FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
SEC Accession No. 0000075754-94-000001

(HTML Version on secdatabase.com)

FILER

PAINE WEBBER GROUP INC
CIK:**75754**| IRS No.: **132760086** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-07367** | Film No.: **94528236**
SIC: **6211** Security brokers, dealers & flotation companies

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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission file number 1-7367

PAINE WEBBER GROUP INC.
(Exact name of Registrant as specified in its charter)

Delaware	13-2760086
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1285 Avenue of the Americas, New York, N.Y.	10019
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 713-2000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.   Yes X   No ____

On May 5, 1994, the Registrant had outstanding 76,480,395 shares of common stock of $1 par value, which is Registrant's only class of common stock.

PAINE WEBBER GROUP INC.
FORM 10-Q
March 31, 1994

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

Paine Webber Group Inc.
Consolidated Statements of Income (unaudited)
(In thousands of dollars except share and per share amounts)

	Three Months Ended March 31, 1994	1993
Revenues		
Commissions	$ 280,656	$ 242,131
Principal transactions	183,874	202,595
Investment banking	97,594	101,689
Asset management	91,383	73,336
Other	30,904	21,466
Interest	398,037	289,484
Total revenues	1,082,448	930,701
Interest expense	330,371	233,951
Net revenues	752,077	696,750
Non-interest expenses		
Compensation and benefits	431,714	395,310
Office and equipment	55,426	51,547
Communications	31,998	29,524
Business development	22,007	18,698
Professional services	18,330	13,312
Brokerage, clearing & exchange fees	21,978	18,955
Other	77,877	53,201
Total non-interest expenses	659,330	580,547
Income before taxes	92,747	116,203
Provision for income taxes:		
Federal	23,079	30,990
State, local and foreign	14,020	14,329
	37,099	45,319

Net income	$ 55,648	$ 70,884
Earnings applicable to common shares	$ 55,648	$ 70,351
Earnings per common share:		
Primary	$ 0.71	$ 0.89 <F1>
Fully diluted	$ 0.70	$ 0.84 <F1>
Weighted average common shares:		
Primary	79,911,116	79,320,235 <F1>
Fully diluted	81,316,668	85,746,403 <F1>
Dividends declared per common share	$ 0.12	$ 0.08 <F1>

[FN]
<F1> Retroactively adjusted to reflect the three-for-two common stock split in the form of a 50% stock dividend, effective March 10, 1994 to to stockholders of record on February 17, 1994.

See notes to consolidated financial statements.

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Paine Webber Group Inc.
Consolidated Statements of Financial Condition (unaudited)
(In thousands of dollars except share and per share amounts)

	March 31, 1994	December 31, 1993
Assets		
Cash and cash equivalents	$ 297,076	$ 241,038
Cash and securities segregated and on deposit for Federal and other regulations	403,030	327,172
Securities inventory, at market value	14,505,800	14,847,229
Securities borrowed or purchased under agreements to resell	18,948,146	16,190,818
Receivables:		
Clients	3,638,590	3,417,093
Brokers and dealers	483,687	908,468
Dividends and interest	195,099	205,296
Fees and other	207,731	155,289
Office equipment and leasehold improvements, net of accumulated depreciation and amortization of $219,182 at March 31, 1994 and $209,738 at December 31, 1993	237,080	228,441
Other assets	550,605	506,065
	$39,466,844	$37,026,909
Liabilities and Stockholders' Equity		
Short-term borrowings	$ 1,821,514	$ 2,779,213
Securities sold but not yet purchased, at market value	7,924,201	7,365,877
Securities loaned or sold under agreements to repurchase	21,941,314	19,029,553
Payables:		
Clients	2,574,717	2,745,209
Brokers and dealers	470,731	664,260
Dividends and interest	239,249	265,975
Other liabilities and accrued expenses	645,664	693,947
Income taxes	91,627	62,174
Accrued compensation and benefits	245,796	289,572
	35,954,813	33,895,780
Long-term borrowings	2,264,520	1,936,082
	38,219,333	35,831,862
Commitments and contingencies		

Stockholders' Equity
Common stock, $1 par value, 100,000,000 shares authorized; issued 83,989,865 shares at

March 31, 1994; 83,603,262 shares at December 31, 1993	83,990	83,603
Additional paid-in capital	573,933	568,487
Retained earnings	767,564	721,115
	1,425,487	1,373,205
Common stock held in treasury, at cost: 7,328,244 shares at March 31, 1994; 6,568,433 shares at December 31, 1993	(126,454)	(112,390)
Unamortized cost of restricted stock	(50,148)	(60,980)
Foreign currency translation adjustment	(1,374)	(4,788)
	1,247,511	1,195,047
	$39,466,844	$37,026,909

See notes to consolidated financial statements.

