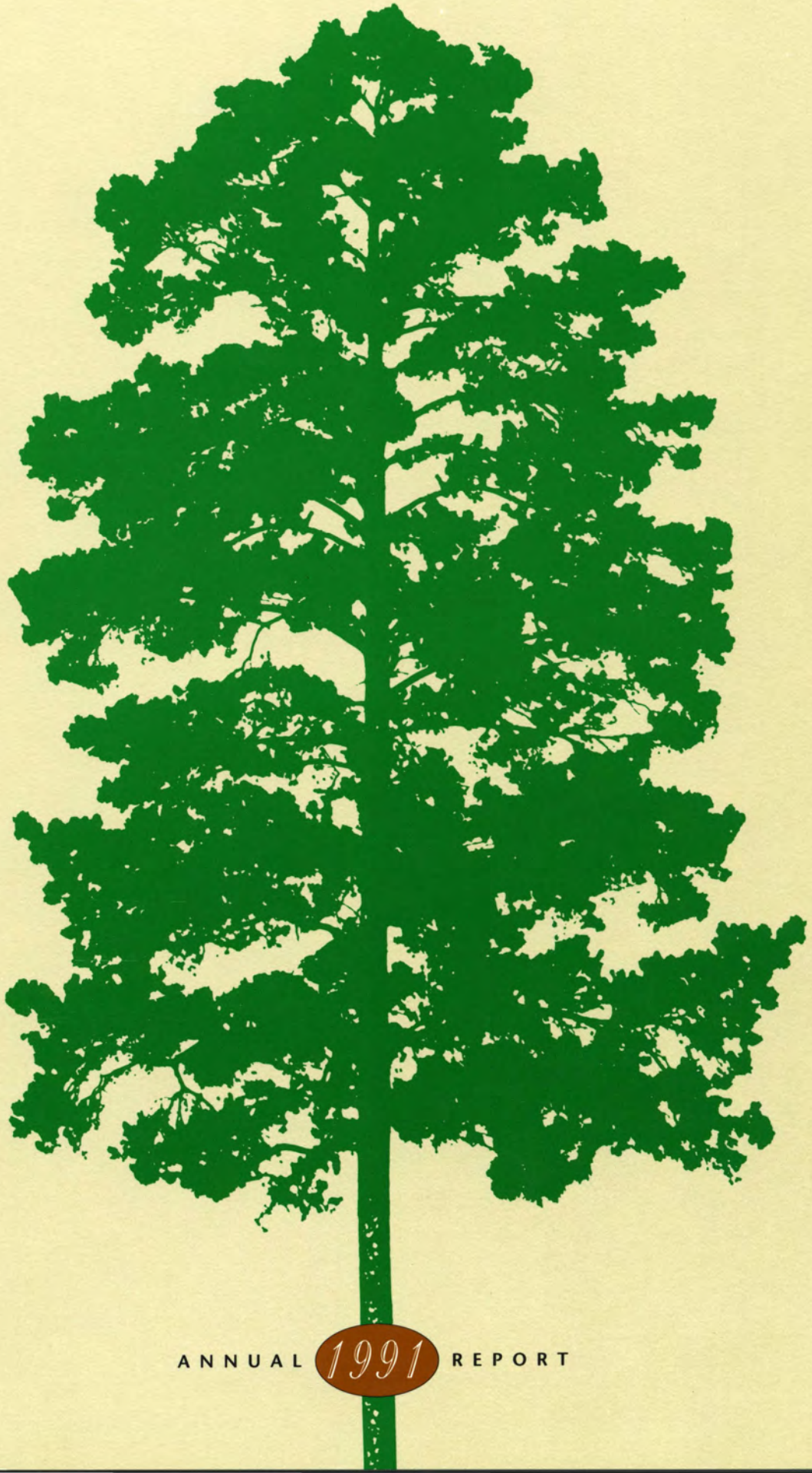
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TEMPLE-INLAND INC.



ANNUAL 1991 REPORT

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About Our Company

Temple-Inland Inc. is a holding company with major interests in paper, packaging, building products and financial services.

The Container and Containerboard Group operates as Inland Container Corporation. The Bleached Paperboard and Building Products Groups market their products and operate under the name Temple-Inland Forest Products Corporation. The fourth operating group is Temple-Inland Financial Services.

Inland Container Corporation currently operates six paper mills, three of which are 100 percent recycle mills, and 39 corrugated box manufacturing plants. A new recycle mill is scheduled to begin production late in 1992. In 1991, Inland produced 2.1 million tons of containerboard (linerboard and corrugating medium) and shipped 1.8 million tons of corrugated boxes. The Company ranks in the top five in the U.S. in both containerboard and corrugated box production.

Temple-Inland's bleached paperboard mill in Evadale, TX is one of the largest specialty mills in the country, producing paper for plates and cups, file folders, folding cartons, greeting cards and other items. Last year it produced 586,000 tons of paperboard and pulp.

The Company's Building Products Group produces a wide variety of building materials, including lumber, plywood, particleboard, gypsum wallboard and fiberboard.

Temple-Inland is a major landowner in the South with about 1.8 million acres of forest lands in east Texas, Louisiana, Georgia and Alabama.

Temple-Inland Financial Services concentrates in two areas–mortgage financing and consumer banking.

Approval was given early in 1992 to consolidate the Company's two savings banks into one entity, which will operate as Guaranty Federal Bank, F.S.B. Based in Dallas, TX, the bank now has over 100 branches in Dallas, Houston, Austin, and adjacent cities, as well as east Texas. Deposits total $6.6 billion. Based in Austin, TX, the mortgage banking operation services a mortgage portfolio of approximately $6.5 billion.

Temple-Inland Inc. is based in Diboll, TX. Its common stock is traded on the New York and Pacific Stock Exchanges under the ticker symbol TIN.

