



## Warren Buffett Is Loading Up on American Banks: Here's a TSX Index Stock That Mirrors His Moves

### Description

Warren Buffett is betting big on American banks. According to a May fool.com article, the Oracle of Omaha had \$94 billion (or roughly half of his portfolio) in banks at that time.

Holding a particularly large position in **Bank of America** ([NYSE:BAC](#)), Buffett is a [huge bull on American financial institutions](#).

As a Canadian investor, you face a certain amount of foreign exchange risk when buying U.S. banks directly — but that doesn't mean you can't copy Buffett's bank plays.

As it turns out, there's a Canadian bank with a lot of U.S. exposure that resembles Buffett's favourite financial institutions.

The name of that bank?

## The Toronto-Dominion Bank

**The Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) is Canada's fastest-growing big bank. Although some small banks are growing earnings faster, TD is by far the biggest growth star out of the Big Six.

Thanks to its historical outperformance, TD is slightly more expensive than its peers, but it has the earnings and dividend history to justify its steep valuation.

### “The most American of Canadian banks”

What makes TD Bank a “Buffett-like” play is its large and expanding U.S. Retail business. With over 30% of its total earnings coming from the U.S., TD is by far the most American of Canadian banks, and in some ways similar to the U.S. banks that Buffett is buying.

TD's U.S. Retail business grew at 29% year over year in its most recent quarter. This is actually better than Bank of America's growth in the same period—it grew 13% year-over-year.

Granted, I'm comparing TD's U.S. business to Bank of America's *entire* business; BoA is growing slightly faster than TD overall. However, TD's U.S. retail *division* is easily among the fastest-growing banks in the U.S., an impressive feat in itself.

## Stricter lending rules than many of its U.S. counterparts

One major point in favour of TD is its conservative lending rules. The bank [emphasizes achieving risk-adjusted returns](#), which means that management focuses on the soundness of its loans as much as potential income.

This is in contrast to many U.S. banks, which have fairly lax lending rules. According to The Lenders Network, the average down payment on a U.S. home in 2016 was just 6%.

This is a small percentage, historically speaking, and may put the banks issuing the mortgages at risk. TD's conservative practices, however, insulate it from these risks.

## Foolish takeaway

TD Bank is a well-rounded financial institution, with a rock-solid combination of growth, geographic diversification and financial conservatism. Although Warren Buffett hasn't bought shares in TD, the bank resembles his U.S. banking plays in many ways.

If you're looking for a quality Canadian financial services play with a solid combination of growth and dividend income, TD may be one to consider.

Just remember that TD's overall growth is somewhat more tepid than pure-play U.S. banks and that it's a little more expensive than other Canadian banks.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
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### TICKERS GLOBAL

1. NYSE:BAC (Bank of America)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:TD (The Toronto-Dominion Bank)

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**Date**

2025/07/03

**Date Created**

2019/08/06

**Author**

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