Paine Webber Group Inc.
Consolidated Statements of Cash Flows (unaudited)
(In thousands of dollars)

	Three Months Ended March 31,	
	1994	1993
Cash flows from operating activities:		
Net income	$ 55,648	$ 70,884
Adjustments to reconcile net income to cash used for operating activities:		
Noncash items included in net income:		
Depreciation and amortization	9,593	7,565
Deferred income taxes	(9,793)	4,574
Amortization of deferred charges	30,227	17,833
Other	21,269	18,019
(Increase) decrease in operating receivables:		
Clients	(222,656)	416
Brokers and dealers	424,781	(505,602)
Dividends and interest	10,197	(13,890)
Fees and other	(52,443)	22,593
Increase (decrease) in operating payables:		
Clients	(170,492)	(150,671)
Brokers and dealers	(193,529)	361,382
Dividends and interest	(26,726)	23,969
Other	(76,598)	(108,097)
(Increase) decrease in:		
Securities inventory	341,429	(2,224,696)
Securities borrowed or purchased under agreements to resell	(3,804,739)	(995,475)
Cash and securities on deposit	(75,858)	2,721
Other assets	(54,060)	(22,844)
Increase (decrease) in:		
Securities sold but not yet purchased	558,324	1,996,409
Securities loaned or sold under agreements to repurchase	2,455,652	470,084
Cash used for operating activities	(779,774)	(1,024,826)
Cash flows from financing activities:		
Net proceeds from (payments on):		
Short-term borrowings	(957,699)	(276,548)
Securities sold under agreements to repurchase, net of securities purchased under agreements to resell	1,503,520	912,465
Proceeds from:		
Issuance of long-term borrowings	382,363	386,209
Employee stock transactions	8,829	4,643
Payments for:		
Settlement of long-term borrowings	(54,341)	(76,755)
Repurchases of common stock	(19,735)	(27,743)
Dividends	(9,199)	(6,722)

Cash provided by financing activities	853,738	915,549
Cash flows from investing activities:		
Net payments for:		
Office equipment and leasehold improvements	(17,926)	(11,068)
Cash used for investing activities	(17,926)	(11,068)
Increase (decrease) in cash and cash equivalents	56,038	(120,345)
Cash and cash equivalents, beginning of period	241,038	282,990
Cash and cash equivalents, end of period	$ 297,076	$ 162,645

See notes to consolidated financial statements.

Paine Webber Group Inc.
Notes to Consolidated Financial Statements (unaudited)
(In thousands of dollars except share and per share amounts)

Basis of Presentation

The consolidated financial statements include the accounts of Paine Webber Group Inc. ("PWG") and its wholly owned subsidiaries, including its principal subsidiary, PaineWebber Incorporated ("PWI"), (collectively the "Company"). All material intercompany balances and transactions have been eliminated. The financial information as of and for the periods ended March 31, 1994 and 1993 is unaudited. However, in the opinion of management of the Company, such information includes all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation. These financial statements should be read in conjunction with the most recent annual report. Certain reclassifications have been made in prior year financial statements to conform to current year presentations. The Company's principal line of business is to serve the investment and capital needs of individual, corporate, institutional and public agency clients.

Securities Inventory

Securities inventory and securities sold but not yet purchased, which consist of the Company's trading accounts, are recorded at market value and are comprised of:

	March 31, 1994	December 31, 1993
Securities inventory:		
U.S. government and agency obligations	$ 8,881,410	$ 8,453,431
First mortgage notes held for resale	2,240,498	3,125,445
State and municipal obligations	681,419	719,008
Commercial paper and other short-term debt	700,099	652,636
Corporate debt securities	1,296,622	864,293
Corporate equity securities	705,752	1,032,416
	$14,505,800	$14,847,229
Securities sold but not yet purchased:		
U.S. government and agency obligations	$ 6,904,723	$ 6,395,861
State and municipal obligations	18,534	25,653
Corporate debt securities	381,227	177,611
Corporate equity securities	619,717	766,752
	$ 7,924,201	$ 7,365,877

Short-Term Borrowings

The Company meets its short-term financing needs by obtaining bank loans on either a secured or unsecured basis; by issuing commercial paper and medium-term notes; by entering into repurchase agreements, whereby securities are sold with a commitment to repurchase at a future date; and through securities lending activity.