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FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	1991	1990	PERCENT INCREASE (DECREASE)
Total revenues	**$2,507.1**	$2,401.1	4 %
Manufacturing net sales	**$1,898.2**	$1,892.5	– %
Operating income	**$ 199.8**	$ 288.1	(31)%
Net income	**$ 138.4**	$ 232.5	(40)%
Earnings per share	**$ 2.51**	$ 4.20	(40)%
Dividends per share	**$ .88**	$ .80	10%
Shareholders' equity	**$1,531.5**	$1,439.3	6%
Book value per share	**$ 27.89**	$ 26.37	6%
Average shares outstanding	**55.2**	55.4	– %
Common shares outstanding at year end	**54.9**	54.6	1%

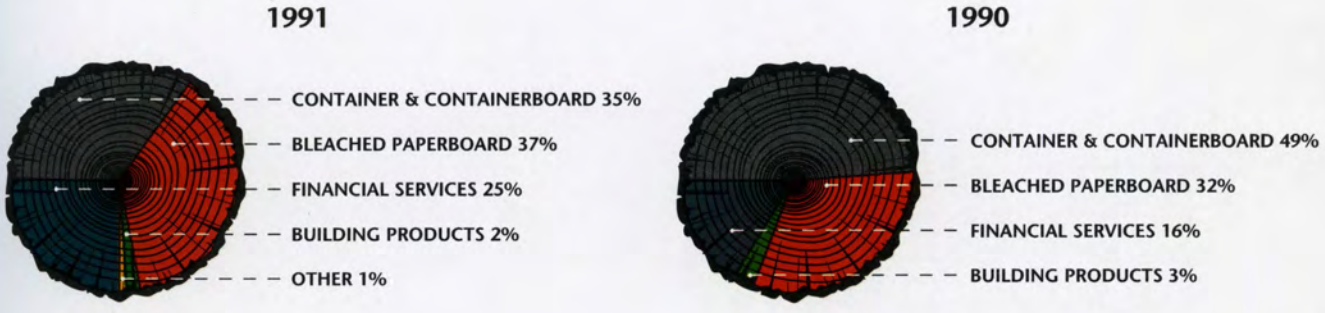
SELECTED BUSINESS SEGMENT DATA

(in millions)

	1991	1990	PERCENT INCREASE (DECREASE)
MANUFACTURING NET SALES			
Container and containerboard	**$1,148.6**	$1,144.2	– %
Bleached paperboard	**$ 370.6**	$ 373.0	– %
Building products	**$ 311.1**	$ 305.3	2%
OPERATING INCOME			
Container and containerboard	**$ 75.4**	$ 150.9	(50)%
Bleached paperboard	**$ 79.9**	$ 98.8	(19)%
Building products	**$ 5.2**	$ 9.4	(45)%
Financial services	**$ 54.2**	$ 51.4	5%

COMBINED OPERATING EARNINGS

Combined operating earnings for Temple-Inland Inc. in 1991 and 1990 totaled $199.8 million and $288.1 million respectively. These charts show the percentage contributed by each of the Company's operating groups.



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Temple-Inland's 1.8 million acres of forest land are intensively managed to produce maximum fiber for the Company's converting operations, while at the same time providing a suitable habitat for wildlife and recreational opportunities for the public.

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TO OUR SHAREHOLDERS

The prolonged economic recession in the U.S., which continued through 1991, substantially weakened the pricing structure of most of our paper and building products and pushed profits down after four consecutive record years. Net earnings per share of $2.51 were 40 percent below the record earnings of 1990.

Nevertheless, consolidated revenues rose 4 percent to $2.5 billion, a new record, because of the continued expansion of our financial service activities.

In spite of the economic downturn, a record $378 million in capital expenditures were spent to best position the company for the future, including significant amounts for the manufacture of recycled containerboard.

Temple-Inland consists of four major groups—two of which manufacture paper products, another building materials, and finally a financial services unit which consists primarily of a consumer savings bank and a mortgage banking operation.

Historically, the paper and building products activities have experienced cyclical earnings. In a normal year, the paper groups contribute about 70 percent of Temple-Inland's earnings, with the other 30 percent split about equally between building products and financial services. Our financial service businesses, which are not traditionally as cyclical as our other groups, posted record earnings in 1991. Therefore, their percentage contribution to earnings increases as economic activity weakens for our core businesses. In 1991, with substantial reductions in both paper segments and building products, over 25 percent of Temple-Inland's operating income was attributable to financial services.

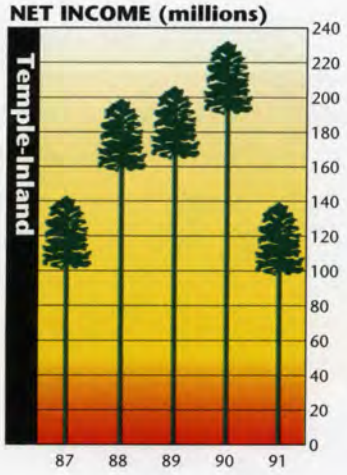
Our Review of Operations includes a complete review of our results for the year, as does our financial review beginning on page 23 of this report.

Significant among our record level of capital expenditures is that spent to increase our capability for further utilization and production of recycled containerboard. This includes the upgrading and expansion of the Ontario, CA recycle linerboard mill and construction of a similar mill in Maysville, KY.

The Ontario project is scheduled for completion in the second quarter of 1992, with start-up of the Maysville mill anticipated during the fourth quarter. When both projects are fully operational in 1993, we will have the capacity to produce 840,000 tons of 100 percent recycled containerboard per year, the largest capacity of any producer in the U.S. Of more significance, our two recycled linerboard machines will include the latest technology in top wire formers, providing premier linerboard to the marketplace.

In addition to our expansion in recycled linerboard, we also converted one of our two linerboard machines at the Orange, TX mill so it is capable of producing white top, a two-layer sheet with the exterior surface from bleached pulp and the interior surface traditional brown, offering the benefit of a white printing surface at a lower cost to customers than traditional bleached board.

