</b>						
Options	681,464,674	6,298,358	83%	2,327,062	2,351,285	1,620,011
Swap contracts	5,578,227	777,816	10%	35,241	206,921	535,654
Forward contracts	2,905,411	456,724	6%	230,862	201,324	24,538
Future contracts	43,100,609	26,535	1%	26,535	-	-
<b>Total</b>	<b>733,048,921</b>	<b>7,559,433</b>	<b>100%</b>	<b>2,619,700</b>	<b>2,759,530</b>	<b>2,180,203</b>



<b>Liabilities</b>						
Options	614,741,256	6,735,478	87%	2,152,890	2,378,689	2,203,899
Swap contracts	6,143,671	870,393	11%	99,249	213,532	557,612
Forward contracts	3,035,011	200,272	3%	133,679	49,102	17,491
Future contracts	44,981,642	13,221	1%	542	1,742	10,937
<b>Total</b>	<b>668,901,580</b>	<b>7,819,364</b>	<b>100%</b>	<b>2,386,360</b>	<b>2,643,065</b>	<b>2,789,939</b>

## 6. Hedge accounting

The Group has two types of hedge relationships: hedge of net investment in foreign operations and fair value hedge. For hedge accounting purposes, the risk factors measured by the Group are:

- Interest Rate: Risk of volatility in transactions subject to interest rate variations;
- Currency: Risk of volatility in transactions subject to foreign exchange variation.

The structure of risk limits is extended to the risk factor level, where specific limits aim at improving the monitoring and understanding processes, as well as avoiding concentration of these risks.

The structures designed for interest rate and exchange rate categories take into account total risk when there are compatible hedging instruments. In certain cases, management may decide to hedge a risk for the risk factor term and limit of the hedging instrument.

### a) Hedge of net investment in foreign operations

In the period ended September 30, 2021, the objective for the Group was to hedge the risk generated by the US\$ variation from investments in our subsidiaries in the United States, XP Holdings International and XP Advisors Inc.

The Group has entered into forward contracts to protect against changes in future cash flows and exchange rate variation of net investments in foreign operations known as Non Deliverable Forward ("NDF") contracts.

The Group undertakes risk management through the economic relationship between hedge instruments and hedged items, in which it is expected that these instruments will move in opposite directions, in the same proportions, with the aim of neutralizing the risk factors.

Strategies	Hedged item		Variation in value recognized in Other comprehensive income	Hedge instrument	
	Assets	Liabilities		Notional value	Variation in the amounts used to calculate hedge ineffectiveness
<b>September 30, 2021</b>					
<b>Foreign exchange risk</b>					
Hedge of net investment in foreign operations	294,481	-	11,913	421,010	(11,739)
<b>December 31, 2020</b>					
<b>Foreign exchange risk</b>					
Hedge of net investment in foreign operations	245,986	-	52,299	349,218	(60,563)

**b) Fair value hedge**

The Group's fair value strategy consists of hedging the exposure to variation in fair value on the receipt, payment of interests and exchange variation on assets and liabilities.

The company applies fair value hedges as follows:

- Hedging the exposure of Fixed-Income securities carried out through structured operations certificates. The market risk hedge strategy involves avoiding temporary fluctuations in earnings arising from changes in the interest rate market in Reais. Once this risk is offset, the Group seeks to index the portfolio to the CDI, through the use of derivatives (DI1 Futuro).

The hedge is contracted in order to neutralize the total exposure to the market risk of the fixed-income funding portfolio, excluding the portion of the fixed-income compensation represented by the credit spread of Banco XP S.A, seeking to obtain the closest match deadlines and volumes as possible.

- Hedging to protect the change in the fair value of the exchange risk of the component of future cash flows arising from the XP Inc bond issued (financial liability) recognized in the balance sheet of XP Inc on July by contracting derivatives (DI1 Futuro).

The effects of hedge accounting on the financial position and performance of the Group are presented below:

Strategies	Book Value		Hedged item	Nominal value	Hedge instrument
	Assets	Liabilities	Variation in value recognized in income		Variation in the amounts used to calculate hedge Ineffectiveness
<b>September, 2021</b>					
<b>Interest rate risk</b>					
Hedge of pre-fixed operations	-	6,123,250	564,816	6,074,281	(561,594)
<b>December 31, 2020</b>					
<b>Interest rate risk</b>					
Hedge of pre-fixed operations	-	2,178,459	(47,923)	2,188,732	46,795

The hedge ineffectiveness recognized in statements of income are presented below:

Hedge Instruments	Notional amount	Book value (i)		Variation in fair value used to calculate hedge ineffectiveness	September 30, 2021
		Assets	Liabilities		Hedge ineffectiveness recognized in income (ii)
<b>Interest rate risk</b>					
Futures	6,074,281	-	6,123,250	(561,594)	3,222
<b>Foreign exchange risk</b>					
Futures	421,010	294,481	-	(11,739)	-
					<b>December 31,</b>

Hedge Instruments	Notional amount	Book value (i)		Variation in fair value used to calculate hedge ineffectiveness	Hedge ineffectiveness recognized in income
		Assets	Liabilities		
2020					
Interest rate risk					
Futures	2,188,732	-	2,178,459	46,795	(1,128)

(i) Amounts recorded within financial statement line "Derivative financial instruments". See Note 5.

(ii) For the nine months period ended in September 30, 2021 the amount of hedge ineffectiveness was R\$ 2,268.

The table below presents, for each strategy, the notional amount and the fair value adjustments of hedge instruments and the book value of the hedged item:

Strategies	September 30, 2021			December 31, 2020		
	Hedge instruments		Hedge item	Hedge instruments		Hedge item
	Notional amount	Fair value adjustments	Book value	Notional amount	Fair value adjustments	Book value
Hedge of Fair Value	6,074,281	(561,594)	564,816	2,188,732	(47,923)	46,795
Hedge of net investment in foreign operations	421,01	(11,739)	11,913	349,218	(60,563)	52,299
<b>Total</b>	<b>6,495,291</b>	<b>(573,333)</b>	<b>576,729</b>	<b>2,537,950</b>	<b>(108,486)</b>	<b>99,094</b>

The table below shows the breakdown notional value by maturity of the hedging strategies:

Strategies	September 30, 2021						Total
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	
	Hedge of Fair Value	132,377	93,054	297,434	724,497	2,974,338	
Hedge of net investment in foreign operations	366,616	-	-	54,394	-	-	421,010
<b>Total</b>	<b>498,993</b>	<b>93,054</b>	<b>297,434</b>	<b>778,891</b>	<b>2,974,338</b>	<b>1,852,581</b>	<b>6,495,291</b>

Strategies	December 31, 2020						Total
	0-1 year	1-2 years	2-3 years	3-4 years	4-5 years	5-10 years	
	Hedge of Fair Value	1,977	13,375	94,099	44,843	672,978	
Hedge of net investment in foreign operations	-	-	146,547	202,671	-	-	349,218
<b>Total</b>	<b>1,977</b>	<b>13,375</b>	<b>240,646</b>	<b>247,514</b>	<b>672,978</b>	<b>1,361,460</b>	<b>2,537,950</b>

## 7. Loan operations

Following are the breakdown of the carrying amount of loan operations by class, sector of debtor and maturity:

Loans by type	September 30, 2021	December 31, 2020
---------------	--------------------	-------------------

<b>Pledged asset loan</b>		
Retail	6,026,821	2,698,018
Credit card operations	1,898,391	51,270
Corporate	2,084,568	946,008
<b>Non-pledged loan</b>		
Retail	308,716	116,978
Corporate	228,965	113,155
<b>Total Loans operations</b>	<b>10,547,461</b>	<b>3,925,429</b>
Expected Credit Loss (Note 10)	(12,059)	(7,101)
<b>Total loans operations, net of Expected Credit Loss</b>	<b>10,535,402</b>	<b>3,918,328</b>
	<b>September 30,</b>	<b>December 31,</b>
<b>By maturity</b>	<b>2021</b>	<b>2020</b>
Due in 3 months or less	2,026,264	160,918
Due after 3 months through 12 months	1,578,147	580,183
Due after 12 months	6,943,050	3,184,328
<b>Total Loans operations</b>	<b>10,547,461</b>	<b>3,925,429</b>

The loan products offered to its customers through Banco XP are fully collateralized by customers' investments on XP platform and credit product strictly related to investments in structured notes, in which the borrower is able to operate leveraged, retaining the structured note itself as guarantee for the loan.

Certain loans operations originated by the collateralized credit have insignificant risk of loss, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is R\$ 632,703 at September 30, 2021 (December 31, 2020 – R\$ 297,443).

