

**C. SAMPLE OF BID FORM**



**GOVERNMENT OF MALAWI**

**BID FORM FOR 5-YEAR DEVELOPMENT BOND ISSUE – 14 APRIL 2020**

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

**IDENTIFICATION NUMBER (UID as supplied by RBM):** .....

**DATE OF BIRTH (Individuals only and those without UID):** .....

**REGISTRATION NUMBER (Companies and Institutions only and those without UID):** .....

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

**EMAIL ADDRESS:** .....

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

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

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

**Branch:** .....

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

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 bonds 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 Nos: 01772219;  
Email: RBMDealers@rbm.mw

**\*\*\*\*PLEASE SEND THIS FORM DIRECTLY TO YOUR BANKERS THROUGH THE CONTACT DETAILS PROVIDED OVERLEAF\*\*\*\***

## D. BASIC COMPUTATIONS

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

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

The price of a bond,  $P$ , is calculated using the following formula:

$$P = \frac{C}{(1+i)^1} + \frac{C}{(1+i)^2} + \frac{C}{(1+i)^3} + \frac{C}{(1+i)^4} + \dots + \frac{C}{(1+i)^6} + \frac{M}{(1+i)^n}$$

Where:  $C$ =semi-annual coupon (interest payment), and is fixed by the Government

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

$i$ =interest rate or required yield, as preferred by the investor

$M$ =value at maturity or par value

#### Example: Price to Yield

In the case of a 3-year bond with a coupon rate of 8% p.a. payable semi-annually;

$$P = \frac{4}{(1+i)^1} + \frac{4}{(1+i)^2} + \frac{4}{(1+i)^3} + \frac{4}{(1+i)^4} + \frac{4}{(1+i)^5} + \frac{4}{(1+i)^6} + \frac{100}{(1+i)^6}$$

$C$ , an annual Coupon payment of K8.00 for every K100 invested (coupon rate of 8% p.a.), is paid twice a year with each payment amounting to K4.

Now suppose the investor chooses an interest rate ( $i$ ) of 10% per annum. The average weighted average price achieved in the auction will be **94.9243**:

$$P = \frac{4}{(1+0.05)^1} + \frac{4}{(1+0.05)^2} + \frac{4}{(1+0.05)^3} + \frac{4}{(1+0.05)^4} + \frac{4}{(1+0.05)^5} + \frac{4}{(1+0.05)^6} + \frac{100}{(1+0.05)^6}$$

$$P = 94.9243$$

Note:  $i = 10\%/2 = 0.05$  since interest will be paid twice a year

### BANKS CONTACT DETAILS

Bank	Fax Number	E-mail Address	Telephone Number
CDH Investment Bank	01830679/01 822 826	treasury@cdh-malawi.com	01 822 840 / 01 821 300
Ecobank	01820583/01822683	ALLEMW-Treasury@ecobank.com	01 820 919
FDH Bank	01 823 044	bankdealers@fdh.co.mw	01 832 080/01 827 115
First Capital Bank	01821978 / 01822876	FirstCapitalBankDealers@firstcapitalbank.co.mw	01 824 994
National Bank	01 824 868/01820464	nbmdealers@natbankmw.com	01820846/01824303(559) / 01833072
NBS Bank	01 875 041/01876519	treasury@nbsmw.com	01 876 222
Nedbank	01 823 908	dealers@mw.nedcor.com	01 822 116 (477)
New Finance Bank	01 772 435/ 01 772 433	treasury@nfb.mw	01 772 735 (437)
Standard Bank	01 771 334	globalmarkets@standardbank.co.mw	01 771 332 /01 774 688