As more shipping containers are used for displaying goods at the point of sale, improved graphics—which often require a white exterior surface—are often specified by our customers. Our new 200,000 annual tons white top capability and completion of our new graphics facility in Indianapolis, IN this summer



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will allow us to meet our customers' growing demand for this type of container.

Also this year, our Bleached Paperboard Group will complete a new hardwood pulp mill which has new technology that will not only produce a brighter, higher-quality pulp more efficiently but will also allow us to convert our existing pulp mill to a recycle system. The use of recycled fiber as a component in bleached paper products is not as well developed as in our shipping containers, but we expect technological advances to allow use of recycled fiber in the near future. Since approximately 45 percent of our bleached paper products is ultimately used as food containers, such as paper cups, plates, or food packaging in fast food restaurants, further research is necessary to develop products that are not only environmentally acceptable but that can be produced to compete with traditional virgin board. Similar to our developments in recycled linerboard, we expect to be a leader in developing these new products which will no doubt require reconfiguration of the paper machines at the Evadale, TX mill.

After two years of depressed residential building activity, it appears that the earnings trough in our Building Products Group was experienced in the summer of 1991. These units were not only subjected to reduced demand for most of the year, but extremely wet weather conditions in Texas, in the first half of 1991, hampered our ability to supply enough fiber for normal operations.

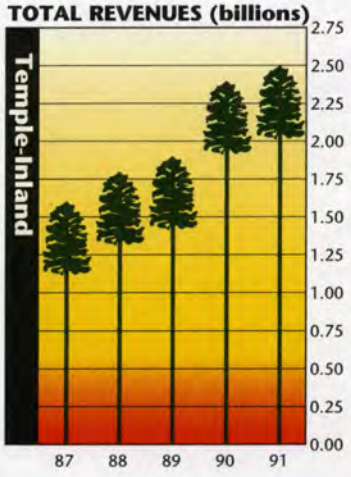
The current earnings momentum should continue to grow in 1992, as the combination of recovery in new housing and growth in the remodeling market increases demand.

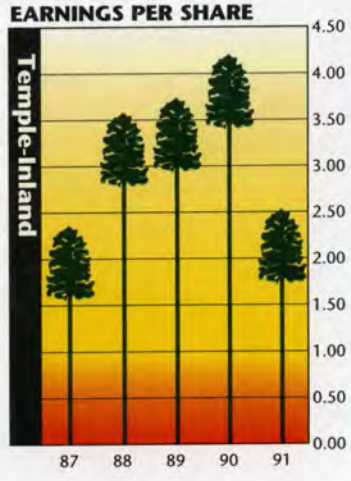
Significant productive capacity of some competitors in the lumber and plywood industry was permanently curtailed during 1991 because of their inability to obtain fiber from federal forests—particularly on the West Coast. Although environmental concerns will probably continue to restrict harvests from federal forests, it will not have a significant impact on Temple-Inland's fiber supply. Approximately 64 percent of the fiber used by our lumber and plywood mills is normally harvested from our own lands. The balance of our fiber requirement is purchased from outside landowners, primarily private entities. While the availability of outside timber can affect any one year's harvest, we use our own forest as a growing bank to assure continuity of supply.

1991 was a significant year in the development of our savings bank. As you may recall, in October 1988, with our initial investment in Guaranty Federal Savings Bank, we purchased the foundation of a potentially major savings bank operation and negotiated an agreement with the federal government to service certain assets over a ten-year period.

During the past two years, we have participated in 19 additional acquisitions from the federal regulatory authorities and now have major savings banks in the metropolitan areas of Houston, Dallas, Austin and adjacent communities. We are consolidating our banks to create a single institution with deposits of about $6.6 billion.

In addition, last year we acquired Capitol Mortgage





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Bankers and merged its operations with our existing mortgage banking company, Lumbermen's Investment Corporation. This acquisition, plus a record loan production year, almost doubled the level of loans serviced by our mortgage banking group to $6.5 billion. The new combined entity further reduces our average cost to produce and service residential mortgages to a level well below industry averages.

To finance our growth, we elected to place $500 million in senior debt with an average interest rate of 8.7 percent. This debt has an average maturity of 9.2 years, extending our total debt to a 7.5 year average.

In May 1991, Arthur Temple retired as chairman of the board. Arthur will continue as a board member and was elected chairman emeritus. He is a man of great vision who served this company for many years and we will miss his leadership but expect to continue to profit from his advice and counsel on the board.

Larry Temple, an attorney who specializes in financial services and has chosen to commit a substantial part of his efforts to improve the quality of life and education in the state of Texas, joined our board in August. Larry is a real asset to our board, and we look forward to his counsel.

Ben J. Lancashire, who is group vice president of container and containerboard, was named executive vice president and elected to the board of directors of Temple-Inland Inc. in November.

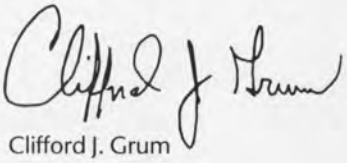
James F. Beré, a director of our Company since its inception, passed away in January 1992. Jim was an exceptional individual and businessman and one whose service was important to the growth and development of our Company. I will miss Jim but consider myself the beneficiary of over 15 years of his guidance.

Robert Adelizzi, former president of HomeFed Bank, joined our Company in October as group vice president of Financial Services, and Kenneth Jastrow became chief financial officer of the Company. Both positions were formerly held by Wayne McDonald, who elected to take early retirement after 25 years of service during which time he directed the development of our Financial Services Group.

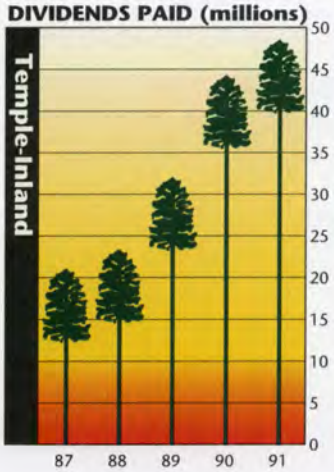
In February 1992, the board of directors increased the cash dividend on our common stock by 9 percent to an annual rate of $ .96 per share; this represents the eighth dividend increase in as many years. Our dividend has grown from $.20 per share in 1984. Over the eight year period since we became an independent company, our stock price has enjoyed a compound annual growth rate of over 20 percent.