The Group uses client's investments as collaterals to reduce potential losses and protect against credit risk exposure. The Group monitors the value of the collaterals so that they are always sufficient, legally enforceable (effective) and viable. The Credit Risk Management provides subsidies to define strategies as risk appetite, to establish limits, including exposure analysis and trends as well as the effectiveness of the credit policy.

The reconciliation of loans operations according with IFRS 9 are presented in Note 10.

## 8. Prepaid expenses

	<b>September 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
Commissions and premiums paid in advance (i)	3,253,703	1,314,771
Marketing expenses	6,835	28,056
Services paid in advance	24,161	6,245
Other expenses paid in advance	128,075	44,465
<b>Total</b>	<b>3,412,774</b>	<b>1,393,537</b>
Current	155,694	283,183
Non-current	3,257,080	1,110,354

(i) Mostly comprised by long term investment programs implemented by XP CCTVM through its network of IFAs. These commissions and premiums paid are recognized at the signing date of each contract and are amortized in the statement of income of the Company, linearly, according to the investment term period.

## 9. Securities trading and intermediation (receivable and payable)

Represented by operations at B3 on behalf of and on account of third parties, with liquidation operating cycle between D+1 and D+3.

	September 30, 2021	December 31, 2020
Cash and settlement records	338,078	18,128
Debtors pending settlement	790,642	1,088,923
(-) Expected losses on Securities trading and intermediation (i)	(63,945)	(55,485)
<b>Total Assets</b>	<b>1,064,775</b>	<b>1,051,566</b>
Cash and settlement records	227,215	59,712
Creditors pending settlement	19,407,539	20,243,409
<b>Total Liabilities</b>	<b>19,634,754</b>	<b>20,303,121</b>

(i) The reconciliation of gross carrying amount and the expected loss according with IFRS 9 are presented in Note 10.

## 10. Expected Credit Losses on Financial Assets and Reconciliation of carrying amount

It is presented below the reconciliation of gross carrying amount of Financial assets through other comprehensive income and Financial assets measured at amortized cost – that have their ECLs (Expected Credit Losses) measured using the three stage model, the low credit risk simplification and the simplified approach and the ECLS as of September 30, 2021:

	September 30, 2021		
	Gross carrying amount	Expected Credit Losses	Carrying amount, net
<b>Financial assets at fair value through other comprehensive income</b>			
<b>Low credit risk simplification</b>			
Securities (i)	28,579,254	(13,205)	28,566,049
<b>Financial assets amortized cost</b>			
<b>Low credit risk simplification</b>			
Securities (i)	859,238	(1,573)	857,665
Securities purchased under agreements to resell (i)	7,873,026	(2,439)	7,870,587
<b>Three stage model</b>			
Loans and credit card operations (ii) (iii)	10,547,461	(11,413)	10,536,048
<b>Simplified approach</b>			
Securities trading and intermediation	1,128,720	(63,945)	1,064,775
Accounts Receivable	360,770	(5,163)	355,607
Other financial assets	1,519,254	(46,717)	1,472,537
<b>Total losses for on-balance exposures</b>	<b>50,867,723</b>	<b>(144,455)</b>	<b>50,723,268</b>
Off-balance exposures (iv)	681,403	(646)	680,757
<b>Total exposures</b>	<b>51,549,126</b>	<b>(145,101)</b>	<b>51,404,025</b>

(i) Financial assets considered in Stage 1.

(ii) As of September 30, 2021 are presented in Stage 1: Gross amount of R\$ 8,925,350 and ECL of R\$ 5,989 Stage 2: Gross amount of R\$ 1,621,016 and ECL of R\$ 5,268 and Stage 3: Gross amount of R\$ 1,095 and ELC of R\$ 156 respectively.

(iii) As of September 30, 2021 there were transfers between from Stage 1 to Stage 2 of R\$ 5,154 and from Stage 2 to Stage 3 of R\$ 156. The were "cure" from Stage 2 to Stage 1 of R\$ 320.

(iv) Include credit cards limits and sureties.

	December 31, 2020		
	Gross carrying amount	Expected Credit Losses	Carrying amount, net
<b>Financial assets at fair value through other comprehensive income</b>			
<b>Low credit risk simplification</b>			
Securities (i)	19,047,899	(8,855)	19,039,044
<b>Financial assets amortized cost</b>			
<b>Low credit risk simplification</b>			
Securities (i)	1,829,791	(1,087)	1,828,704
Securities purchased under agreements to resell (i)	6,627,779	(370)	6,627,409
<b>Three stage model</b>			
Loans and credit card operations (ii) (iii)	3,925,429	(7,101)	3,918,328
<b>Simplified approach</b>			
Securities trading and intermediation	1,107,051	(55,485)	1,051,566
Accounts Receivable	512,777	(6,418)	506,359
Other financial assets	73,466	(3,495)	69,971
<b>Total losses for on-balance exposures</b>	<b>33,124,192</b>	<b>(82,811)</b>	<b>33,041,381</b>
Off-balance exposures (credit card limits)	35,810	-	35,810
<b>Total exposures</b>	<b>33,160,002</b>	<b>(82,811)</b>	<b>33,077,191</b>

(i) Financial assets considered in Stage 1.

(ii) As of December 31, 2020 are presented in Stage 1: Gross amount of R\$ 3,599,808 and ECL of R\$ 5,648 and Stage 2: Gross amount of R\$ 325,621 and ECL of R\$ 1,453 respectively.

(iii) As of December 31, 2020, there were no transfers between stages.

## 11. Investments in associates and joint ventures

Set out below are the associates and joint ventures of the Group as of September 30, 2021. The entities have share capital consisting solely of ordinary shares, which are held directly by the Group.

Entity	December 31, 2020	Equity	Equity in earnings	Other comprehensive income	Goodwill (i)	September 30, 2021
Associates (ii,a)	697,924	17,950	4,615	3,652	458,980	1,183,121
Joint ventures (ii,b)	1,983	1,225	(1,221)	(130)	-	1,857
<b>Total</b>	<b>699,907</b>	<b>19,175</b>	<b>3,394</b>	<b>3,522</b>	<b>458,980</b>	<b>1,184,978</b>

Entity	December 31, 2019	Equity	Equity in earnings	Other comprehensive income	Goodwill (i)	September 30, 2020
Associates (ii,a)	-	75,093	(227)	(120)	621,248	695,994
Joint ventures (ii,b)	-	572	(337)	-	408	643
<b>Total</b>	<b>-</b>	<b>75,665</b>	<b>(564)</b>	<b>(120)</b>	<b>621,656</b>	<b>696,637</b>

(i) Related to the acquisitions of associates and joint ventures. The preliminary goodwill recognized includes the value of expected synergies arising from the investments and includes an element of contingent consideration.

(ii) At September 30, 2021, include interest in total and voting capital of the following companies: (a) Associates - Wealth High Governance Holding de Participações S.A. (49.9% total and voting capital at September 30, 2021 and December 31, 2020); O Primo Rico Mídia, Educacional e Participações Ltda. (20% total and voting capital at September 30, 2021 and December 31, 2020); NK112 Empreendimentos e Participações S.A. (49.9% total and voting capital at September 30, 2021); Capitânia Investments (20% total and voting capital at September 30, 2021) and ); Giant Steps Empreendimentos

Ltda. (25% total and voting capital at September 30, 2021) (b) Joint ventures - Du Agro Holdings S.A. (49% total and voting capital at September 30, 2021 and December 31, 2020).

## 12. Property, equipment, goodwill, intangible assets and lease

### a) Changes in the period

	Property and equipment	Intangible assets
<b>As of January 1, 2020</b>	<b>142,464</b>	<b>553,452</b>
Additions	40,011	79,127
Business combination (i)	-	83,925
Write-offs	(61,967)	(185)
Transfers	(6,143)	6,143
Depreciations / Amortization in the period	(19,609)	(52,928)
<b>As of September 30, 2020</b>	<b>94,756</b>	<b>669,534</b>
Cost	196,081	767,878
Accumulated depreciation / amortization	(101,325)	(98,344)
<b>As of January 1, 2021</b>	<b>204,032</b>	<b>713,562</b>
Additions	107,577	206,612
Write-offs	(1,925)	(11,882)
Transfers	5	(5)
Foreign Exchange	(414)	14
Depreciations / Amortization in the period	(16,246)	(132,892)
<b>As of September 30, 2021</b>	<b>293,029</b>	<b>775,409</b>
Cost	347,767	971,443
Accumulated depreciation / amortization	(54,738)	(196,034)

(i) Related to acquired companies Fliper, DM10 and Antecipa concluded in 2020.

