

## 29. Goodwill and intangible assets

This balance is analysed as follows:

	(Thousands of euros)	
	2020	2019
<b>Goodwill - Differences arising on consolidation</b>		
Bank Millennium, S.A. (Poland)	105,385	113,032
Euro Bank, S.A. (Poland) (*)	42,130	38,280
Others	14,260	14,592
	<b>161,775</b>	<b>165,904</b>
<b>Impairment</b>		
Others	(13,573)	(13,837)
	<b>148,202</b>	<b>152,067</b>
<b>Intangible assets</b>		
Software	201,918	189,031
Other intangible assets	67,777	67,214
	<b>269,695</b>	<b>256,245</b>
<b>Accumulated amortisation</b>		
Charge for the year (note 9)	(32,336)	(23,601)
Charge for the previous years	(139,607)	(142,081)
	<b>(171,943)</b>	<b>(165,682)</b>
	<b>97,752</b>	<b>90,563</b>
	<b>245,954</b>	<b>242,630</b>

(\*) Euro Bank, S.A was merged into Bank Millennium, S.A. in November 2019 (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 2020, 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 2020, 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 to 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 at the end of 2020 by the Executive Committee up to 2025. After that date, a perpetuity was considered based on the average long-term expected adjusted rate of return for this activity in the Polish market. Additionally, the market performance of Bank Millennium, S.A. in the Polish capital market was taken into consideration and the direct percentage of shareholding. Based on this analysis and the expectations of future development, the Group concluded that there is no need for impairment charges related to the goodwill of this participation.

The above mentioned business plan of Bank Millennium, S.A. comprises a five-year period, from 2021 to 2025, considering, along this period, a compound annual growth rate of 6.2% for Total Assets and of 8.4% for Total Equity, while considering a ROE evolution from 2.9% by the end of 2021 to 9.2% by the end of 2025 and 11.0% in perpetuity. The exchange rate EUR/PLN considered was 4.5603 as at 31 December 2020. The Cost of Equity considered was 8.875% for the period 2021 to 2025 and in perpetuity. The annual growth rate in perpetuity (g) was 2.37%.

The changes occurred in Goodwill and intangible assets, during 2020, are analysed as follows:

(Thousands of euros)						
2020						
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Transfers	Exchange differences	Balance on 31 December
Goodwill - Differences arising on consolidation	165,904	180	(444)	–	(3,865)	161,775
Impairment for goodwill	(13,837)	(180)	444	–	–	(13,573)
	152,067	–	–	–	(3,865)	148,202
Intangible assets						
<i>Software</i>	189,031	44,505	(15,102)	(5,362)	(11,154)	201,918
Other intangible assets	67,214	–	–	5,226	(4,663)	67,777
	256,245	44,505	(15,102)	(136)	(15,817)	269,695
Accumulated depreciation						
<i>Software</i>	(108,690)	(29,100)	14,951	221	7,203	(115,415)
Other intangible assets	(56,992)	(3,236)	–	(221)	3,921	(56,528)
	(165,682)	(32,336)	14,951	–	11,124	(171,943)
	90,563	12,169	(151)	(136)	(4,693)	97,752
	242,630	12,169	(151)	(136)	(8,558)	245,954

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

(Thousands of euros)							
2019							
	Balance on 1 January	Acquisitions / Charge	Disposals / Charged-off	Acquisition of Euro Bank	Transfers	Exchange differences	Balance on 31 December
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							
<i>Software</i>	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							
<i>Software</i>	(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