As we enter 1992, the markets for most of our products appear to be in a state of transition, looking for leadership from the American economy. Hopefully, 1992 will begin our recovery to record levels of earnings as we leverage our additional manufacturing capacities with margin improvement.

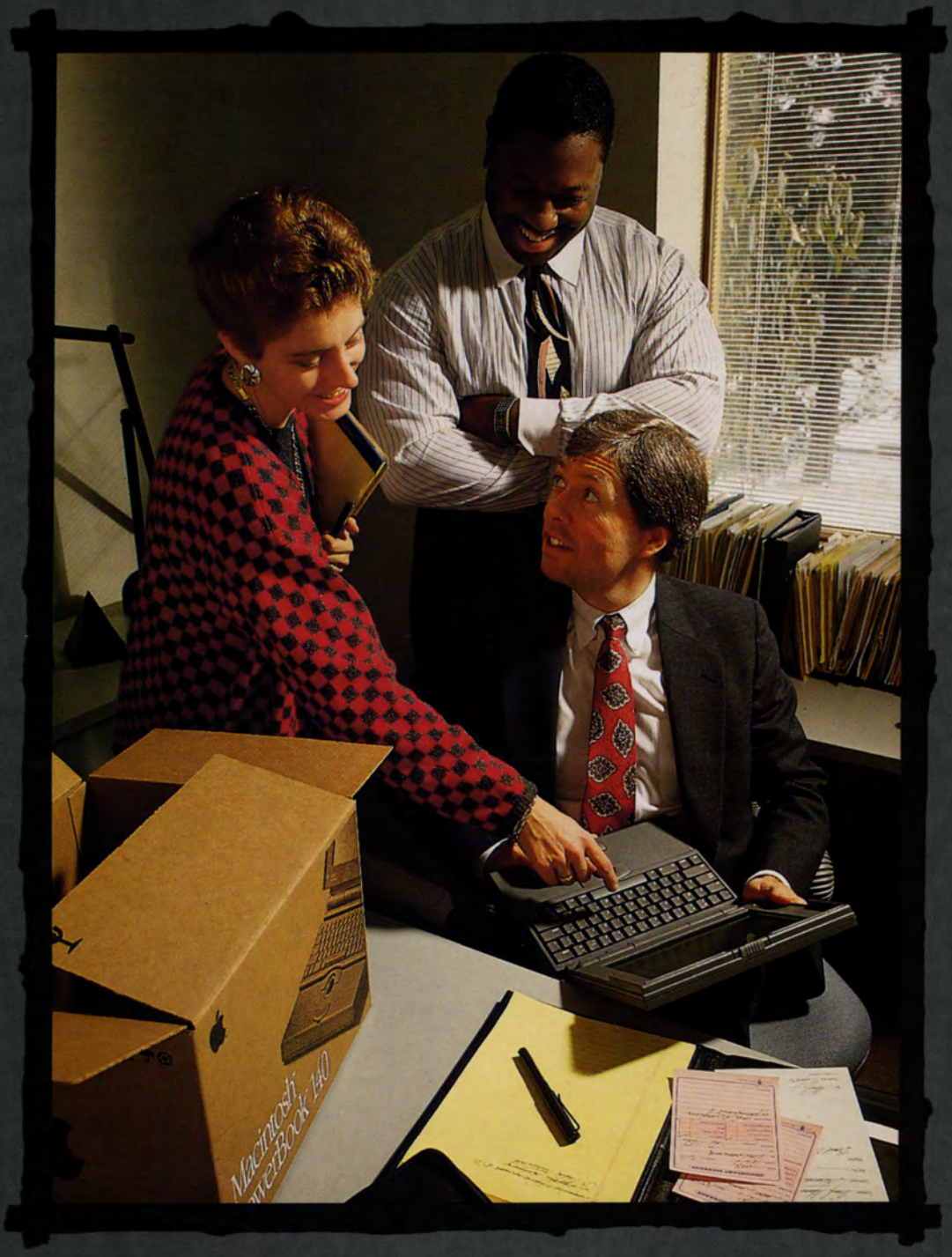
Sincerely,



Clifford J. Grum
Chairman &
Chief Executive Officer
February 14, 1992



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Many corrugated box customers are demanding boxes made of recycled fiber. Inland produced this box for Apple Computer's Power Book 140 model made from 100 percent recycled containerboard produced at Inland's own mills. When the Maysville, Kentucky, mill is completed later this year, Inland can economically provide 100 percent recycled boxes to customers nationally with paper made in its own mills.

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REVIEW OF OPERATIONS

Container & Containerboard

In Temple-Inland's Container and Containerboard Group, 1991 can be summed up in a few words—strong volume and depressed prices. Inland Container Corporation, the Company's largest manufacturing group, operates six mills which last year produced 2.1 million tons of containerboard.

Inland Container also manufactured and shipped over 1.8 million tons of corrugated boxes from its 39 box plants. In 1991, the company established record production of containerboard (linerboard and corrugating medium) and shipments of corrugated boxes. The group's production in 1991 placed it among the country's top five producers of both containerboard and corrugated boxes.

Despite these records, operating profits were $75.4 million, down 50 percent from 1990.

The drop in earnings can be attributed to sharply lower selling prices for both containerboard and boxes. Although aggressive cost containment measures were implemented early in the year, some of our costs, including depreciation, pensions and health insurance, which are less controllable in the short term, continued to increase.

There were, however, several positive factors which affected the containerboard and corrugated box industry last year. Industry exports of containerboard were strong, increasing approximately 20 percent from 1990, allowing mills to operate at about 95 percent capacity.