### b) Impairment test for goodwill

Given the interdependency of cash flows and the merger of business practices, all Group's entities are considered a single cash generating unit ("CGU") and, therefore, goodwill impairment test is performed at the single operating level. Therefore, the carrying amount considered for the impairment test represents the Company's equity.

The Group performs its annual impairment test in December and when circumstances indicates that the carrying value may be impaired. The Group's impairment tests are based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the cash generating unit were disclosed in the annual consolidated financial statements for the year ended December 31, 2020. As of September, 2021, there were no indicators of a potential impairment of goodwill.

### c) Leases

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period.

	Right-of-use assets	Lease liabilities
<b>As of January 1, 2020</b>	<b>227,478</b>	<b>255,406</b>
Additions (i)	45,377	45,129
Depreciation expense	(33,363)	-
Write-offs	(78,321)	(78,322)
Interest expense	-	15,648
Revaluation	(9,115)	(10,050)
Impairment	264	-

	<u>Right-of-use assets</u>	<u>Lease liabilities</u>
Effects of exchange rate	29,694	32,675
Payment of lease liabilities	-	(45,903)
<b>As of September 30, 2020</b>	<b><u>182,014</u></b>	<b><u>214,583</u></b>
<b>As of January 1, 2021</b>	<b>183,134</b>	<b>208,448</b>
Additions (i)	79,146	79,146
Depreciation expense	(30,219)	-
Write-offs	(856)	-
Interest expense	-	12,166
Revaluation	25,036	24,260
Effects of exchange rate	3,853	4,189
Payment of lease liabilities	-	(42,695)
<b>As of September, 2021</b>	<b><u>260,094</u></b>	<b><u>285,514</u></b>
Current	-	74,695
Non-current	260,094	210,819

(i) Additions to right-of-use assets in the period include prepayments to lessors and accrued liabilities.

The Group recognized rent expense from short-term leases and low-value assets of R\$ 1,014 for the nine months period ended September 30, 2021 (R\$ 1,523 – September 30, 2020) and R\$ 7 for three months period ended September 30, 2021 (R\$ 430 – September 30, 2020). The total rent expense for the nine month period ended September 30, 2021 is R\$ 13,982 (R\$ 7,853 – September 30, 2020) and for the three months period ended September 30, 2021 is R\$ 2,279 (R\$ 5,595 – September 30, 2020) and include other expenses related to leased offices such as condominium for the nine months period ended September 30, 2021.

Depreciation and amortization expense has been charged in the following line items of consolidated statement of income:

	<u>Nine months period ended</u> <u>September 30,</u>		<u>Three months period ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Property and equipment</b>				
Depreciation in the period	16,246	19,609	5,825	6,616
<b>Leases</b>				
Depreciation in the period	30,219	33,363	10,707	10,313
<b>Intangible assets</b>				
Amortization in the period	132,892	52,928	34,946	19,451
	<b><u>179,357</u></b>	<b><u>105,900</u></b>	<b><u>51,478</u></b>	<b><u>36,380</u></b>

### 13. Financing instruments payable

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
<b>Market funding operations (a)</b>	<b><u>14,908,388</u></b>	<b><u>5,216,599</u></b>
Deposits	6,866,502	3,021,751
Demands deposits	187,975	44,536
Time deposits	6,672,394	2,977,215
Interbank deposits	6,133	-
Financial bills	2,342,940	16,389
Structured operations certificates	5,698,946	2,178,459
<b>Debt securities in issued (b)</b>	<b><u>4,304,139</u></b>	<b><u>335,250</u></b>



Promissory Note	80,419	-
Debentures	170,113	335,250
Bonds in issue	4,053,607	-
<b>Total</b>	<b>19,212,527</b>	<b>5,551,849</b>
Current	5,795,884	2,731,816
Non-Current	13,416,643	2,820,033

(a) Maturity

Maturity – As of September 30, 2021

Class	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total
Demand deposits	187,975	-	-	-	-	-	187,975
Time deposits	676,954	794,812	1,028,851	2,121,352	675,522	1,374,903	6,672,394
Interbank deposits	-	-	-	3,069	-	3,064	6,133
Financial bills	-	-	-	-	16,800	2,326,140	2,342,940
Structured operations certificates	-	248	354	10,762	28,653	5,658,929	5,698,946
<b>Total</b>	<b>864,929</b>	<b>795,060</b>	<b>1,029,205</b>	<b>2,135,183</b>	<b>720,975</b>	<b>9,363,036</b>	<b>14,908,338</b>

Maturity – As of December 31, 2020

Class	Within 30 days	From 31 to 60 days	From 61 to 90 days	From 91 to 180 days	From 181 to 360 days	After 360 days	Total
Demand deposits	44,536	-	-	-	-	-	44,536
Time deposits	67,501	1,185	57,781	191,886	2,161,762	497,100	2,977,215
Financial bills	-	-	-	-	-	16,389	16,389
Structured operations certificates	-	-	-	945	1,489	2,176,025	2,178,459
<b>Total</b>	<b>112,037</b>	<b>1,185</b>	<b>57,781</b>	<b>192,831</b>	<b>2,163,251</b>	<b>2,689,514</b>	<b>5,216,599</b>

(b) Debt securities in issued

As of September 30, 2021, the total balance is comprised of the following issuances:

		September 31, 2021		December 30, 2020	
		Up to 1 year	1-5 years	Up to 1 year	1-5 years
Bonds (i)	Fixed rate	-	4,053,607	-	-
Promissory Note (ii)	Fixed rate	80,419	-	-	-
	Fixed rate / Variable Rate				
Debentures (iii)	Rate	170,113	-	204,731	130,519
<b>Total</b>		<b>250,532</b>	<b>4,053,607</b>	<b>204,731</b>	<b>130,519</b>
Current			250,532		204,731
Non-Current			4,053,607		130,519

(i) XP Inc Bonds

On July 1, 2021, XP Inc. concluded the issuance of a gross of US\$750 million senior unsecured notes with a net proceeds of US\$739 million (R\$ 3,697 million) with maturity on July 1, 2026 and bear interest at the rate of 3.250% per year and will be guaranteed by XP Investimentos S.A.

**(ii) Promissory Note**

On September 9, 2021, XP Energia, a group's subsidiary, issued the first promissory note with the objective of funding the company's working capital and treasury investments related to wholesale electricity trade business. The principal amount is due and paid on the maturity date of September 4, 2022, and the interest rate is CDI + 3.5% pre-fixed rate.

**(iii) Debentures**

The principal amount and accrued interest payables related to the second issuance are as follow: (i) for the principal amount, 50% is due and was paid on May 15, 2021 and the remaining balance on the maturity date of May 15, 2022, and (ii) the accrued interest is payable every 12 months from the issuance date. The annual rate is 107.5% CDI with a unit value at in the period ended of R\$ 508.94.

Debentures are subject to financial covenants, which have certain performance conditions. The Group has complied with these covenants throughout the reporting period (Note 29 (ii)).

## 14. Borrowings

	Interest rate %	Maturity	September 30, 2021	December 31, 2020
Bank borrowings – domestic (i)	113% of CDI(*)	March 2021	-	10,523
<b>Related parties</b>			-	<b>10,523</b>
Financial institution (iii)	0.813%	May 2022	1,607,003	-
Financial institution (ii)	CDI (*)+ 0.774%	April 2023	278,162	273,564
<b>Third parties</b>			<b>1,885,165</b>	<b>273,564</b>
<b>Total borrowings</b>			<b>1,885,165</b>	<b>284,087</b>
Current			1,616,199	17,637
Non-current			268,966	266,450

(\*) Brazilian Interbank Offering Rate (CDI)

(i) Loan agreement with Itaú Unibanco that was fully paid on March 8, 2021.

(ii) Loan agreement entered into on March 28, 2018 with the International Finance Corporation (IFC). The principal amount is due on the maturity date and accrued interests payable at every six months.

(iii) Loan agreement with *Banco Nacional de México*.

Some of obligations above contain financial covenants, which have certain performance conditions. The Group has complied with these covenants throughout the reporting period (Note 29 (ii)).

## 15. Other financial assets and financial liabilities

**a) Other financial assets**

	September 30, 2021	December 31, 2020
Foreign exchange portfolio	1,039,116	43,129
Receivables from IFAs	169,521	27,377
Others financial assets	310,617	2,777
(-) Expected losses on other financial assets (i)	(46,717)	(3,312)
<b>Total</b>	<b>1,472,537</b>	<b>69,971</b>
Current	1,039,116	43,129
Non-current	433,421	26,842

(i) The reconciliation of gross carrying amount and the expected loss according with IFRS 9 are presented in Note 10.