Included in short-term borrowings at March 31, 1994 and December 31, 1993 were the following:

	March 31, 1994	December 31, 1993
Commercial paper	$ 958,756	$1,083,483
Bank loans	802,758	1,670,730
Medium-Term Notes	60,000	25,000
	$1,821,514	$2,779,213

Long-Term Borrowings

Long-term borrowings at March 31, 1994 and December 31, 1993 consisted of the following :

	March 31, 1994	December 31, 1993
Fixed Rate Notes Due 1995-2014	$1,197,420	$ 998,156
Fixed Rate Subordinated Notes Due 2002	174,258	174,236
Medium-Term Senior Notes	381,475	331,975
Medium-Term Subordinated Notes	374,150	298,650
Bank Term Loans	70,000	70,000
Convertible Debentures	19,610	15,435
Other	47,607	47,630
	$2,264,520	$1,936,082

As of March 31, 1994, the Company had $755,625 of Medium-Term Senior and Subordinated Notes outstanding, with maturities of one year to thirty years from the date of issuance, at a weighted average interest rate of 5.50%.

On February 8, 1994, the Company issued $200,000 of 7 5/8% Senior Notes due February 15, 2014 at a discount of $812. The Notes are not redeemable prior to maturity. Interest on the Notes is payable semiannually on February 15 and August 15.

Total interest payments relating to repurchase agreements, short-term borrowings, stock loans and long-term borrowings were $359,996 and $199,982 for the three months ended March 31, 1994 and 1993, respectively.

Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

Market Risk

In the normal course of business, the Company enters into transactions in a variety of financial instruments as part of the Company's market risk management, trading and financing activities, and to facilitate client transactions. These financial instruments include forward and futures contracts, option contracts, interest rate swaps and other contracts committing the Company to purchase or deliver other instruments at specified future dates and prices, or to make or receive payments based on notional amounts and specified rates or indices.

These financial instruments involve varying degrees of off-balance-sheet market risk. Market risk is the potential change in value of the financial instrument caused by unfavorable changes in interest rates, foreign currency exchange rates or the market values of the securities underlying the instruments. The Company monitors its exposure to market risk through a variety of control procedures, including review of trading positions and hedging strategies, and establishing limits by the Risk Management Committee.

These contracts are valued at market, and unrealized gains and losses are reflected in the financial statements. The gross contract or notional amounts of the financial instruments which are not reflected in the Consolidated Statements of Financial Condition, are set forth in the following table and provide only a measure of the Company's involvement in these contracts at March 31, 1994 and December 31, 1993. They do not represent amounts subject to market risks and, in many cases, serve to reduce the Company's overall exposure to market and other risks.

Notes to Consolidated Financial Statements (continued)

Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk (continued)

Market Risk (continued)

	March 31, 1994	December 31, 1993
Mortgage-backed securities, forward contracts and options written	$50,335,313	$54,803,708
Foreign exchange forward contracts, futures contracts and options written	4,800,379	2,819,063
Securities contracts including futures, forwards and options written	10,775,765	7,832,106
Interest rate swaps, caps and floors	403,511	408,583

In addition to forwards, futures, options and swap contracts, the Company enters into agreements to sell securities, at predetermined prices, which have not yet been purchased. To satisfy the obligation, the Company must acquire the securities at market prices, which may exceed the values reflected on the Consolidated Statements of Financial Condition.

Credit Risk in Proprietary and Client Transactions

Counterparties to the Company's proprietary trading, hedging, financing and arbitrage activities are primarily financial institutions including brokers and dealers, banks and institutional clients. Credit losses could arise should counterparties fail to perform and the value of any collateral obtained proves inadequate. The Company manages credit risk by monitoring net exposure to individual counterparties on a daily basis, monitoring credit limits and requiring additional collateral where appropriate.

The Company's risk of loss in the event of counterparty default is typically limited to the cost of replacing all contracts on which the Company has recorded an unrealized gain or for purchased options, the net realizable value. With respect to forward contracts and interest rate swaps, caps and floors, the unrealized gain amounted to $511,061 at March 31, 1994. The net realizable value of options purchased amounted to $216,340 at March 31, 1994. Transactions in futures contracts are conducted through regulated exchanges which guarantee performance of counterparties and are settled in cash on a daily basis, thereby, minimizing credit risk.