However, because of the relatively slow demand for boxes in the first half of 1991, and the resulting rise of containerboard inventory levels, both containerboard and box prices declined until summer. This continuation of 1990's price weakness pushed containerboard prices down by 20 percent compared to 1989 record levels. Similar erosion was experienced in box prices.

The bottom of the price cycle seems to have occurred in late summer. By the end of the fourth quarter, selling prices of boxes had recovered approximately 6 percent to levels seen at the beginning of 1991.

Although industry box volumes were virtually flat in 1991, compared with 1990, Inland's shipments were up 7.2 percent, including those from several box plants acquired in the last quarter of 1990. Excluding acquisitions, shipments were up 2.1 percent.

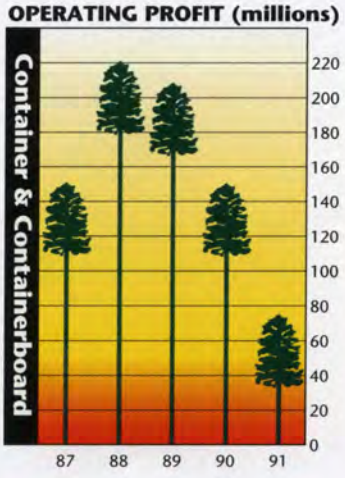
Sales and marketing efforts in developing partnering relationships with large national users of corrugated material, and continued emphasis on quality and service, helped Inland outpace the industry.

One example of this effort is with Pizza Hut, where Inland went from a non-supplier in 1990, to becoming a major national supplier of pizza boxes to its restaurants in 1991.

The group continues to modernize and increase capacity in its box plant system. Corrugators capable of running up to 1,000 feet per minute, compared with a maximum of 600 feet per minute for most corrugators in the industry, have been installed at plants in Crawfordsville and Evansville, IN; Hazleton and Biglerville, PA; Rome, GA and Bell, CA.

The Crawfordsville plant set what is believed to be an industry record for a single corrugator plant. In 1991, the plant produced and shipped over 103,000 tons of corrugated boxes.

Inland is a major recycler of old corrugated boxes. In 1991, over 805,000 tons of old corrugated and 40,000 tons of box plant clippings were used as raw material in its paper mills. When the Maysville, KY mill is completed by the end of



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In 1993, Inland will use over one million tons of old corrugated boxes to feed its recycle containerboard mills. Major retailers, such as The Kroger Co. (above) collect and bale their boxes for sale to Inland mills located throughout the country.

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1992, over one million tons of old corrugated will be recycled at Inland's mills annually. Four of those mills are 100 percent recycle mills, and two others use old corrugated as part of their raw materials.

There are advantages to both the Company and the country in building and operating recycle mills. For the Company, it is a matter of economics. The 600-ton-per-day Maysville mill, for example, is being built at a cost of about $176 million. To build a 1,500-ton-per-day linerboard mill using virgin wood fiber, the cost would be at least two times greater on a daily-ton basis and the venture would be uneconomical at current selling-price levels. Virgin mills require recovery boilers, wood processing areas and chemical pulp mills in addition to the paper machines which are used by both units. Also, recycle mills can be effectively operated with fewer employees than a virgin mill.

The environmental impact of recycle mills is not limited to the use of old corrugated, although that is one important aspect. Those 845,000 tons of corrugated waste which Inland used last year were 845,000 tons which did not have to go to a landfill or be incinerated.

Nationwide, about 54 percent of the corrugated boxes produced are being recovered and recycled. In some large metropolitan areas, it is estimated that over 60 percent of used boxes are collected for recycling, and that percentage is growing.

In 1991 the total of old corrugated collected in the U.S. amounted to 14.2 million tons. About 2.8 million tons were exported. Of the remainder which was recycled in U.S. mills, Inland used 805,000 tons.

Industrywide, about 27 percent of the fiber used in the manufacture of containerboard is recycled and a target of 35 percent is set for 1995. In 1993, Inland's total recycle content for its mill system will be 42 percent.

The Company is the technology leader when it comes to recycled containerboard mills. Starting with the Newport, IN mill built in 1975 as the first mill built from the ground up to use old corrugated as raw material, and followed by the Ontario, CA mill built in 1985, Inland has applied state-of-the-art technology in building recycle mills that produce the highest quality product in the most environmentally-friendly way.The new Maysville mill and the recently upgraded Newport and Ontario mills are the most technically advanced recycled containerboard mills in the industry.

A recycle mill can be designed to use about 10 percent of the water used in a virgin mill. The Ontario mill, for example, has a closed system which means that water used in the papermaking process is captured and continually reused.

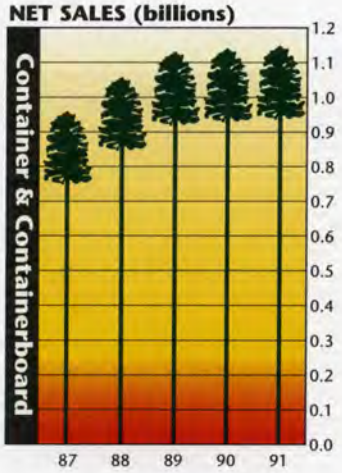
Many major customers are demanding that recycled containerboard be used in the manufacture of their corrugated boxes. Inland is already providing 100 percent recycled boxes to many customers in the western United States. When the Maysville mill comes on stream, Inland will be the only company capable of economically providing, to a customer anywhere in the U.S., 100 percent recycled boxes from containerboard manufactured in its own mills. Approximately 840,000 of the 2.4 million tons of containerboard which Inland will produce next year will be 100 percent recycled containerboard.

Containerboard production at Inland mills in 1991 totaled 2,103,000 tons, an increase of 69,000 tons, or 3.4 percent over the previous year. The Company's production was 7.6 percent of all the containerboard produced in the U.S.