#### b) Other financial liabilities

	September 30, 2021	December 31, 2020
Foreign exchange portfolio	1,149,536	70,208
Structured financing (i)	1,000,330	874,771
Credit cards operations	1,867,195	50,727
Contingent consideration (ii)	632,321	462,000
Commitments subject to possible redemption (iii)	1,087,982	-
Lease liabilities	285,514	208,448
Others	53,135	40,080
<b>Total</b>	<b>6,076,013</b>	<b>1,706,234</b>
Current	4,355,710	1,244,234
Non-current	1,720,303	462,000

- (i) Financing for maintenance of financial assets required to perform financial transactions.
- (ii) Contractual contingent considerations mostly associated to the investment acquisition. The maturity of the total contingent consideration payment is up to 6 years and the contractual maximum amount payable is R\$ 653,222 (the minimum amount is zero).
- (iii) Related to the IPO transaction of XPAC Acquisition Corp. that occurred on August 3, 2021. The capital issued by XPAC Acquisition Corp. includes conditionally redeemable Class A ordinary shares that feature redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company's control. The noncontrolling shareholders of XPAC Acquisition Corp. have the right to redeem their shares in cash at the earliest of (i) upon the completion of XPAC Acquisition Corp's initial business combination or (ii) 24 months from the closing of the IPO transaction.

## 16. Private pension liabilities

As of September 30, 2021, active plans are principally accumulation of financial resources through Brazilian private pension products ("PGBL" and "VGBL") structured in the form of variable contribution, for the purpose of granting participants with returns based on the accumulated capital in the form of monthly withdraws for a certain term or temporary monthly withdraws derived from the operations by XP Vida e Previdência.

In this respect, such financial products represent investment contracts that have the legal form of private pension plans, but which do not transfer insurance risk to the Group. Therefore, contributions received from participants are accounted for as liabilities and balance consists of the balance of the participant in the linked Specially Constituted Investment Fund ("FIE") at the reporting date (Note 4 (a)).

Changes in the period:

	Nine months period ended September 30,	
	2021	2020
As of January 1	13,387,913	3,759,090
Contributions received	1,977,179	984,816
Transfer from third party plans	12,167,840	5,087,561
Withdraws	(929,182)	(162,218)
Gain (loss) from FIE	107,265	(19,927)
<b>As of September</b>	<b>26,711,015</b>	<b>9,649,322</b>

## 17. Income tax

### a) Deferred income tax

Deferred tax assets (DTA) and deferred tax liabilities (DTL) are comprised of the main following components:

	Balance Sheet	
	September 30, 2021	December 31, 2020
Share based compensation	325,804	115,976
Tax losses carryforwards	145,326	7,382
Provisions for IFAs' commissions	94,449	94,544
Profit sharing plan	145,900	164,808
Net gain on hedge instruments	29,742	20,987
Expected credit losses (ii)	39,741	19,444
Revaluations of financial assets at fair value	108,699	(16,780)
Goodwill on business combinations (i)	10,304	22,838
Other provisions	141,785	67,495
<b>Total</b>	<b>1,041,750</b>	<b>496,694</b>
<b>Deferred tax assets</b>	<b>1,041,750</b>	<b>505,046</b>
<b>Deferred tax liabilities</b>	<b>-</b>	<b>(8,352)</b>

	Net change in the nine months period ended September 30,		Net change in the three months period ended September 30,	
	2021	2020	2021	2020
Tax losses carryforwards	137,944	21,470	(4,118)	24,769
Goodwill on business combinations (i)	(12,534)	6,127	(9,996)	(5,861)
Provisions for IFAs' commissions	(95)	4,181	(9,422)	1,718
Revaluations of financial assets at fair value	125,479	(35,252)	87,768	3,513
Expected credit losses	20,297	14,912	18,107	4,248
Profit sharing plan	(18,908)	(61,409)	61,904	(97,272)

Net gain (loss) on hedge instruments	8,755	69,311	(8,003)	5,805
Share based plan	209,829	44,874	139,780	17,533
Other provisions	74,289	(5,963)	107,577	(17,768)
<b>Total</b>	<b>545,056</b>	<b>58,251</b>	<b>383,597</b>	<b>(63,315)</b>

- (i) For tax purposes, goodwill is amortized over 5 years on a straight-line basis when the acquired entity is sold or merged into another entity.
- (ii) Include expected credit loss on accounts receivable, loan operations and other financial assets.

The changes in the net deferred tax were recognized as follows:

	<b>Nine months period ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>As of January 1</b>	<b>496,694</b>	<b>279,401</b>
Foreign exchange variations	9,269	22,721
Charges to statement of income	224,167	(28,561)
Tax relating to components of other comprehensive income	311,620	64,091
<b>As of September 30</b>	<b>1,041,750</b>	<b>337,652</b>

#### Unrecognized deferred taxes

Deferred tax assets are recognized for tax losses to the extent that the realization of the related tax benefit against future taxable profits is probable. The Group did not recognize deferred tax assets of R\$ 27,432 (December 31, 2020 - R\$ 37,309) mainly in respect of losses from subsidiaries overseas and that can be carried forward and used against future taxable income.

#### **Changes in Social Contribution on Net Income (CSLL)**

On March 1, 2021, Provisional Measure No. 1,034 was published increasing the Social Contribution on Net Income (CSLL) rate by 5%, to 25% for Banks and 20% for Broker dealers and Insurance Companies.

The text of the Provisional Measure proposes the increase in the CSLL rate between July and December 2021. On July 14, 2021 the Provisional Measure was converted into Federal Law No. 14,183 confirming the CSLL rate increase for the period between July 2021 and December, 2021.

As of the Provisional Measure approval the Deferred Tax Assets and Liabilities registered in the balance sheet of XP CCTVM, Banco XP and XP Vida e Previdência were increased by 5% for certain temporary adjustments made for corporate income tax (CIT) purposes which would turn into permanent effect in the period between July and December, 2021.

#### **b) Income tax expense reconciliation**

The tax on the Group's pre-tax profit differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities. The following is a reconciliation of income tax expense to profit (loss) for the period, calculated by applying the combined Brazilian statutory rates at 34% for the nine months period ended September 30:

	<b>Nine months period</b>		<b>Three months period</b>	
	<b>ended September 30,</b>		<b>ended September 30 ,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Income before taxes	2,694,579	1,758,528	907,938	632,451
Combined tax rate in Brazil (a)	34%	34%	34%	34%
Tax expense at the combined rate	916,157	597,900	308,699	215,034
Income (loss) from entities not subject to taxation	1,683	(11,358)	133	(2,630)

Effects from entities taxed at different rates	64,902	36,792	11,856	17,630
Effects from entities taxed at different taxation regimes (b)	(813,123)	(285,529)	(330,998)	(111,061)
Intercompany transactions with different taxation	(55,459)	(46,775)	(21,850)	(19,645)
Tax incentives and related donation programs	(4,467)	(2,491)	(1,196)	(4,521)
Non deductible expenses (non-taxable income), net	961	(12,693)	2,005	(3,434)
Effect from social contribution on net income rate (Law No. 14,183)	(25,396)	-	-	-
Others	7,511	3,581	2,902	(206)
<b>Total</b>	<b>92,769</b>	<b>279,427</b>	<b>(28,449)</b>	<b>91,167</b>
Effective tax rate	3.44%	15.89%	(3.14%)	14.41%
Current	316,936	250,866	55,385	(6,732)
Deferred	(224,167)	28,561	(83,834)	97,899
<b>Total expense</b>	<b>92,769</b>	<b>279,427</b>	<b>(28,449)</b>	<b>91,167</b>

- (a) Considering that XP Inc. is domiciled in Cayman and there is no income tax in that jurisdiction, the combined tax rate of 34% demonstrated above is the current rate applied to XP Investimentos S.A. which is the holding company of all operating entities of XP Inc. in Brazil.
- (b) Certain eligible subsidiaries adopted the PPM tax regime and the effect of the presumed profit of subsidiaries represents the difference between the taxation based on this method and the amount that would be due based on the statutory rate applied to the taxable profit of the subsidiaries. Additionally, some entities and investment funds adopt different taxation regimes according to the applicable rules in their jurisdictions.