Receivables and payables with brokers and dealers, and agreements to resell and repurchase securities are generally collateralized by cash, government and government-agency securities, and letters of credit. The market value of the initial collateral received is, at a minimum, equal to the contract value. Additional collateral is requested when considered necessary.

Client transactions are entered on either a cash or margin basis. In a margin transaction, the Company extends credit to a client for the purchase of securities, using the securities purchased and/or other securities in the client's account as collateral for amounts loaned. Amounts loaned are limited by margin regulations of the Federal Reserve Board and other regulatory authorities and are subject to the Company's credit review and daily monitoring procedures. Market declines could, however, reduce the value of any collateral below the principal amount loaned, plus accrued interest, before the collateral can be sold.

Client transactions include positions in commodities and financial futures, securities sold but not yet purchased and written options. The risk to the Company's clients in these transactions can be substantial, principally due to price volatility which can reduce the clients' ability to meet their obligations. Margin deposit requirements pertaining to commodity futures and options transactions are generally lower than those for exchange traded securities. To the extent clients are unable to meet their commitments to the

Company and margin deposits are insufficient to cover outstanding liabilities, the Company may take market action and credit losses could be realized.

Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk (continued)

Credit Risk in Proprietary and Client Transactions (continued)

Trades are recorded on a settlement date basis. Should either the client or broker fail to perform, the Company may be required to complete the transaction at prevailing market prices. Trades pending at March 31, 1994 were settled without adverse effect on the Company's financial statements, taken as a whole.

The Company may pledge clients' securities as collateral in support of securities loaned and bank loans, or to satisfy margin requirements at clearing organizations. The amounts loaned or pledged are limited to the extent permitted by applicable margin regulations. Should the counterparty fail to return the clients' securities, the Company may be required to replace them at prevailing market prices. At March 31, 1994, the market value of client securities loaned to other brokers approximated the amounts due or collateral obtained.

Concentrations of Credit Risk

As a major securities firm, the Company's activities are executed primarily with and on behalf of other financial institutions, including brokers and dealers, banks and other institutional clients. Concentrations of credit risk can be affected by changes in economic, industry or geographic factors. The Company seeks to control its credit risk and the potential for risk concentration through a variety of reporting and control procedures described in the preceding discussion of credit risk.

Commitments and Contingencies

The Company is contingently liable as guarantor of certain partnerships' obligations for $24,340. In addition, certain of the Company's subsidiaries are contingently liable as issuer of $89,410 of notes payable to managing general partners of various limited partnerships pursuant to Internal Revenue Service guidelines. In the opinion of management of the Company, these contingencies will have no material adverse effect on the Company's financial statements taken as a whole. The Company has conditional commitments of $28,494 to contribute capital to investment partnerships.

The Company has been named as defendant in numerous legal actions in the ordinary course of business. While the outcome of such matters cannot be predicted with certainty, in the opinion of management of the Company, after consultation with various counsel handling such matters, these actions will be resolved with no material adverse effect on the Company's financial statements taken as a whole.

As of March 31, 1994, securities with a market value of $1,146,119 had been loaned or pledged as collateral for securities borrowed of approximately equal market value.

The Company was contingently liable under unsecured letters of credit totaling $396,048 at March 31, 1994.

Stockholders' Equity

On February 3, 1994, the Board of Directors declared a three-for-two common stock split in the form of a 50% stock dividend, effective on March 10, 1994 to stockholders of record on February 17, 1994. All per common share and share amounts have been retroactively adjusted throughout the consolidated financial statements for periods presented previous to March 31, 1994.

On May 5, 1994, the Board of Directors declared a regular quarterly dividend on the Company's common stock of $0.12 per share payable on July 1, 1994 to stockholders of record on June 1, 1994. In addition, the stockholders of the Company voted to increase the number of common shares authorized for issuance from 100,000,000 shares to 200,000,000 shares.

As of March 31, 1994, the Company had 14,930,486 authorized shares of common stock reserved for issuance in connection with stock option and stock award plans.

Notes to Consolidated Financial Statements (continued)

Capital Requirements

PWI is subject to the Securities and Exchange Commission Uniform Net Capital Rule and the New York Stock Exchange Growth and Business Reduction capital requirements. Under the method of computing capital requirements adopted by PWI, minimum net capital shall not be less than 2% of combined aggregate debit items arising from client transactions, plus excess margin collected on securities purchased under agreements to resell, as defined. A reduction of business is required if net capital is less than 4% of such aggregate debit items. Business may not be expanded if net capital is less than 5% of such aggregate debit items. As of March 31, 1994, PWI's net capital of $587,999 was 17% of aggregate debit balances and its net capital in excess of the minimum required was $517,226.