Most of Inland's increased production came from the New Johnsonville, TN and Newport mills which completed modernization and expansion projects during the year. The two expansion programs, completed at a cost of $62 million, allowed combined production of the two mills to increase by 58,000 tons, with further increases expected in 1992.

In the second quarter of 1992, a $40 million expansion and improvement program will be completed at the Ontario mill which is adding state-of-the-art equipment and which will increase capacity by about one-third over 1990 production to 285,000 tons annually.

Construction is well underway on the Maysville mill



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which will produce 100 percent recycled linerboard and corrugating medium. Being built on a 250-acre site on the Ohio River, the mill is ahead of schedule and is expected to begin production before the end of 1992. The mill is designed to produce 210,000 tons of containerboard annually.

The Company's $38 million project to produce mottled white and white top linerboard at the Orange mill was completed in the fourth quarter of 1991. Some mottled white linerboard was produced in December and shipped to box plants where it was converted into boxes. Tests on white top production will be made during the first quarter 1992, and salable product is expected in the second quarter. Inland is using bleached pulp produced at the Temple-Inland mill in Evadale, TX to produce the mottled and white top linerboard.

White top is linerboard which is white on one side and brown on the other. It provides an economic alternative to totally bleached linerboard, and provides an excellent surface on which to print multicolor graphics.

Also under construction is a $17 million Graphics Resource Center in Indianapolis, IN. The Center will house a 10-color preprint press.

The Graphics Center will provide design support for Inland's box plant system and will allow the Company to increase its penetration into the growing preprint linerboard market and other value-added graphics opportunities. The preprint press will be operational in the fourth quarter of 1992.

In all of Inland's expansion and modernization programs, quality is the center of attention. The Company believes that in the future, quality will be the deciding factor on whether or not a company attains or retains large volumes of business.

In order to further enhance its quality programs, Inland has formed a Corporate Leadership Quality Council, made up of senior Inland management, including the chief executive officer. This council is charged with further increasing emphasis on quality and bringing it to the forefront of all company activities. The "Inland Quality Process," which has as its primary objective "Total Customer Satisfaction," is being introduced in all Inland plants in 1992.

The container and containerboard business is cyclical, and profits have been squeezed between lower box prices and increasing costs. The Company believes that with a recovery in the U.S. economy, industry conditions will improve and there will be a return to more favorable selling prices as the year progresses. The challenge is to continue to provide the highest quality products and service while controlling costs and increasing productivity. Management is committed to meeting that challenge.

Bleached Paperboard

Temple-Inland's bleached paperboard mill at Evadale, TX is one of the larger bleached paperboard mills in the United States. This mill's flexibility in producing a wide variety of bleached paperboard grades has contributed to the mill's excellent performance throughout its history.

The group earned $79.9 million on revenues of $370.6 million in 1991. Although income was not on par with the record levels of the past three years, the group's earnings held up well compared to other segments of the paper industry.

Demand was good for most bleached paperboard products throughout most of the year in spite of the sluggish U.S. economy. Industry exports of 19 percent helped to maintain an industry operating rate of 93 percent. Pricing was essentially flat for the various board grades during 1991.

Market pulp pricing, on the other hand, continued its decline throughout the year. There will continue to be pressure on pulp prices because of increased capacity and continued weak worldwide demand for market pulp. It is believed, however, that the bottom of the current cycle occurred during the fourth quarter of 1991.

Evadale's products fall into four distinct marketing areas: food service, office and school supplies, commercial printing and packaging. While market share is sometimes difficult to measure precisely, Temple-Inland's Bleached Paperboard Group is a significant factor in the markets of its key grades.

It has a dominant position in the office and school supplies market, offering folder, hanging folder and colored folder and has approximately 14 percent of its paper-machine production dedicated to these grades.

The commercial printing industry uses Temple-Inland's high quality coated one-side Texcover grade for a variety of printing applications. Examples of products made from Texcover include: greeting cards, telephone book covers, paperback book covers, lottery tickets and the cover of this annual report. Approximately 22 percent of machine time is dedicated to printing grades which also include white and manila tag.

Packaging grades include bleached linerboard and folding carton. Bleached linerboard offers converters a good printing surface on which to produce high quality graphics for use in boxes and corrugated shipping containers. Bleached linerboard is in strong demand for applications requiring point-of-display selling. Approximately 14 percent of the Company's paper machine time is used to manufacture packaging grades.

Approximately 45 percent of Evadale's paper production is sold in the food service marketplace. The Company

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This family is enjoying their fast food meal served to them in paper products produced by Temple-Inland Forest Products Corporation. About 45 percent of the bleached paperboard produced at the Evadale mill is used in food packaging, and paper.

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believes the time is right for plates, trays, dishes, cups and cartons made from bleached paperboard to gain market share.

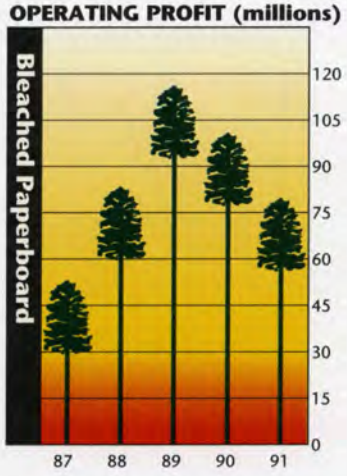
During 1991, the Bleached Paperboard Group increased its emphasis in the food service area and became more proactive in developing market opportunities. The Company completed the acquisition of three small converters of paper plates, trays and cartons to form the nucleus of a new operation. The new subsidiary, Temple-Inland Food Service Corporation, is headquartered in Sacramento, CA. Food Service manufactures and markets containers such as food trays for nachos and french fries; locked corner boxes for cakes, pies and pizza; paper plates and bowls; and carryout food pails for ethnic foods like spaghetti or chow mein. The company's goal, while also taking advantage of special market niches in the food service industry, is to develop new paperboard products for broad use throughout the food service industry.

