Note 13: Goodwill and Intangible Assets

Goodwill

When we acquire a subsidiary, joint venture or securities where we exert significant influence and account for the acquisition using the equity method, we allocate the purchase price paid to the assets acquired, including identifiable intangible assets, and the liabilities assumed. Any excess of the amount paid over the fair value of those net assets is considered to be goodwill.

Goodwill is not amortized; however, it is tested at least annually for impairment. The impairment test consists of allocating goodwill to our reporting units (groups of businesses with similar characteristics) and then comparing the book value of the reporting units, including goodwill, to their fair values. We determine fair value using discounted cash flows, price-to-earnings ratios, market proxies or other multiples, whichever is most appropriate under the circumstances. The excess of carrying value of goodwill over fair value of goodwill, if any, is recorded as an impairment charge in the period in which impairment is determined.

There were no write-downs of goodwill due to impairment during the years ended October 31, 2008, 2007 and 2006.

A continuity of our goodwill by reporting unit for the years ended October 31, 2008 and 2007 is as follows:

(Canadian $ in millions)			Personal and Commercial Banking				Private Client Group	BMO Capital Markets	Corporate Services	Total
	P&C Canada	P&C U.S.	Total	Client Investing	Retail Investment Products	Private Banking	Total		Technology and Operations	
Goodwill as at October 31, 2006	$ 93	$ 582	$ 675	$ 68	$ 187	$ 68	$ 323	$ 98	$ 2	$ 1,098
Acquisitions during the year	13	175	188	–	–	–	–	–	–	188
Other (1)	–	(129)	(129)	–	–	(10)	(10)	(7)	–	(146)
Goodwill as at October 31, 2007	106	628	734	68	187	58	313	91	2	1,140
Acquisitions during the year	**–**	**220**	**220**	**–**	**20**	**–**	**20**	**8**	**–**	**248**
Other (1)	**(1)**	**222**	**221**	**–**	**(1)**	**17**	**16**	**10**	**–**	**247**
Goodwill as at October 31, 2008	**$ 105**(2)	**$ 1,070**(3)	**$ 1,175**	**$ 68**(4)	**$ 206**(5)	**$ 75**(6)	**$ 349**	**$ 109**(7)	**$ 2**	**$ 1,635**

(1) Other changes in goodwill include the effects of translating goodwill denominated in foreign currencies into Canadian dollars and purchase accounting adjustments related to prior-year purchases.
(2) Relates primarily to Moneris Solutions Corporation and bcpbank Canada.
(3) Relates primarily to New Lenox State Bank, First National Bank of Joliet, Household Bank branches, Mercantile Bancorp, Inc., Villa Park Trust and Savings Bank, First National Bank & Trust, Ozaukee Bank and Merchants and Manufacturers Bancorporation, Inc.
(4) Relates to BMO Nesbitt Burns Corporation Limited.
(5) Relates to Guardian Group of Funds Ltd. and Pyrford International plc.
(6) Relates primarily to Harris myCFO, Inc.
(7) Relates to Gerard Klauer Mattison & Co., Inc., BMO Nesbitt Burns Corporation Limited and Griffin, Kubik, Stephens & Thompson, Inc.

Intangible Assets

Intangible assets related to our acquisitions are recorded at their fair value at the acquisition date. Intangible assets by category are as follows:

(Canadian $ in millions)			**2008**	2007
	Cost	**Accumulated amortization**	**Carrying value**	Carrying value
Customer relationships	**$ 96**	**$ 68**	**$ 28**	$ 12
Core deposits	**314**	**171**	**143**	75
Branch distribution networks	**178**	**146**	**32**	34
Other	**24**	**23**	**1**	3
Total	**$ 612**	**$ 408**	**$ 204**	$ 124

Intangible assets are amortized to income over the period during which we believe the assets will benefit us on either a straight-line or an accelerated basis, depending on the specific asset, over a period not to exceed 15 years. We have no intangible assets with indefinite lives. The weighted-average amortization period for customer relationships is 10.6 years, core deposits 10.6 years, branch distribution networks 15.0 years and other 6.4 years.

The aggregate amount of intangible assets that were acquired during the years ended October 31, 2008, 2007 and 2006 was $80 million, $42 million and $7 million, respectively.

We test intangible assets for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. We write them down to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value. There were no write-downs of intangible assets due to impairment during the years ended October 31, 2008, 2007 and 2006.

The total estimated amortization expense relating to intangible assets for each of the next five years is $46 million for 2009, $34 million for 2010, $29 million for 2011, $19 million for 2012 and $18 million for 2013.

Future Change in Accounting Policy

As discussed in Note 1, we will adopt the CICA's new accounting standard relating to intangible assets on November 1, 2008. The new standard clarifies the recognition and measurement criteria for intangible assets and, in particular, for intangible assets that are generated internally. The impact of implementation of this new standard is not material to our results of operations or financial position.