Income Taxes

The reconciliation of income tax computed at the U.S. federal statutory tax rates to income tax expense is as follows:

	Three Months Ended March 31,	
	1994	1993
Tax at U.S. statutory rates	35.0%	34.0%
State, local and foreign income taxes, net of federal tax benefit	5.5	5.6
Foreign rate differential	(0.3)	(0.8)
Nontaxable dividends & interest	(1.0)	(0.5)
Other, net	0.8	0.7
	40.0%	39.0%

Income taxes paid were approximately $16,491 and $24,684 for the three months ended March 31, 1994 and 1993, respectively.

Earnings Per Common Share

Earnings per common share is computed by dividing net income applicable to common shares, adjusted for any interest savings, by the weighted average common and common equivalent shares outstanding during each period presented. Common equivalent shares include common shares issuable under the Company's stock option and award plans and the conversion of convertible debentures and preferred equities.

In the first quarter of 1994, the Company computed its earnings per common share under the modified treasury stock method in accordance with Accounting Principles Board Opinion No. 15. The modified treasury stock method is used when the number of shares obtainable upon exercise of outstanding options, warrants and their equivalents exceeds 20% of the Company's outstanding common stock. Under this method, all options, warrants and their equivalents are assumed to have been exercised, whether or not dilutive, and the aggregate proceeds used to repurchase up to 20% of the outstanding shares. Any remaining proceeds are then used to reduce short-term or long-term borrowings.

In 1993, the Company computed its earnings per common share under the treasury stock method which assumes the aggregate proceeds obtainable upon exercise of dilutive options, warrants and their equivalents were used to repurchase outstanding shares.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The Company's principal business activities are, by their nature, affected by many factors, including general economic and financial conditions, the level and volatility of interest rates, currency and security valuations, competitive conditions, counterparty risk, transactional volume and market liquidity. As a result, revenues and profitability have been in the past, and are likely to continue to be subject to fluctuations.

At the beginning of 1994, the favorable trends in the U.S. securities markets continued. In early February, the Federal Reserve shifted to a more restrictive monetary policy, triggering rising interest rates and declines in the prices of stocks and bonds. A slowdown in instititional and retail customer activity started towards the end of February and continued through March affecting the liquidity of certain securities markets, thus negatively impacting the firm's earnings in the latter part of the quarter. These conditions have persisted in the second quarter to date.

Results of Operations

Quarter Ended March 31, 1994 compared to Quarter Ended March 31, 1993

Net income for the quarter ended March 31, 1994 was $55.6 million, 21.5% lower than the $70.9 million earned during the quarter ended March 31, 1993. Total revenues of $1.1 billion were 16.3% higher than those reported for the first quarter of 1993 while revenues, net of interest expense, rose $55.3 million to $752.1 million. Net earnings per common share were $0.71 primary ($0.70 fully diluted) as compared to net earnings per common share of $0.89 primary ($0.84 fully diluted) for the prior year quarter. This decrease was primarily attributable to reduced client demand for fixed income products in response to the changing interest rate environment.

During the first quarter, commission revenues improved 15.9% to $280.7 million due to increases in equity market volume and an increase in the number of investment executives. Recruiting activities resulted in 325 additional investment executives from last year. Commissions from listed securities rose $12.6 million or 9.5%, mutual fund commissions rose $10.3 million or 26.9%, and options commissions rose $8.0 million or 49.4%. In addition, insurance commissions rose $13.9 million or 79.0% as sales of deferred annuity contracts continued to increase. These gains were partially offset by a decrease in commissions earned from commodities.

Principal transactions revenues decreased $18.7 million or 9.2% from the first quarter of 1993 reflecting lower revenues in corporate debt, municipal and mortgage backed obligations. These decreases reflect the difficult fixed income market that began in the first quarter of 1994. These gains were partially offset by improved results in corporate equity securities.

Investment banking revenues for the quarter ended March 31, 1994 decreased $4.1 million to $97.6 million as compared to the $101.7 million earned during the first quarter of 1993. This decrease reflects a lower level of both new corporate equity and debt issues brought to the market during the quarter.