Temple-Inland was also active in 1991 in developing the technology necessary to produce high quality recycled bleached paperboard for its packaging, printing and office and school supply grades and now offers recycled folder, index and Texcover.

Obviously, there are problems inherent in the use of recycled fiber in bleached paperboard grades that come into direct contact with wet foods and liquids. Various regulatory bodies have not yet issued definitive rules regarding these matters; and because of Temple-Inland's high level of commitment to the food service industry, these regulations must be well defined before further progress can be made in developing recycled grades for food.

The paper mill at Evadale pursued its program of continuous improvement in 1991. As customers increasingly demand paperboard products that have lower density and greater strength, as well as a better printing surface, the move to assimilate new technology becomes even more important. Currently, technological improvement projects are underway on two of the bleached mill's four paper machines.

In 1991, substantial progress was made on the new $85 million hardwood pulp mill scheduled for start-up early in the fourth quarter of 1992. The new mill will provide the high-quality hardwood pulp that is required for an improved printing surface and it will have lower operating costs while producing a high-bright pulp without the use of molecular chlorine. It will provide additional capacity of wet pulp for the Orange linerboard mill's use in making white top linerboard.



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During the third quarter of 1991, a large recovery boiler at Evadale was down 67 days for a major rebuild and upgrade. Although the downtime associated with the rebuild had a negative $15 million effect on earnings, the rebuild puts the Evadale mill in full compliance with new environmental regulations and provides a slight increase in capacity.

A new $9 million chip mill was completed and started up during the summer of 1991. The new mill has automated long-log handling and is capable of producing 2,000 cords of chips per day at significantly lower operating costs than the previous chipping operation.

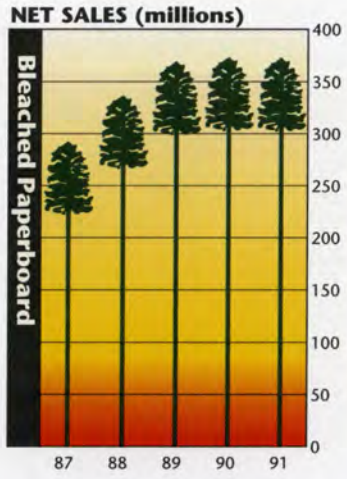
Bleached paper products make life easier for the family—paper cups for picnics and parties, file folders for the office or home, paperback book covers and packages to protect food and other small items. The group believes demand for its products will continue to grow throughout the decade because bleached paperboard is a natural product that is environmentally friendly. The Evadale mill currently has an excess supply of pulp, and one option under consideration is to add a new lightweight coated paperboard machine and reconfigure the existing machines to expand capacity in current grades.

The Bleached Paperboard Group has assembled a task force to determine the feasibility of adding the new paper machine, but before a decision will be made, a number of issues must be resolved. Most important is how to please the customer.

For the bleached board industry, quality includes good printing characteristics; strength, density and caliper; uniformity of product from one production run to the next; and responsive service.

Another issue is how to respond to the public's concern for recycling. Over the past few years, the consumer has become very aware of packaging. Many people now ask questions about disposal costs and the safety of disposal technologies such as incineration, landfills and composting. The recycling issue is complicated because it is subject to legislation, and recycling laws are not uniform from state to state.

Markets for bleached products softened in the fourth quarter of 1991 and this trend has continued into the first quarter of 1992. However, many of the Group's products are used in consumer packaging and, as the U.S. economy recovers, demand should strengthen to more normal levels.



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Before constructing their beautiful deck, this family visited Temple-Inland's Big Tin Barn retail outlet and designed the deck on a computer (photo opposite page). They not only designed the deck, but the computer printed out the exact list of lumber products needed to build the deck.

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Building Products

Residential housing starts declined to approximately one million new units, the lowest level of new construction activity in forty years.

Depressed consumer confidence also resulted in lower levels of repair and remodeling construction. Therefore, demand for building material remained soft through most of 1991, but in the fourth quarter a more positive trend began to develop. Lower mortgage interest rates, absorption of the inventory of unsold residential units and improved occupancy in rental properties all contributed to this tentative rebound.

The Building Products Group earned $5.2 million, down 45 percent from the previous year's level. Market prices for most products were very volatile but trended down in the first three quarters before improving slightly in the fourth. Since demand actually declined through most of the year, pricing volatility was more related to changes in manufacturing capability than to other market conditions.

Wet weather in the South, particularly in Texas and Louisiana, hampered logging activities until early summer and constricted both lumber and plywood production. Temple-Inland's production of lumber was approximately 5 percent below budgeted levels because of weather-related problems. Resulting production inefficiencies substantially increased costs.

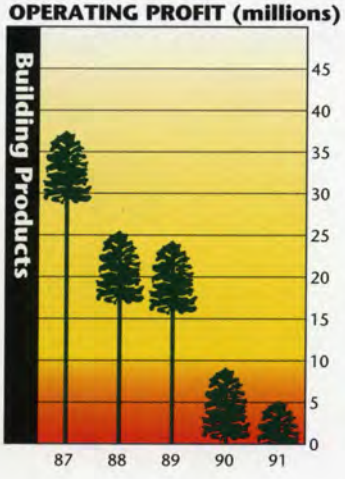
Environmental restrictions on the West Coast curtailed the timber supply from government land, resulting in decreased lumber and plywood production. Therefore, mills located in the southern part of the U.S. gained market share. This trend should continue into 1992.