#### Other comprehensive income

The tax (charge) credit relating to components of other comprehensive income is as follows:

	<u>Before tax</u>	<u>(Charge) Credit</u>	<u>After tax</u>
Foreign exchange variation of investees located abroad	76,575	-	76,575
Gains (losses) on net investment hedge	(121,772)	41,402	(80,370)
Changes in the fair value of financial assets at fair value	(56,603)	22,689	(33,914)
<b>As of September 30, 2020</b>	<b>(101,800)</b>	<b>64,091</b>	<b>(37,709)</b>
Foreign exchange variation of investees located abroad	13,036	-	13,036
Gains (losses) on net investment hedge	(18,364)	6,625	(11,739)
Changes in the fair value of financial assets at fair value	(763,766)	304,994	(458,772)
<b>As of September 30, 2021</b>	<b>(769,094)</b>	<b>311,619</b>	<b>(457,475)</b>

## 18. Equity

### (a) Issued capital

The Company has an authorized share capital of US\$ 35 thousand, corresponding to 3,500,000,000 authorized shares with a par value of US\$ 0,00001 each of which:

- 2,000,000,000 shares are designated as Class A common shares and issued; and
- 1,000,000,000 shares are designated as Class B common shares and issued.

The remaining 500,000,000 authorized but unissued shares are presently undesignated and may be issued by our board of directors as common shares of any class or as shares with preferred, deferred or other special rights or restrictions. Therefore, the Company is authorized to increase capital up to this limit, subject to approval of the Board of Directors.

As of September 30, 2021, the Company have R\$ 23 thousand of issued capital which were represented by 377,764,985 Class A common shares and 181,293,980 Class B common shares.

### (b) Additional paid-in capital and capital reserve

Class A and Class B common shares, have the following rights:

- Each holder of a Class B common share is entitled, in respect of such share, to 10 votes per share, whereas the holder of a Class A common share is entitled, in respect of such share, to one vote per share.
- Each holder of Class A common shares and Class B common shares vote together as a single class on all matters (including the election of directors) submitted to a vote of shareholders, except as provided below and as otherwise required by law.
- Class consents from the holders of Class A common shares and Class B common shares, as applicable, shall be required for any modifications to the rights attached to their respective class of shares the rights conferred on holders of Class A common shares shall not be deemed to be varied by the creation or issue of further Class B common shares and vice versa; and
- the rights attaching to the Class A common shares and the Class B common shares shall not be deemed to be varied by the creation or issue of shares with preferred or other rights, including, without limitation, shares with enhanced or weighted voting rights.

The Articles of Association provide that at any time when there are Class A common shares in issue, Class B common shares may only be issued pursuant to: (a) a share split, subdivision of shares or similar transaction or where a dividend or other distribution is paid by the issue of shares or rights to acquire shares or following capitalization of profits; (b) a merger, consolidation, or other business combination involving the issuance of Class B common shares as full or partial consideration; or (c) an issuance of Class A common shares, whereby holders of the Class B common shares are entitled to purchase a number of Class B common shares that would allow them to maintain their proportional ownership and voting interests in XP Inc.

In December 2020, as a result of the completion of the secondary public offering describe in Note 1.1 a number of 7,258,639 Class A common shares were offered by the controlling shareholder of XP Inc.

The Board of Directors approved on December 2019 a share based long-term incentive plan, which the maximum number of shares should not exceed 5% of the issued and outstanding shares. As of September 30, 2021, the outstanding number of company reserved under the plans were 9,856,177 restricted share units ("RSUs") (December 31, 2020 – 11,079,736) and 2,819,912 performance restricted units ("PSUs") (December 31, 2020 – 2,819,912) to be issued at the vesting date.

The additional paid-in capital refers to the difference between the purchase price that the shareholders pay for the shares and their par value. Under Cayman Law, the amount in this type of account may be applied by the Company to pay distributions or dividends to members, pay up unissued shares to be issued as fully paid, for redemptions and repurchases of own shares, for writing off preliminary expenses, recognized expenses, commissions or for other reasons. All distributions are subject to the Cayman Solvency Test which addresses the Company's ability to pay debts as they fall due in the natural course of business.

### **(c) Dividends distribution**

The Group has not adopted a dividend policy with respect to future distributions of dividends. The amount of any distributions will depend on many factors such as the Company's results of operations, financial condition, cash requirements, prospects and other factors deemed relevant by XP Inc. board of directors and, where applicable, the shareholders.

For the nine months period ended September 30, 2021, XP Inc. has not declared and paid dividends to the shareholders.

Non-controlling shareholders of some XP Inc's subsidiaries received dividends in the nine months period ended of September 30, 2021 and 2020 in a total amount of R\$ 2,998 and R\$ 6,136, respectively.

### **(d) Other comprehensive income**

Other comprehensive income is comprised of changes in the fair value of financial assets at fair value through other comprehensive income, while these financial assets are not realized. Also includes gains (losses) on net investment hedge and foreign exchange variation of investees located abroad.

## **19. Related party transactions**

The main transactions carried with related parties, conducted on an arm's length basis, including interest rates, terms and guarantees, and period-end balances arising from such transactions are as follows:

Assets/(Liabilities)

Revenue/(Expenses)

Relation and transaction	September 30, 2021	December 31, 2020	Nine months period ended September 30,		Three months period ended September 30,	
			2021	2020	2021	2020
<b>Shareholders with significant influence (i)</b>	<b>(1,813,352)</b>	<b>(5,667,588)</b>	<b>(35,374)</b>	<b>(36,541)</b>	<b>(13,778)</b>	<b>(13,509)</b>
Securities	177,481	112,127	1,415	9,154	787	1,895
Securities purchased under agreements to resell	-	-	2,556	3,557	1,726	650
Accounts receivable and Loans operations	9,166	11,238	399	233	102	(163)
Securities sold under repurchase agreements	(1,999,999)	(5,780,430)	(39,723)	(48,243)	(16,393)	(15,514)
Borrowings	-	(10,523)	(21)	(1,242)	-	(377)

(i) These transactions are mostly related to Itau Group's companies until May, 2021. See Note 1.2.

Transactions with related parties also includes transactions among the Company and its subsidiaries in the course of normal operations include services rendered such as: (i) education, consulting and business advisory; (ii) financial advisory and financial consulting in general; (iii) management of resources and portfolio management; (iv) information technology and data processing; (v) insurance and (vi) loan operations. The effects of these transactions have been eliminated and do not have effects on the consolidated financial statements.

## 20. Provisions and contingent liabilities

The Company and its subsidiaries are party to judicial and administrative litigations before various courts and government bodies, arising from the ordinary course of operations, involving tax, civil and labor matters and other issues. Periodically, the Group evaluates the tax, civil and labor and risks in order to classify the risks as probable, possible or remote, in accordance with the chances of them occurring and being settled, taking into consideration, case by case, the analyses prepared by external and internal legal advisors.

	September 30, 2021	December 31, 2020
Tax contingencies	10,262	10,097
Civil contingencies	10,828	4,281
Labor contingencies	6,487	5,333
<b>Total provision</b>	<b>27,577</b>	<b>19,711</b>
Judicial deposits (i)	10,388	10,199

- (i) There are circumstances in which the Group is questioning the legitimacy of certain litigations or claims filed against it. As a result, either because of a judicial order or based on the strategy adopted, the Group might be required to secure part or the whole amount in question by means of judicial deposits, without this being characterized as the settlement of the liability. These amounts are classified as "Other assets" on the consolidated balance sheets and referred above for information.

### Changes in the provision during the period

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
<b>At the beginning of period</b>	<b>19,711</b>	<b>15,193</b>	<b>26,413</b>	<b>15,479</b>
Monetary correction	5,606	1,472	675	499
Provision accrued	6,874	912	1,772	333
Provision reversed	(2,440)	(965)	(1,188)	(78)
Payments	(2,174)	(592)	(95)	(213)
<b>At the end of period</b>	<b>27,577</b>	<b>16,020</b>	<b>27,577</b>	<b>16,020</b>

### Nature of claims



### a) Tax

As of September 30, 2021 the Group has claims classified as probable risk of loss in the amount of R\$ 10,262 (December 31, 2020 - R\$ 10,097), regarding questioning the definition of the basis for calculating revenues to be paid correctly. This case was pending the specialized technical report after the decision of the court of second instance to grant the right to provide evidence and send the case back to the court of first instance. These processes are supported by judicial deposits in their entirety.

### b) Civil

The majority of the civil and administrative claims involve matters that are normal and specific to the business, and refer to demands for indemnity primarily due to: (i) financial losses in the stock market; (ii) portfolio management; and (iii) alleged losses generated from the liquidation of customers assets in portfolio due to margin cause and/or negative balance. As of September 30, 2021, there were 102 civil and administrative claims for which the likelihood of loss has been classified as probable, in the amount of R\$ 10,828 (December 31, 2020 - R\$ 4,281). An amount of R\$ 99 was deposited in court as of September 30, 2021 (December 31, 2020 - R\$ 100).

