

29. Goodwill and intangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	2019	2018
Goodwill - Differences arising on consolidation		
Bank Millennium, S.A. (Poland)	113,032	111,853
Real estate and mortgage credit	-	40,859
Euro Bank, S.A. (Poland) (*)	38,280	-
Others	14,592	17,781
	165,904	170,493
Impairment		
Real estate and mortgage credit	-	(40,859)
Others	(13,837)	(13,278)
	(13,837)	(54,137)
	152,067	116,356
Intangible assets		
Software	189,031	142,229
Other intangible assets	67,214	56,765
	256,245	198,994
Accumulated amortisation		
Charge for the year (note 9)	(23,601)	(14,926)
Charge for the previous years	(142,081)	(126,029)
	(165,682)	(140,955)
	90,563	58,039
	242,630	174,395

(*) The operation is detailed in note 60.

According to the accounting policy described in note 1 B), the recoverable amount of the Goodwill is annually assessed in the second semester of each year or whenever there are indications of eventual loss of value. In accordance with IAS 36 the recoverable amount of goodwill resulting from the consolidation of the subsidiaries, should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on these criteria, the Group made in 2019, valuations of their investments for which there is goodwill recognised considering among other factors:

- (i) an estimate of future cash flows generated by each cash generating unit;
- (ii) an expectation of potential changes in the amounts and timing of cash flows;
- (iii) the time value of money;
- (iv) a risk premium associated with the uncertainty by holding the asset; and
- (v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods. The assumptions made for these valuations might vary with the change in economic conditions and in the market.

During 2019, there were no factors pointing to the deterioration of the value of those financial participations that could lead to impairment charges in respect of goodwill, nor the improvement of the value of those financial participations that could lead to a reversion of previously booked impairments to the goodwill.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2024. After that date, perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market. Additionally it was taken into consideration the market performance of the Bank Millennium, S.A. in the Polish capital market and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded for the absence of impairment indicators related to the goodwill of this participation.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2020 to 2024, considering, along this period, a compound annual growth rate of 7.3% for Total Assets and of 12.5% for Total Equity, while considering a ROE evolution from 9.9% in 2020 to 10.5% by the end of 2024. The exchange rate EUR/PLN considered was 4.2518 as at 31 December 2019. The Cost of Equity considered was 8.75% for the period 2020-2024 and 8,75% in perpetuity. The annual growth rate in perpetuity (g) was 2.8%.

The changes occurred in Goodwill and intangible assets during 2019 are analysed as follows:

(Thousands of euros)

	2019						Balance on 31 December
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	
Goodwill - Differences arising on consolidation	170,493	38,576	(44,608)	-	-	1,443	165,904
Impairment for goodwill	(54,137)	(559)	40,859	-	-	-	(13,837)
	116,356	38,017	(3,749)	-	-	1,443	152,067
Intangible assets							
Software	142,229	45,082	(5,476)	8,542	(2,499)	1,153	189,031
Other intangible assets	56,765	5,001	(622)	2,910	2,464	696	67,214
	198,994	50,083	(6,098)	11,452	(35)	1,849	256,245
Accumulated depreciation							
Software	(87,126)	(21,525)	45	-	690	(774)	(108,690)
Other intangible assets	(53,829)	(2,076)	196	-	(690)	(593)	(56,992)
	(140,955)	(23,601)	241	-	-	(1,367)	(165,682)
	58,039	26,482	(5,857)	11,452	(35)	482	90,563
	174,395	64,499	(9,606)	11,452	(35)	1,925	242,630

The changes occurred in Goodwill and intangible assets during 2018 are analysed as follows:

(Thousands of euros)						
	2018					
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers and changes in perimeter	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	176,929	-	(3,195)	-	(3,241)	170,493
Impairment for goodwill	(57,332)	-	3,195	-	-	(54,137)
	119,597	-	-	-	(3,241)	116,356
Intangible assets						
Software	122,124	28,697	(5,801)	(884)	(1,907)	142,229
Other intangible assets	56,731	1,505	-	137	(1,608)	56,765
	178,855	30,202	(5,801)	(747)	(3,515)	198,994
Accumulated depreciation:						
Software	(80,286)	(13,307)	5,755	(749)	1,461	(87,126)
Other intangible assets	(53,760)	(1,619)	-	31	1,519	(53,829)
	(134,046)	(14,926)	5,755	(718)	2,980	(140,955)
	44,809	15,276	(46)	(1,465)	(535)	58,039
	164,406	15,276	(46)	(1,465)	(3,776)	174,395