Asset management fees, which are largely recurring in nature, increased $18.0 million or 24.6% over the first quarter of 1993, primarily due to a 33% increase in client assets in wrap fee accounts and a 32% increase in client assets in long term mutual funds. Total assets under management were relatively unchanged at $37.4 billion as of March 31, 1994 compared to $37.6 billion as of March 31, 1993.

Net interest increased $12.1 million or 21.8% due to improved spreads on higher fixed income inventory levels and increased margin lending to customers. These gains were partially offset by increased financing costs on higher equity inventory levels.

Other income rose $9.4 million or 44.0% primarily due to higher transaction and account fees and increased dividends. In addition, fees received from individual retirement accounts ("IRAs") and the Company's Resource Management Accounts ("RMAs") increased as total IRA and RMA accounts grew by 9.7% and 14.8%, respectively, since March 31, 1993.

Results of Operations (continued)

Compensation and benefits rose by $36.4 million to $431.7 million primarily due to higher revenue driven compensation paid to retail investment executives. This increase also reflects strategic hiring, normal salary increases, higher costs related to employee benefit plan enhancements and a change in pension plan assumptions. Compensation and benefits as a percentage of net revenues was 57.4% as compared to 56.7% during the first quarter of 1993.

All other operating expenses increased $42.4 million or 22.9% in the first quarter of 1994 as compared to the first quarter of 1993. Increased levels of business activity contributed to higher business development and communication expenses. Higher office and equipment expense reflects increased costs associated with technology initiatives. The increases in professional fees and other expenses include higher litigation-related expenses.

Liquidity and Capital Resources

The primary objectives of the Company's funding policies are to ensure ample liquidity at all times and a strong capital base. These objectives are met by maximization of self-funded assets, diversification of funding sources, maintenance of prudent liquidity and capital ratios, and contingency planning.

Liquidity

The Company maintains a highly liquid balance sheet with the majority of assets consisting of inventories, securities borrowed or purchased under agreements to resell, and receivables from clients, and brokers and dealers, which are readily convertible into cash. The nature of the Company's business as a securities dealer results in its carrying significant levels of securities inventories in order to meet its client and proprietary trading needs. The Company's total assets may fluctuate from period to period as a result of changes in the level of trading positions held to facilitate client transactions, the volume of resale and repurchase transactions, and proprietary trading strategies. These fluctuations depend significantly upon economic and market conditions, and transactional volume.

The Company's total assets at March 31, 1994 were $39.5 billion compared to $37.0 billion at December 31, 1993. The majority of the Company's assets are financed by daily operations such as securities sold under agreements to repurchase, free credit balances in client accounts and securities lending activity. Additional financing sources are available through bank loans and commercial paper, committed and uncommitted lines of credit, and the issuance of long-term senior and subordinated debt. The Company's ability to obtain short-term secured and unsecured funding as well as long-term capital enables the Company to support the increased level of total assets.

The Company maintains committed and uncommitted credit facilities from a diverse group of banks. The Company has a committed revolving credit agreement with a group of banks to provide $225.0 million through March 1995 and a $275.0 million revolving credit facility which expires in May 1994 with provisions for renewal through November 1996. At March 31, 1994, there were no outstanding borrowings under these facilities. Additionally, the Company had more than $5 billion in uncommitted lines of credit at March 31, 1994.

The Company maintains public debt shelf registrations with the Securities and Exchange Commission ("SEC"). During the quarter, the Company issued $200.0 million of 7 5/8% Senior Notes and $239.0 million of Medium-Term Senior and Subordinated Notes under these registration statements. At March 31, 1994, the Company had $1,113.6 million in debt securities available for issuance.

Capital Resources and Capital Adequacy

At March 31, 1994, the Company's total capital base, which includes long-term borrowings and stockholders' equity, was $3.5 billion, an increase of $380.9 million from December 31, 1993. The additions to capital reflect increases in both long-term borrowings and stockholders' equity of $328.4 million and $52.5 million, respectively.

The increase in long-term borrowings reflects the issuance of $200.0 million of 7 5/8% Senior Notes in February 1994 due 2014 and the net issuance of $125.0 million of medium-term senior and subordinated notes.

Liquidity and Capital Resources (continued)

The increase in stockholders' equity is primarily the result of the Company's net income for the quarter of $55.6 million and net amortization of restricted stock awards of $11.1 million. This increase was offset by the repurchase of 1.1 million shares of common stock for $19.0 million. As of March 31, 1994, the Company has authorization to repurchase up to 10,383,598 additional shares of common stock.