### c) Labor

Labor claims to which the Group is party primarily concern: (i) the existence (or otherwise) of a working relationship between the Group and IFAs; and (ii) severance payment of former employees. As of September 30, 2021, the Company and its subsidiaries are the defendants in approximately 16 cases involving labor matters for which the likelihood of loss has been classified as probable, in the amount of R\$ 6,487 (December 31, 2020 - R\$ 5,333).

### Contingent liabilities - probability of loss classified as possible

In addition to the provisions constituted, the Company and its subsidiaries have several labor, civil and tax contingencies in progress, in which they are the defendants, and the likelihood of loss is considered possible, and the contingencies amount to approximately R\$ 307,430 (December 31, 2020 - R\$ 217,426). This amount is not provisioned.

Below is summarized these possible claims by nature:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Tax (i)	72,095	71,027
Civil (ii)	206,869	136,228
Labor	28,466	10,171
<b>Total</b>	<b>307,430</b>	<b>217,426</b>

- (i) In December 2019, the Group was notified by tax authorities for a requirement of social security contributions due to employee profit sharing payments related to the calendar year 2015, allegedly in violation of Brazilian Law 10.101/00. Currently, the first appeal was denied by the first administrative level of the Revenue Service Office. The Group will provide the ordinary appeal to Administrative Council of Tax Appeals ("CARF"). There are other favorable CARF precedents on the subject and the Group obtained legal opinions that support the Group's defense and current practice.
- (ii) The Group is defendant in 602 (December 31, 2020 - 586) civil and administrative claims by customers and investment agents, mainly related to portfolio management, risk rating, copyrights and contract termination. The total amount represents the collective maximum value to which the Group is exposed based on the claims' amounts monetarily restated.

## 21. Total revenue and income

### a) Net revenue from services rendered

Revenue from contracts with customers derives mostly from services rendered and fees charged at daily transactions from customers, therefore mostly recognized at a point in time. Disaggregation of revenue by major service lines are as follows:

<b>Nine months period ended September 30,</b>	<b>Three months period ended September 30,</b>
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	2021	2020	2021	2020
<b>Major service lines</b>				
Brokerage commission	1,923,825	1,595,435	632,799	547,862
Securities placement	1,424,832	922,057	442,303	388,283
Management fees	1,108,997	809,024	414,775	274,353
Insurance brokerage fee	99,780	74,299	33,296	17,624
Educational services	60,446	95,627	14,575	25,474
Banking fees	115,779	71,060	57,146	32,955
Other services	366,746	263,411	154,256	122,109
<b>Gross revenue from services rendered</b>	<b>5,100,405</b>	<b>3,830,913</b>	<b>1,749,150</b>	<b>1,408,660</b>
(-) Sales taxes and contributions on services (i)	(455,854)	(337,681)	(160,270)	(130,914)
	<b>4,644,551</b>	<b>3,493,231</b>	<b>1,588,880</b>	<b>1,277,745</b>

(i) Mostly related to taxes on services (ISS) and contributions on revenue (PIS and COFINS).

#### b) Net income from financial instruments

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
Net income from financial instruments at fair value through profit or loss	5,266,644	2,007,466	2,335,500	647,076
Net income from financial instruments measured at amortized cost and at fair value through other comprehensive income	(1,015,419)	303,388	(717,128)	189,527
<b>Total income from financial instruments</b>	<b>4,251,225</b>	<b>2,310,854</b>	<b>1,618,372</b>	<b>836,603</b>
(-) Taxes and contributions on financial income	(78,291)	(47,578)	(35,893)	(13,611)
	<b>4,172,934</b>	<b>2,263,276</b>	<b>1,582,479</b>	<b>822,992</b>

#### c) Disaggregation by geographic location

Breakdown of total net revenue and income and selected assets by geographic location:

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
Brazil	8,551,425	5,156,387	3,090,739	1,721,542
United States	247,082	570,738	79,082	368,524
Europe	18,978	29,382	1,538	10,671
<b>Revenues</b>	<b>8,817,485</b>	<b>5,756,507</b>	<b>3,171,359</b>	<b>2,100,737</b>
	<b>September 30, 2021</b>	<b>December 31, 2020</b>		
Brazil	6,137,704	3,244,421		
United States	104,303	129,956		
Europe	2,345	4,123		
<b>Selected assets (i)</b>	<b>6,244,352</b>	<b>3,378,500</b>		

(i) Selected assets are total assets of the Group, less: cash, financial assets and deferred tax assets and are presented by geographic location.

None of the clients represented more than 10% of our revenues for the periods presented.

## 22. Operating costs

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
<b>Commission and incentive costs</b>	<b>2,074,883</b>	<b>1,442,670</b>	<b>712,844</b>	<b>549,249</b>
<b>Operating losses</b>	<b>24,228</b>	<b>27,412</b>	<b>7,538</b>	<b>7,442</b>
<b>Other costs</b>	<b>464,963</b>	<b>355,809</b>	<b>168,633</b>	<b>139,788</b>
Clearing house fees	288,603	240,806	104,964	104,922
Third parties' services	69,304	42,880	13,684	9,102
Other (i)	107,056	72,123	49,985	25,764
<b>Total</b>	<b>2,564,074</b>	<b>1,825,891</b>	<b>889,015</b>	<b>696,479</b>

(i) Other cost include operational errors and other costs.

## 23. Operating expenses by nature

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
<b>Selling Expenses (i)</b>	<b>163,973</b>	<b>94,367</b>	<b>57,654</b>	<b>38,322</b>
<b>Administrative expenses</b>	<b>3,348,345</b>	<b>2,077,587</b>	<b>1,267,171</b>	<b>809,596</b>
<b>Personnel expenses</b>	<b>2,475,245</b>	<b>1,484,596</b>	<b>924,324</b>	<b>577,614</b>
Compensation	1,011,969	565,640	419,962	203,419
Employee profit-sharing and bonus	981,948	566,353	294,304	240,763
Executives profit-sharing	77,899	156,988	39,025	52,662
Other personnel expenses (ii)	403,429	195,615	171,033	80,770
<b>Other taxes expenses</b>	<b>26,840</b>	<b>26,193</b>	<b>9,684</b>	<b>9,907</b>
<b>Depreciation of property and equipment and right-of-use assets</b>	<b>46,465</b>	<b>52,972</b>	<b>16,532</b>	<b>16,928</b>
<b>Amortization of intangible assets</b>	<b>132,892</b>	<b>52,928</b>	<b>34,946</b>	<b>19,451</b>
<b>Data processing</b>	<b>326,317</b>	<b>212,074</b>	<b>122,754</b>	<b>89,018</b>
<b>Technical services</b>	<b>107,835</b>	<b>66,284</b>	<b>51,440</b>	<b>25,563</b>
<b>Third parties' services</b>	<b>154,782</b>	<b>116,086</b>	<b>76,470</b>	<b>43,663</b>
<b>Other administrative expenses (iii)</b>	<b>77,969</b>	<b>66,454</b>	<b>31,021</b>	<b>27,452</b>
<b>Total</b>	<b>3,512,318</b>	<b>2,171,954</b>	<b>1,324,825</b>	<b>847,918</b>

(i) Selling expenses refers to advertising and publicity.

(ii) Other personnel expenses include benefits, social charges and others.

(iii) Other administrative expenses include rent, communication and travel expenses, legal and judicial and other expenses.

## 24. Other operating income (expenses), net

	Nine months period ended September 30,		Three months period ended September 30,	
	2021	2020	2021	2020
<b>Other operating income</b>	<b>144,705</b>	<b>273,809</b>	<b>24,057</b>	<b>196,445</b>
Revenue from incentives from Tesouro Direto, B3 and Others	111,127	258,306	10,238	190,900
Other operating income (i)	33,578	15,503	13,819	5,545

<b>Other operating expenses</b>	<b>(53,723)</b>	<b>(188,823)</b>	<b>(22,971)</b>	<b>(98,644)</b>
Legal proceedings and agreement with customers	(2,844)	(43,844)	(810)	(36,262)
Losses on write-off and disposal of assets	(4,213)	(59,216)	(1,308)	(29,809)
Charity	(19,228)	(40,512)	(9,249)	(13,668)
Other operating expenses (ii)	(27,438)	(45,251)	(11,604)	(18,905)
<b>Total</b>	<b>90,982</b>	<b>84,986</b>	<b>1,086</b>	<b>97,801</b>

(i) Other operating income include recovery of charges and expenses, reversal of operating provisions, interest received on tax and others.

(ii) Other operating expenses include fines and penalties, association and regulatory fees and other expenses.

## 25. Share-based plan

### Outstanding shares granted and valuation inputs

The maximum number of shares available for issuance under the share-based plan shall not exceed 5% of the issued and outstanding shares.

