3 Reasons Why Bank of Nova Scotia Shares Have Declined by 18% in the Last 2 Years

Description

The past 12 months have not been pleasant for Canadian bank shareholders. But **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) shares have been particularly hard hit—over the past 12 months, the company's share price has fallen by nearly 18%.

We take a look at three reasons why below.

1. Struggles in the Caribbean

Caribbean countries have struggled in recent years, mainly due lackluster tourism numbers in the wake of the financial crisis. That's been bad news for the banks in the region, who have often found themselves stuck with bad debt from hotel developers.

BNS has been caught up in the mix. The bank has a long history in the Caribbean, and new CEO Brian Porter is committed to the region, but the bank's numbers there have not been good. The most prominent example occurred last November, when the bank incurred $450 million of write-downs, much of it due to weakness in the Caribbean.

2. Concerns about Latin America

When assuming the CEO role, Mr. Porter said that BNS's International Banking division would focus on four "core" countries: Mexico, Colombia, Peru and Chile. But these countries have their own host of problems.

Mexico is the most promising of the four, yet is still dealing with a host of issues, including stagnant economic growth and rising poverty rates. Colombia is struggling with low prices for coal and oil. Peru and Chile are big copper exporters, and are struggling with low prices for the metal.

As these countries struggle, it could easily have a negative impact on BNS's business. Demand for loans may dry up, and credit losses could rise as well.

3. Concerns about Canada

Of course, there are plenty of concerns about Canada, and these are well documented. The country is technically in recession mainly due to low oil prices. Consumer debt remains near record levels, and the housing market is due for a correction. And, of course, low interest rates are cutting into lending margins.

As a result, each of the big Canadian bank stocks have fallen by at least 9% in the last 12 months.

Is BNS worth buying?

BNS may have its struggles, but this hasn't had a major impact on its business. In its most recent quarter, the bank grew adjusted earnings by 4% year over year and raised its quarterly dividend by $0.02.

So, it's hard to see how an 18% decline in BNS's share price is warranted. After all, the bank now trades at just 11 times earnings, despite having plenty of growth opportunities internationally. A similar argument could be made for the other Canadian banks, too.

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