On February 3, 1994, the Company's Board of Directors approved a three-for-two common stock split in the form of a 50% stock dividend, effective March 10, 1994 to stockholders of record on February 17, 1994. Also, on February 3, 1994, the Board approved a 20% increase in the dividend payout from $.10 per share to $.12 per share, payable on April 18, 1994 to stockholders of record on March 28, 1994.

At the Annual Meeting of Stockholders which was held on May 5, 1994, the stockholders approved an increase in the number of common shares authorized for issuance from 100,000,000 shares to 200,000,000 shares.

PWI is subject to the net capital requirements of the SEC, the New York Stock Exchange and the Commodities Futures Trading Commission, which are designed to measure the financial soundness and liquidity of broker-dealers. PWI has consistently maintained net capital in excess of the minimum requirements as imposed by these agencies. In addition, the Company has other banking and securities subsidiaries, both domestic and foreign, which have also consistently maintained net regulatory capital in excess of requirements.

Merchant Banking and Highly Leveraged Transactions

In connection with its merchant banking activities, the Company has provided loan financing and made investments in companies, some of which are involved in highly leveraged transactions. Positions taken or commitments made by the Company may involve credit or market risk from any one issuer or industry.

At March 31, 1994, the Company had investments in merchant banking transactions which were affected by liquidity, reorganization or restructuring issues of $51.9 million, net of reserves, compared to $52.1 million, net of reserves, at December 31, 1993. Included in the portfolio is an investment of $45.7 million in a limited partnership which specializes in investments in corporate restructurings and special situations.

The Company's trading activities include market-making transactions in high-yield debt securities. These securities generally involve greater risks than investment-grade corporate debt securities because these issuers usually have high levels of indebtedness and lower credit ratings and are, therefore, more vulnerable to general economic conditions. At March 31, 1994, the Company held in long and short inventory approximately $207.3 million and $20.8 million, respectively, of high-yield debt securities, which accounted for approximately 1.0% of gross inventory positions. One issuer accounted for approximately 23% of the total amount. Historically, the Company's high-yield portfolio has not been material to the Company's financial condition. The Company continually monitors its risk positions associated with high-yield debt securities and establishes limits with respect to overall market exposure, industry group and individual issuer. The Company accounts for these positions at market value, with unrealized gains and losses reflected in revenues.

PART II - OTHER INFORMATION

ITEM 1 - Legal Proceedings

The Company is involved in a number of proceedings concerning matters arising in connection with the conduct of its business. Certain actions in which compensatory damages of $125 million or more appear to be sought, and in which there have been material developments during the quarter, are described below. The Company is also involved in numerous proceedings in which compensatory damages of less than $125 million appear to be sought, or in which punitive or exemplary damages, together with the apparent compensatory damages alleged, appear to exceed $125 million. The Company has denied, or believes it has legitimate defenses and will deny, liability in all significant cases pending against it, and intends to defend vigorously each such case. The following developments have occurred in the indicated case, which was previously reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1993.

Northview Corporation Litigation

On April 15, 1994, PaineWebber filed a demurrer and motion to strike certain exhibits attached to plaintiff's fourth amended complaint. Other defendants have filed demurrers as well and one defendant has filed an answer to plaintiff's fourth amended complaint. A hearing on the respective demurrers has been scheduled for May 10, 1994.

ITEM 4 - Submission of Matters to a Vote of Security Holders

(a) Proxies for the Annual Meeting of Stockholders held on May 5, 1994 were solicited by the Company pursuant to Regulation 14A of the Securities Act of 1934, as amended.

(c) Matters voted upon at the Annual Meeting of Stockholders:

(1) The election of four directors to the Board of Directors to hold office for a term of three years. There was no solicitation in opposition of the nominees and all such nominees were elected. There were no broker non-votes with respect to the election of Directors.

	Votes For	Votes Withheld
E.G. Bewkes, Jr.	48,537,660	635,835
Y. Fujisawa	48,505,038	668,457
E. Randall, III	48,504,455	669,040
K. Sorimachi	48,502,539	670,956

(2) The approval to amend the Restated Certificate of Incorporation of the Company to increase the number of shares of common stock authorized for issuance from 100,000,000 shares to 200,000,000 shares.

Votes for:	46,522,570
Votes against:	2,485,839
Abstentions:	118,248
Broker Non-Votes:	46,838

(3) The approval of the 1994 Non-Employee Directors Stock Plan.