Set out below are summaries of XP Inc's RSU and PSU activity for the nine months period ended September 30, 2021.

(In thousands, except weighted-average data, and where otherwise stated)	<b>RSUs</b>	<b>PSUs</b>	<b>Total</b>
	Number of units	Number of units	Number of units
<b>Outstanding, January 1</b>	<b>11,079,736</b>	<b>2,819,912</b>	<b>13,899,648</b>
Granted	74,694	-	74,694
Forfeited	(1,298,253)	-	(1,298,253)
<b>Outstanding, September 30</b>	<b>9,856,177</b>	<b>2,819,912</b>	<b>12,676,089</b>

For the nine and three months period ended September 30, 2021 and 2020, total compensation expense of both plans were R\$ 505,228(R\$ 113,464) and R\$ 165,340 (R\$ 44,352), including R\$ 114,732 (R\$ 34,917) and R\$ 39,765 (R\$ 12,578) of tax provisions and does not include any tax benefits on total share-based compensation expense once, this expense is not deductible for tax purposes. The tax benefits will be perceived when the shares are converted into common shares.

The original weighted-average grant-date fair value of RSU and PSU shares was US\$ 27 and US\$ 34.56 respectively. The average grant date fair value in the period was US\$ 39.69.

## 26. Earnings per share (basic and diluted)

Basic earnings per share is calculated by dividing net income for the period attributed to the owners of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income attributable to owners of XP Inc by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on conversion of all dilutive potential shares into shares. The shares in the share based plan are the only shares with potential dilutive effect.

The following table presents the calculation of net income applicable to the owners of the parent and basic and diluted EPS for the nine and three months period ended of September 30:

	<b>Nine months period ended September 30,</b>		<b>Three months period ended September 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net Income attributable to owners of the Parent	2,599,974	1,475,613	935,662	540,434
Basic weighted average number of outstanding shares (i) (iii)	559,059	551,800	559,059	551,800
<b>Basic earnings per share - R\$</b>	<b>4,6506</b>	<b>2,6742</b>	<b>1,6736</b>	<b>0,9794</b>

*Effect of dilution*

Shared-based plan (ii) (iii)	13,214	4,323	12,767	4,774
Diluted weighted average number of outstanding shares (iii)	572,273	556,574	571,826	556,574
<b>Diluted earnings per share - R\$</b>	<b>4,5432</b>	<b>2,6534</b>	<b>1,6363</b>	<b>0,9710</b>

- (i) See on Note 18, the number of XP Inc.'s outstanding common shares during the period.  
(ii) See on Note 25, the number of shares granted and forfeited during the period regarding XP Inc.'s Share-based plan.  
(iii) Thousands of shares.

## 27. Determination of fair value

The Group measures financial instruments such as certain financial investments and derivatives at fair value at each balance sheet date.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The financial instruments included in the level 1 consist mainly in public financial instruments and financial instruments negotiated on active markets (i.e. Stock Exchanges).

Level 2: The fair value of financial instruments that are not traded in active markets is determined using valuation techniques, which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value as instrument are directly or indirectly observable, the instrument is included in level 2. The financial instruments classified as level 2 are composed mainly from private financial instruments and financial instruments negotiated in a secondary market.

Level 3: If one or more of the significant inputs is unobservable, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Financial assets (other than derivatives) - The fair value of securities is determined by reference to their closing prices on the date of presentation of the consolidated financial statements. If there is no market price, fair value is estimated based on the present value of future cash flows discounted using the observable rates and market rates on the date of presentation.
- Swap – These operations swap cash flow based on the comparison of profitability between two indexers. Thus, the agent assumes both positions – put in one indexer and call on another.
- Forward - at the market quotation value, and the installments receivable or payable are prefixed to a future date, adjusted to present value, based on market rates published at B3.
- Futures – Foreign exchange rates, prices of shares and commodities are commitments to buy or sell a financial instrument at a future date, at a contracted price or yield and may be settled in cash or through delivery. Daily cash settlements of price movements are made for all instruments.
- Options - option contracts give the purchaser the right to buy the instrument at a fixed price negotiated at a future date. Those who acquire the right must pay a premium to the seller. This premium is not the price of the instrument, but only an amount paid to have the option (possibility) to buy or sell the instrument at a future date for a previously agreed price.
- Others: Derivatives – the warrant liabilities issued by XPAC Corporation Corp. contain features that qualify as embedded derivatives. The fair value of Public Warrants issued in connection with the Initial Public Offering have been measured based on the listed market price of such warrants.
- Other financial assets and liabilities - Fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using the observable rates and market rates on the date the financial statements are presented.
- Loans operations – Fair value is determined through the present value of expected future cash flows discounted using the observable rates and market rates on the date the financial statements are presented.
- Contingent consideration: Fair value of the contingent consideration liability related to acquisitions is estimated by applying the income approach and discounting the expected future payments to selling shareholders under the terms of the purchase and sale agreements.

Below are the Group financial assets and liabilities by level within the fair value hierarchy. The Group assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels:

	September , 30, 2021				
	Level 1	Level 2	Level 3	Fair Value	Book Value
<b>Financial Assets</b>					
<b>Financial assets at Fair value through profit or loss</b>					
Securities	25,038,764	28,393,523	-	53,432,287	53,432,287
Derivative financial instruments	102,522	15,368,915	-	15,471,437	15,471,437
<b>Fair value through other comprehensive income</b>					
Securities	28,566,049	-	-	28,566,049	28,566,049
<b>Evaluated at amortized cost</b>					
Securities	812,054	58,989	-	871,043	857,665
Securities purchased under agreements to resell	-	7,892,977	-	7,892,977	7,870,587
Securities trading and intermediation	-	1,064,775	-	1,064,775	1,064,775
Loan operations	-	10,547,461	-	10,547,461	10,535,402
Accounts receivable	-	355,607	-	355,607	355,607
Other financial assets	-	1,472,537	-	1,472,537	1,472,537
<b>Financial liabilities</b>					
<b>Fair value through profit or loss</b>					
Securities	1,565,981	516,230	-	2,082,211	2,082,211
Derivative financial instruments	144,064	14,361,865	-	14,505,929	14,505,929
<b>Evaluated at amortized cost</b>					
Securities sold under repurchase agreements	-	24,116,866	-	24,116,866	24,234,372
Securities trading and intermediation	-	19,634,754	-	19,634,754	19,634,754
Financing instruments payable	-	18,831,529	-	18,831,529	19,212,527
Borrowings	-	1,889,966	-	1,889,966	1,885,165
Accounts payables	-	928,892	-	928,892	928,892
Other financial liabilities	-	5,443,692	632,321	6,076,013	6,076,013
<b>December 31, 2020</b>					
	Level 1	Level 2	Level 3	Fair Value	Book Value
<b>Financial Assets</b>					
<b>Financial assets at Fair value through profit or loss</b>					
Securities	35,549,047	14,040,966	-	49,590,013	49,590,013
Derivative financial instruments	26,535	7,532,898	-	7,559,433	7,559,433
<b>Fair value through other comprehensive income</b>					
Securities	19,039,044	-	-	19,039,044	19,039,044
<b>Evaluated at amortized cost</b>					
Securities	1,830,031	-	-	1,830,031	1,828,704
Securities purchased under agreements to resell	-	6,627,044	-	6,627,044	6,627,409
Securities trading and intermediation	-	1,051,566	-	1,051,566	1,051,566
Accounts receivable	-	506,359	-	506,359	506,359
Loan operations	-	4,037,954	-	4,037,954	3,918,328
Other financial assets	-	69,971	-	69,971	69,971
<b>Financial liabilities</b>					
<b>Fair value through profit or loss</b>					
Securities loaned	2,237,442	-	-	2,237,442	2,237,442
Derivative financial instruments	13,221	7,806,143	-	7,819,364	7,819,364
<b>Evaluated at amortized cost</b>					
Securities sold under repurchase agreements	-	31,810,893	-	31,810,893	31,839,344
Securities trading and intermediation	-	20,303,121	-	20,303,121	20,303,121
Financing instruments payable	-	5,162,455	-	5,162,455	5,551,849
Borrowings	-	283,993	-	283,993	284,087
Accounts payables	-	859,550	-	859,550	859,550
Other financial liabilities	-	1,244,231	462,000	1,706,231	1,706,231

September 30, 2021

Level 1	Level 2	Level 3	Fair Value	Book Value
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As of September 30, 2021 the total contingent consideration liability is reported at fair value and is dependent on the profitability of the acquired associate (WHG) and businesses (Fliper and Antecipa). The total contingent consideration is classified within Level 3 of the fair value hierarchy. The contingent consideration liability represents the maximum amount payable under the purchase and sale agreements discounted using a weighted average rate of 10.08% p.a. Change in the discount rate by 100 bps would increase/decrease the fair value by R\$15,849. The change in the fair value of the contingent consideration between the acquisition date and December 31, 2020 was not material.

