- Provision for loan losses of $217.4 million (2016 - $134.3 million) was recorded in the statements of income for the current year. During Q4-2017, the Company recorded a provision for loan loss of $131.9 million on one specific loan concentrated in the energy sector. As at December 31, 2017, the loan has a gross loans receivable amount of $216.9 million. The Company believes that as a result of the culmination in Q4-2017 of certain events, including (i) sanctions imposed by the U.S. and Canadian governments prohibiting certain types of business activity in the South American country where the borrower has significant commercial interests; (ii) a default on sovereign bonds and subsequent sovereign rating downgrade of the country where the borrower has significant commercial interests; and (iii) the nation's military assuming management control of the borrower's main customer (a state-owned oil and gas company), it was appropriate for the Company to record a provision for loan loss on this specific loan. The recoverable amount for this loan was determined using a discounted cash flow analysis. The significant valuation assumptions used to determine the recoverable amount include a 50% probability on the execution of a significant contract, a 17.5% probability on successful acquisition of continued business at the end of the contract period, a discount rate of 21.9% on the significant contract, terminal growth rate of 2.75% and terminal year of 2022 for cash flows projected for 2018 – 2022, average annual EBITDA of $87.5 million. The discount rate represents the market-based weighted-average cost of capital adjusted for risks specific to the operating region and the terminal growth rate represents an estimate of long term nominal GDP growth. Significant risk factors that could cause actual results to differ materially from the estimates used in the valuation include: (1) the borrower's ability to execute the project contract; (2) the borrower's ability to secure continued business at the end of the contract period; (3) the borrower's ability to achieve forecasted EBITDA targets; (4) unexpected changes in working capital requirements; (5) political risk associated with the country of operations; (6) competitor risk; (7) borrower's ability to obtain sufficient and appropriate insurance and (8) execution risk. The value of the contract varies significantly depending on whether the project proceeds. Assuming valuation parameters remain unchanged, should the project proceed and the borrower successfully secure follow-on business at the end of the contract, the increase in the value would result in the gross loans receivable being fully repaid resulting in a non-cash $131.9 million recovery as a reversal of this quarter's related loan loss provision. However, should the contract not proceed, the gross loans receivable outstanding to the borrower could be impaired by a further $64 million as at December 31, 2017.