



**GOVERNMENT OF MALAWI**

(Issued under the provisions of the Malawi Public Finance Act)

**K5.00 BILLION FIVE-YEAR FIXED COUPON TREASURY NOTE  
ISSUE GM-5 YN 1/12-2011**

The Government of Malawi as fiscal authorities in the Republic of Malawi invites bids for the above Treasury note whose terms are as follows:

**A. TERMS AND CONDITIONS**

<b>1. Issuer:</b>	Government of Malawi
<b>2. Purpose:</b>	Debt restructuring
<b>3. Mode:</b>	Multiple price bid auction
<b>4. Auction frequency:</b>	Monthly or as otherwise prescribed by the Government until fully subscribed
<b>5. Initial auction</b>	23 <sup>rd</sup> December, 2011
<b>6. Tenor:</b>	5 years
<b>7. Settlement date:</b>	Funds to be received by 15:00 hours on value date (T+7) by debit of customer accounts at commercial banks
<b>8. Price per K100 Par Value of Treasury note:</b>	Quoted at discount to four (4) decimal places
<b>9. Minimum bid size:</b>	K100,000 and multiples of K10,000 thereafter
<b>10. Access to bid forms</b>	Investors are required to complete bid forms available at Reserve Bank of Malawi offices and ON Reserve Bank of Malawi website
<b>11. Bids closure</b>	11:00 am hours on auction day
<b>12. Non-competitive bids:</b>	Non-competitive bidding strictly prohibited
<b>13. Coupon:</b>	10 percent per annum
<b>14. Coupon payments:</b>	Semi-annual
<b>15. Day count convention:</b>	Actual/365
<b>16. Tax:</b>	Discount/interest amount is subject to withholding tax as provided for under existing tax laws
<b>17. Form of issuance:</b>	Physical certificates
<b>18. Rediscounting:</b>	RBM will rediscount as a last resort
<b>19. Listing:</b>	The Treasury note will be listed on the Malawi Stock Exchange
<b>20. Trading:</b>	Secondary trading to commence a week after each auction
<b>21. Eligibility:</b>	Unrestricted
<b>22. Right to accept applications:</b>	Government through Reserve Bank of Malawi reserve the right to accept bids in full or part thereof or reject them in total without giving any reason

For further details contact any of the following:-

- Financial Markets Department, Reserve Bank of Malawi, P O Box 30063, Lilongwe 3
- Tel: 01925244, 01772157,01770600 Fax: 01772219, 01774498
- e-Mail: [gylnote@rbm.mw](mailto:gylnote@rbm.mw)
- website: [www.rbm.mw](http://www.rbm.mw)

## B. GENERAL INFORMATION

### 1. Notice

- This prospectus only applies to Treasury notes issued under this prospectus.

### 2. Advantages of the Treasury note

- It is transferable and negotiable.
- It can be pledged as collateral.
- The rate of return is competitive.
- It is issued through market-based procedures.

### 3. Auction Process

- A press release will be issued one week before each auction, announcing the auction date, size of issue, and other terms and conditions.
- Investors are invited to submit bids using prescribed tender forms, which will be available at Reserve Bank of Malawi offices and website.
- The auction for the 5-year note will be conducted on a multiple price bid basis whereby each successful bidder pays the price quoted for the amount tendered. Bids are listed, starting with the highest bid price, down to the lowest bid price that exhausts the face value amount of the note offered for sale.
- Results of the auction will be published on the Reserve Bank of Malawi website: <http://www.rbm.mw> as well as in the print media.

### 4. Payment and Settlement Procedures

- Successful bidders are obliged to settle their bids within seven days from auction date (T+7).
- Payment shall be received by 15:00 hours on value date by debit of customer accounts at commercial banks.
- In case of non-compliance with the time limit for payment, successful bidders will be disqualified from participation in subsequent auctions. In case of failed settlement, Reserve Bank of Malawi reserves the right to indefinitely bar the investor from participating in all or subsequent auctions.
- Coupon will be paid semi-annually by crediting customer accounts at commercial banks.

### 5. Redemption

- On maturity, the notes will be redeemed directly at Reserve Bank of Malawi.
- Investors will receive the par value (100 percent) of their respective bids.

### 6. Secondary Market Trading

- After the primary auction, the note may be traded on the Malawi Stock Exchange.
- Rules and guidelines for trading notes on the Malawi Stock Exchange shall apply.
- The listing price for the note shall equal the weighted average price from the primary auction.
- Malawi Stock Exchange will notify Reserve Bank of Malawi immediately after transactions occur to allow Reserve Bank of Malawi update its register with respect to holders of respective securities.

## C. BASIC COMPUTATIONS

### I. Calculating the Price and Yield to Maturity (YTM) of a Treasury note

The price and yield to maturity of a Treasury note are inversely related. Thus, if the price is given, an investor can calculate the yield on the Treasury note. Alternatively, an investor can work out the price he/she would be willing to pay for a Treasury note given his/her yield requirement.

The price of a Treasury note, P, is calculated using the following formula:

$$P = \frac{C}{(1+i)^1} + \frac{C}{(1+i)^2} + \dots + \frac{C}{(1+i)^n} + \frac{M}{(1+i)^n}$$

Where: C=semi-annual coupon (interest payment)

n=number of payment periods (number of years multiplied by 2)

i=interest rate or required yield

M=value at maturity or par value

#### **Example: Price to Yield**

In the case of a 5-year Treasury note with a coupon rate of 10% p.a. payable semi-annually and the weighted average price achieved in the auction was 103.9564:

$$P = 103.9564 = \frac{5}{(1+i)^1} + \frac{5}{(1+i)^2} + \frac{5}{(1+i)^3} + \frac{5}{(1+i)^4} + \frac{5}{(1+i)^5} + \frac{5}{(1+i)^6} + \frac{5}{(1+i)^7} + \frac{5}{(1+i)^8} + \frac{5}{(1+i)^9} + \frac{5}{(1+i)^{10}} + \frac{100}{(1+i)^{10}}$$

Solving for *i* produces an interest rate or required yield of 9.000% p.a.