Votes for:	44,735,010
Votes against:	4,017,117
Abstentions:	368,223
Broker Non-Votes:	53,145

(4) The approval of the 1994 Executive Incentive Compensation Plan.

Votes for:	45,923,869
Votes against:	2,836,346
Abstentions:	360,135
Broker Non-Votes:	53,145

ITEM 4 - Submission of Matters to a Vote of Security Holders (continued)

(5) The approval of the 1994 Executive Stock Award Plan.

Votes for:	35,012,152
Votes against:	13,737,888
Abstentions:	370,310
Broker Non-Votes:	53,145

(6) The ratification of the selection of the Board of Directors of Ernst & Young as the Company's independent public accountants for the 1994 fiscal year.

Votes for:	48,750,011
Votes against:	110,373

Abstentions: 258,526
Broker Non-Votes: 54,585

ITEM 6 - Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith:

Exhibit 11 - Computation of Earnings per Common Share

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated March 9, 1994 with the Securities and Exchange Commission relating to the issuance by the Company of 5,000,000 U.S. Dollar Increase Warrants on the Japanese Yen Expiring March 6, 1996. The item reported on such Current Report was "Item 5 - Other Events".

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Paine Webber Group Inc.
(Registrant)

Date: May 13, 1994

By:/s/ Regina Dolan
Regina A. Dolan
Vice President,
Chief Financial Officer

Exhibit 11

Paine Webber Group Inc.
Computation of Earnings Per Common Share
(In thousands of dollars except share and per share amounts)

	Three Months Ended March 31,	
	1994	1993 <F1>
Primary:		
Weighted average common shares outstanding	71,695,578	61,078,683
Equivalent shares outstanding for:		
Stock options and awards	7,200,849	6,603,604
Participating Preferred Stock	-	11,637,948
6.5% Convertible Debentures	1,014,689	-

Total weighted average common and common equivalent shares	79,911,116	79,320,235
Net income	$ 55,648	$ 70,884
Preferred dividend requirements	-	(533)
Interest savings	1,063	-
Earnings applicable for common shares	$ 56,711	$ 70,351
Earnings per common share	$ 0.71	$ 0.89
Fully Diluted:		
Weighted average common shares outstanding	71,695,578	61,078,683
Equivalent shares outstanding for:		
Stock options and awards	7,200,849	6,930,072
Participating Preferred Stock	-	11,637,948
6.5% Convertible Debentures	1,014,689	-
Assumed conversion of 8% Convertible Debentures and $1.375 Preferred Stock	1,405,552	6,099,700
Total weighted average common and common equivalent shares	81,316,668	85,746,403
Net income	$ 55,648	$ 70,884
Interest savings	1,274	998
Earnings applicable for common shares	$ 56,922	$ 71,882
Earnings per common share	$ 0.70	$ 0.84

[FN]
<F1> Common share and per share amounts have been retroactively adjusted to reflect a three-for-two common stock split in the form of a 50% stock dividend, effective March 10, 1994 to stockholders of record on February 17, 1994.

<TABLE>

Exhibit 12

<CAPTION>

Paine Webber Group Inc.
Computation of Ratio of Earnings to Fixed Charges
(In thousands of dollars)

	Three Months Ended March 31,	Years Ended December 31,				
	1994	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income (loss) before taxes	$ 92,747	$ 407,576	$ 339,115	$ 226,247	$ (102,633)	$ 82,568
Fixed charges:						

Interest	330,371	1,130,712	879,242	1,056,124	1,242,151	1,198,640
Interest factor in rents	12,767	50,133	45,962	43,804	42,223	40,360
Total fixed charges	343,138	1,180,845	925,204	1,099,928	1,284,374	1,239,000
Income before taxes and fixed charges	$435,885	$1,588,421	$1,264,319	$1,326,175	$1,181,741	$1,321,568
Ratio of earnings to fixed charges	1.3	1.3	1.4	1.2	<F1>	1.1

<FN>
For purposes of computing the ratio of earnings to combined fixed charges, "earnings" consist of income (loss) before taxes and fixed charges. "Fixed charges" consist of interest expense incurred on securities sold under agreements to repurchase, short-term borrowings, long-term borrowings and that portion of rental expense estimated to be representative of the interest factor.

<F1> Earnings were inadequate to cover fixed charges and would have had to increase approximately $102,633 in order to cover the deficiency.

</TABLE>