Transfers into and out of fair value hierarchy levels are analysed at the end of each consolidated financial statements. As of September 30, 2021 the Group had no transfers between Level 2 and Level 3.

## 28. Management of financial risks and financial instruments

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk), and operational risk. The Group's overall risk management structure focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

Management has overall responsibility for establishing and supervising the risk management structure of the Group. Risk Management is under a separated structure from business areas, 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 risk management policies of the Group are established to identify and analyze the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the activities of the Group. The Group, through its training and management standards and procedures, developed a disciplined and constructive control environment within which all its employees are aware of their duties and obligations.

Regarding one specific subsidiary XP CCTVM, the organizational structure is based on the recommendations proposed by the Basel Accord, in which procedures, policies and methodology are formalized consistent with risk tolerance and with the business strategy and the various risks inherent to the operations and/or processes, including market, liquidity, credit and operating risks. The Group seek to follow the same risk management practices as those applying to all companies.

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

The unaudited interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as of December 31, 2020. There have been no changes in the risk management department or in any risk management policies since the year-end.

### Sensitivity analysis

According to the market information, the Group performed the sensitivity analysis by market risk factors considered relevant. The largest losses, by risk factor, in each of the scenarios were presented with an impact on the profit or loss, providing a view of the exposure by risk factor of the Group in exceptional scenarios. The following sensitivity analyzes do not consider the functioning dynamics of risk and treasury areas, since once these losses are detected, risk mitigation measures are quickly triggered, minimizing the possibility of significant losses.

Trading portfolio Risk factors	Exposures Risk of variation in:	September 30, 2021 Scenarios		
		I	II	III

Pre-fixed	Pre-fixed interest rate in Reais	(68)	(47,157)	(71,759)
Exchange coupons	Foreign currencies coupon rate	(221)	(4,067)	(8,128)
Foreign currencies	Exchange rates	(3,898)	435,820	1,077,145
Price indexes	Inflation coupon rates	(359)	(13,667)	(27,125)
Shares	Shares prices	(1,380)	101,767	519,089
Seed Money (i)	Seed Money	(9,867)	(246,673)	(493,346)
		<b>(15,793)</b>	<b>226,023</b>	<b>995,876</b>

		<b>December 31, 2020</b>		
<b>Trading portfolio</b>	<b>Exposures</b>	<b>Scenarios</b>		
<b>Risk factors</b>	<b>Risk of variation in:</b>	<b>I</b>	<b>II</b>	<b>III</b>
Pre-fixed	Pre-fixed interest rate in Reais	(191)	(9,056)	(33,402)
Exchange coupons	Foreign currencies coupon rate	(379)	(5,508)	(11,184)
Foreign currencies	Exchange rates	(1,997)	(169,318)	(373,807)
Price indexes	Inflation coupon rates	(311)	(14,384)	(28,434)
Shares	Shares prices	(4,957)	(107,704)	(167,737)
		<b>(7,835)</b>	<b>(305,970)</b>	<b>(614,564)</b>

(i) Related to seed money strategy, which includes several risk factors that are disclosed in aggregate.

Scenario I: Increase of 1 basis point in the rates in the fixed interest rate yield, exchange coupons, inflation and 1 percentage point in the prices of shares, commodities and currencies;

Scenario II: Project a variation of 25 percent in the rates of the fixed interest yield, exchange coupons, inflation, price of shares, commodities and currencies, both rise and fall, being considered the largest losses resulting by risk factor; and

Scenario III: Project a variation of 50 percent in the rates of the fixed interest yield, exchange coupons, inflation, prices of shares, commodities and currencies, both rise and fall, being considered the largest losses resulting by risk factor.

## 29. Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on the basis of the net debt and the gearing ratio. Net debt is calculated as total debt (including borrowings, lease liabilities, Structured financing and debentures as shown in the consolidated balance sheet) less cash and cash equivalent (including cash, Securities purchased under agreements to resell and certificate deposits as shown in the consolidated statement of cash flows). The gearing ratio corresponds to the net debt expressed as a percentage of total capital.

The net debt and corresponding gearing ratios as of September 30, 2021 and December 31, 2020 were as follows:

	<b>September 30, 2021</b>	<b>December 31, 2020</b>
Company debt (Notes 30) (i)	6,991,048	827,785
Structured financing (Note 15 (b))	1,000,330	874,771
<b>Total debt</b>	<b>7,991,378</b>	<b>1,702,556</b>
Cash	(2,822,563)	(1,954,788)
Securities purchased under agreements to resell (Note 3 (a))	(548,380)	(593,673)
Certificate deposits (Securities) (Note 4 (a))	(245,976)	(111,933)
<b>Net debt</b>	<b>4,374,459</b>	<b>(957,838)</b>



Total equity	13,339,635	10,894,609
Total capital	17,714,094	9,936,771
Gearing ratio %	24.69%	(9.64)%

(i) Includes Debentures and Bonds designated as fair value through profit or loss. See Note 4(e) and 13, respectively.

#### (i) Minimum capital requirements

Although capital is managed considering the consolidated position, certain subsidiaries are subject to minimum capital requirement from local regulators.

The subsidiary XP CCTVM, leader of the Prudential Conglomerate (which includes Banco XP), under BACEN regulation regime, is required to maintain a minimum capital and follow aspects from the Basel Accord.

The subsidiary XP Vida e Previdência operates in Private Pension Business and is oversight by the SUSEP, being required to present Adjusted Shareholders' Equity (PLA) equal to or greater than the Minimum Required Capital ("CMR"), CMR is equivalent to the highest value between base capital and Venture Capital Liquidity ("CR").

At September 30, 2021 the subsidiaries XP CCTVM and XP Vida e Previdência were in compliance with all capital requirements.

There is no requirement for compliance with a minimum capital for the other Group companies.

#### (ii) Financial covenants

In relation to the long-term debt contracts, including multilateral instruments, recorded within "Borrowing" and "Debentures" (Notes 13 and 14), the Group is required to comply with certain performance conditions, such as profitability and efficiency indexes.

At September 30, 2021, the amount of contracts under financial covenants is R\$ 448,275 (December 31, 2020 – R\$619,337). The Group has complied with these covenants throughout the reporting period.

Eventual failure of the Group to comply with such covenants may be considered as breach of contract and, as a result, considered for early settlement of related obligations.

### 30. Cash flow information

#### a. Debt reconciliation

	Borrowings	Lease liabilities	Debt securities in issued (i)	Total
<b>Total debt as of January 1, 2020</b>	<b>382,078</b>	<b>255,406</b>	<b>835,230</b>	<b>1,472,714</b>
Acquisitions / Issuance	-	45,129	-	45,129
Write-off	-	(78,322)	-	(78,322)
Payments	(84,895)	(45,903)	(400,000)	(530,798)
Repurchase	-	-	(64,717)	(64,717)
Revaluation	-	(10,050)	-	(10,050)
Net foreign exchange differences	-	32,675	-	32,675
Interest accrued	10,281	15,648	20,128	46,057
Interest paid	(10,067)	-	(51,948)	(62,015)
<b>Total debt as of September 30, 2020</b>	<b>297,397</b>	<b>214,583</b>	<b>338,693</b>	<b>850,673</b>
<b>Total debt as of January 1, 2021</b>	<b>284,087</b>	<b>208,448</b>	<b>335,250</b>	<b>827,785</b>
Acquisitions / Issuance	1,570,639	79,146	4,334,562	5,984,347
Payments	(14,213)	(42,695)	(227,652)	(284,560)
Revaluation	-	24,260	-	24,260
Net foreign exchange differences	32,068	4,189	325,425	361,682
Interest accrued	12,621	12,166	68,032	92,819
Interest paid	(37)	-	(12,386)	(12,423)
<b>Total debt as of September 30, 2021</b>	<b>1,885,165</b>	<b>285,514</b>	<b>4,823,231</b>	<b>6,993,910</b>

- (i) Debt securities in issue includes Debentures measured at FVPL presented in Note 4 (e), and does not include fair value adjustments of (i) Debentures - R\$ 4,374 and (ii) Bonds - R\$ 1,512 of bonds (December 31, 2020: nil).

**b. Non-cash investing and financing activities**

Non-cash investing and financing activities disclosed in other notes are related to (i) Acquisition of investment in associates through contingent consideration – R\$ 110,554 and (ii) lease liabilities issuance – R\$ 79,146.