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Here's one bank that really has the numbers

TIM BOREHAM

Kina Securities (KSL) 86c

Which ASX-listed bank is the most "unquestionably strong" of its listed cohorts on a capital adequacy basis and also produces the highest net interest margins and sector-leading lending growth?

Not Commonwealth Bank, which is all about what went unquestionably wrong with its money-laundering affair rather than how unquestionably strong its balance sheet is.

Don't look at the other four pillars, either. Look further north — no, not at Bank of Queensland but even further upwards to Port Moresby-based Kina Securities.

On the raw comparisons, Kina should be the poster child of the banking sector: its capital adequacy stands at a whopping 30 per cent compared with a local average of about 12 per cent.

Despite the drag of holding so many assets as capital, the bank's return on equity is a creditable 13 per cent.

Last year, Kina generated loan growth of 62 per cent with a net interest margin of more than 8 per cent. In comparison, CBA last week reported 5.6 per cent loan growth — on a much bigger book, of course — and on an across-the-board margin of 2.1 per cent

Kina listed in July 2015 at $1 a share, the product of broker and wealth manager Kina Group merging with Maybank, PNG's fourth-biggest bank. The bank competes with Westpac, ANZ and Bank South Pacific, which makes for an Aussie-style oligopoly. Ahead of its August 23 half-year results, Kina last week pre-announced an underlying profit of 10 million kina ($4m), down 50 per cent.

The statutory profit of 3m kina reflected a one-off 7 million kina lease termination payment.

The reduction in first-half earnings was attributed to lower foreign exchange income because of the termination of a former relationship, implying a strong reliance on trading income.

Kina trades on an earnings multiple of less than 10 times, a sharp discount to the Australian sector average of about 14 times.

There's a fundamental reason: while the company might be well run, earnings are 100 per cent exposed to Papua New Guinea, a nation reliant on a few resource projects for economic growth.

The talking point of this month's disputed election — which saw Prime Minister Peter O'Neill returned to power — was the country's budget blowout and its uncomfortable public debt, now 34.5 per cent of GDP.

While the kina (as in the currency) has depreciated in recent years, it is still considered too high for the country's good.

Kina is a quirky and oft-overlooked member of the ASX banking club. But with higher returns there are also risks, and the country's parlous economy explains why. Then again, a money-laundering scandal is something you would expect to afflict a third-world bank and not our leading domestic financial institution.

In June, Kina said long-serving chief executive Syd Yates would step aside in favour of Greg Pawson. As a former Westpac head honcho for the bank's southeast Asia-Pacific operations, Pawson is familiar with the travails of operating in the region.

MyFiziq (MYQ) 6c

The last thing your columnist wants to know is the true gruesome extent of his middle-age spread, but there are plenty of exponents of the body beautiful who want an accurate measure of weight loss.

MyFiziq has devised an app that not only measures overall body weight more accurately than the standard BMI (body mass index) or tape measure, but also measures specific bodily regions across 72,000 data points. "It can even adjust for breathing," CEO Vlado Bosanac says.

The app is based on creating an on-screen avatar, in effect an updated pic of the user's body.

The app has been available on the Apple store for a number of months, with 8500 users to date.

But the company realises no one — except Apple — makes money from direct consumer apps, with MyFiziq's real prospects based on "business to business to consumer" partnering deals. A former competitive bodybuilder, Bosanac knocked on the door of 27 fitness-related companies to solicit interest. "I can put my hand on my heart and say there wasn't a company that said they didn't get it," he says.

In June, the expended shoe leather paid off and the company signed a deal with Singapore's Gold Quay Capital, which entails Gold Quay injecting $2m of cash into MyFiziq and then spending a further $3m to fund a version of the app for medical diagnostics.

The key target markets are health and life insurers, which would love to receive the updated and reliable vital statistics of their customers for risk assessment purposes. (Australian health insurers can't price on health risks but the rules are different elsewhere.) Doctors and hospitals are also obvious targets.

On the fitness side, the company also cites global brands "whose interests are aligned with

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the product". These include Nike, UnderArmour (sports clothing), Adidas/Reebok and Asics, and one can assume they are potential partners.

MyFiziq burnt $766,000 in cash in the June quarter and is yet to record any revenue.

The company raised $6m in its August 2015 IPO at 20c apiece and now has $1.2m of cash, but with a $1.5m down payment from the Singaporeans due any day.

The company also expects a "substantial" R&D refund.

Bosanac says the company doesn't need to pass the hat around and is in good shape despite the languishing share price. But a deal with a global fitness giant would really get investors' hearts pumping.

Tim Boreham is the editor of The New Criterion.

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