For ease of calculation, the following table provides guidance in terms of yield and price:

Yield to maturity	Price per K100	Yield to maturity	Price per K100	Yield to maturity	Price per K100	Yield to maturity	Price per K100	Yield to maturity	Price per K100	Yield to maturity	Price per K100
4.000	126.9478	7.000	112.4749	10.000	100.0000	13.000	89.2168	16.000	79.8698	19.000	71.7454
4.125	126.3003	7.125	111.9175	10.125	99.5189	13.125	88.8002	16.125	79.5082	19.125	71.4307
4.250	125.6568	7.250	111.3636	10.250	99.0406	13.250	88.3862	16.250	79.1487	19.250	71.1177
4.375	125.0175	7.375	110.8131	10.375	98.5653	13.375	87.9746	16.375	78.7913	19.375	70.8066
4.500	124.3821	7.500	110.2660	10.500	98.0928	13.500	87.5654	16.500	78.4360	19.500	70.4972
4.625	123.7507	7.625	109.7222	10.625	97.6232	13.625	87.1587	16.625	78.0828	19.625	70.1896
4.750	123.1233	7.750	109.1818	10.750	97.1564	13.750	86.7544	16.750	77.7316	19.750	69.8837
4.875	122.4998	7.875	108.6447	10.875	96.6924	13.875	86.3524	16.875	77.3824	19.875	69.5796
5.000	121.8802	8.000	108.1109	11.000	96.2312	14.000	85.9528	17.000	77.0353	20.000	69.2772
5.125	121.2644	8.125	107.5804	11.125	95.7728	14.125	85.5556	17.125	76.6902	20.125	68.9763
5.250	120.6525	8.250	107.0531	11.250	95.3171	14.250	85.1607	17.250	76.3470	20.250	68.6775
5.375	120.0445	8.375	106.5290	11.375	94.8642	14.375	84.7682	17.375	76.0059	20.375	68.3802
5.500	119.4402	8.500	106.0082	11.500	94.4140	14.500	84.3780	17.500	75.6667	20.500	68.0846
5.625	118.8397	8.625	105.4905	11.625	93.9664	14.625	83.9900	17.625	75.3294	20.625	67.7906
5.750	118.2429	8.750	104.9760	11.750	93.5216	14.750	83.6044	17.750	74.9942	20.750	67.4984
5.875	117.6498	8.875	104.4646	11.875	93.0794	14.875	83.2210	17.875	74.6608	20.875	67.2077
6.000	117.0604	9.000	103.9564	12.000	92.6399	15.000	82.8398	18.000	74.3294	21.000	66.9187
6.125	116.4747	9.125	103.4512	12.125	92.2030	15.125	82.4609	18.125	73.9998	21.125	66.6314
6.250	115.8926	9.250	102.9491	12.250	91.7687	15.250	82.0842	18.250	73.6722	21.250	66.3456
6.375	115.3141	9.375	102.4501	12.375	91.3370	15.375	81.7097	18.375	73.3464	21.375	66.0615
6.500	114.7392	9.500	101.9541	12.500	90.9079	15.500	81.3374	18.500	73.0225	21.500	65.7790
6.625	114.1678	9.625	101.4611	12.625	90.4813	15.625	80.9672	18.625	72.7005	21.625	65.4980
6.750	113.6000	9.750	100.9711	12.750	90.0573	15.750	80.5993	18.750	72.3803	21.750	65.2187
6.875	113.0357	9.875	100.4841	12.875	89.6358	15.875	80.2334	18.875	72.0620	21.875	64.9409

**D. SAMPLE OF BID FORM**



**GOVERNMENT OF MALAWI**

**BID FORM FOR 5-YEAR TREASURY NOTE ISSUE GM-5YN 1/12-2011**

**NAME OF BIDDER:** .....

**MAILING ADDRESS:** .....

.....

**FAX NO.:** ..... **TEL NO.:** .....

**Auction Date:** ..... **Settlement Date:** .....

**Bidder's Bank:** ..... **Settlement A/C No.:** .....

**Branch:** .....

BID NUMBER	AMOUNT APPLIED FOR (MK)	BID PRICE	BID NUMBER	AMOUNT APPLIED FOR (MK)	BID PRICE
1			6		
2			7		
3			8		
4			9		
5			10		

Upon being successful I/we hereby authorize my/our banker to debit our indicated settlement account. The amount to be debited will be the cost of the Treasury notes awarded to us.

Authorized signatory (ies) .....

Mail or fax to: Director, Financial Markets, Reserve Bank of Malawi, P.O. Box 30063, Capital City, Lilongwe 3; Fax No.: 01772219; 01774498

**E. REGISTERED COMMERCIAL BANKS AND DISCOUNT HOUSES**

The following are commercial banks that have been registered by Reserve Bank of Malawi to date:

- (i) Ecobank Ltd.
- (ii) First Merchant Bank Ltd
- (iii) Indebank Ltd.
- (iv) Malawi Savings Bank Ltd.
- (v) National Bank of Malawi Ltd.
- (vi) NBS Bank Ltd.
- (vii) NedBank Ltd.
- (viii) Opportunity International Bank Malawi Ltd.
- (ix) Standard Bank Ltd.

The following are discount houses that have been registered by Reserve Bank of Malawi to date:

- (i) Continental Discount House
- (ii) First Discount House

**GOVERNMENT OF MALAWI  
DECEMBER, 2011**