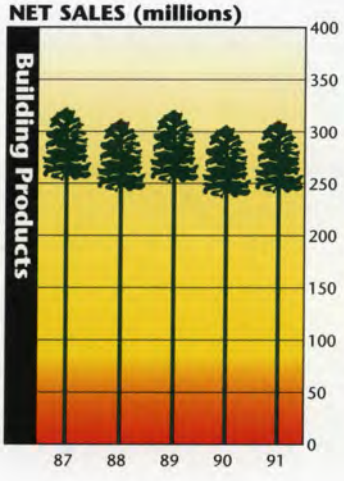


Pine lumber production reached 395 million board feet, a 15 percent increase over 1990's level as productivity improved at the group's two new state-of-the-art mills. Assuming that normal production is experienced in 1992, over 500 million feet of lumber should be converted at Temple-Inland's sawmills in 1992. Conversion to lumber provides the highest value for a mature, quality tree. As a large owner of timberlands, the Company has continued to upgrade its world-class converting units to maximize their profit potential. Approximately 64 percent of the timber utilized by the lumber and plywood operations was harvested from Company lands.

Plywood production of 253 million square feet, up 9 percent from 1990, was a new record. During the year, modifications to the plywood converting plant were completed that should result in another record level of production during 1992.

Particleboard markets remain stronger than most other building materials because of the emphasis on using particleboard as a substrate for non-structural uses—primarily furniture and kitchen cabinets. Increasing export demand, principally from





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Mexico, also served to tighten markets. Mexican markets should continue to grow and one of Temple-Inland's particleboard plants, located in Diboll, TX, is well positioned to serve this need. Since particleboard is manufactured from by-products generated as timber is converted to lumber and plywood, the declining solid-wood manufacturing operations on the West Coast have also reduced the supply of shavings and sawdust for use in that region's particleboard mills. Therefore, the South is gaining market share in this key product area.

Although fiberboard production was about the same as last year, the group's mix of products allowed Temple-Inland to gain market share in a declining market and to maintain profitability. Fiberboard markets strengthened during the fourth quarter and should continue to improve in 1992.

Temple-Inland's gypsum operations struggled throughout the year from excess manufacturing capacity in the industry. Production was down from 1990 levels and will probably continue to be depressed in 1992. Many of the Company's gypsum products are used in both commercial and retail as well as residential construction. Neither commercial nor retail construction experienced demand growth in 1991 and may continue to be slow in 1992.

As the Building Products Group enters 1992, favorable mortgage interest rates, coupled with higher expectations for construction activity in both new construction and repair and remodeling, should enable these operations to reach a much improved level of earnings.

Forests

With approximately 1.3 million acres in eastern Texas and western Louisiana and 500,000 acres in Alabama and Georgia, the Forests Group, in 1991, provided 60 percent of the total roundwood fiber consumed in Company mills.

The Texas Forests Group's ability to furnish fiber was severely strained by rainfall that was double normal levels in 1991. This hardship clearly illustrated the value of the timberland asset. As raw material inventories at mill woodyards dropped to perilously low levels, the ability to obtain fiber from Company lands, coupled with innovative outside wood procurement ideas, insured an adequate supply to all mills.

Residue materials from the four building products plants in Texas and the Rome, GA sawmill contributed about 35 percent of the wood fiber for the paper mills in each of those areas.

Pine lands, constituting about 85 percent of all fee lands, are intensively managed to produce maximum fiber. Detailed plans are developed for each of several thousand management units on a computerized analysis system fed with data supplied by a staff of professional foresters. During 1991, this entire system was updated with the latest technology available in the data management/geographical information systems field.

A new hardwood management program commenced during 1991. The 15 percent of Company acreage best suited to growing hardwood species will be the beneficiary of the program designed to replace older hardwood stands, whose vigor is declining, with younger stands as a guarantee of future supplies of this valuable fiber. Hardwood species are necessary for certain quality characteristics of paper production and make up about 10 percent of the total furnish to the Georgia linerboard mill and over 40 percent to the Texas bleached paperboard mill.

The importance of hardwood species will increase in future years and the new program, designed by Company and university scientists, embodies a combination of selective all-aged management methods and natural regeneration systems. Application of the two systems depends upon stand conditions in each management compartment. The start-up phase produced encouraging results in both the inventories of fiber detected and the positive effect on the stands managed. All applications are consistent with responsible wetlands maintenance. An independent examination of the total system's impact is underway by university teams to insure the accuracy of Company observations.

The hardwood lands will be managed on a 40-year rotation with regeneration harvests limited to a maximum of



30 contiguous acres. Pine stands are on a 35-year rotation in Texas and a 28-year rotation in Georgia. Approximately 57 percent of the pine lands already support fully stocked plantations. These stands, planted with genetically improved stock, begin reaching full maturity in the late 1990s and will result in a 25 percent increase in sustainable harvest.

Purchases of wood fiber from area landowners are used to supplement volumes harvested from Company lands.

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To insure that Temple-Inland has fiber for decades to come, our foresters grow and nurture seedlings in the Company's nursery. Each year, more than 36 million of these year-old seedlings are planted in Temple-Inland forests which provide, in addition to a guaranteed fiber supply, a "classroom" for students (opposite page).

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During 1991, the loggable supply of this wood was reduced by adverse weather conditions. This reduced current availability and the curtailment of the West Coast harvest combined to push prices upward. The environmentally driven West Coast curtailments likely will persist for the foreseeable future and will serve to redirect both domestic and export demand to southern forests. These factors make the Company's land fiber supply even more essential and valuable to the strategic position of Temple-Inland.

Despite the competition and pricing problems, the Forests Group enjoyed a good year in the procurement of outside wood and entered 1992 with an excellent inventory of outside standing timber that will be used to keep the long-term forest management plan on track. This effort culminated with the closing of the largest single outside fiber purchase in the Company's history in December.

The Company's ongoing land-improvement program is designed to dispose of property which has a higher and better use than agricultural production and to replace it with more suitable forestland. Several land exchange transactions were completed with other landowners to consolidate holdings and reduce fiber transportation costs.

Wildlife, recreation and other forest amenities received substantial attention during the year. Two special projects involving intense data collection, one a continuation from 1990 and the other newly initiated are drawing considerable attention. The older project is a study to evaluate the re-establishment of quail to its native pineywoods habitat. Now in its third year, the project shows real promise as a pioneering endeavor to re-introduce viable populations of the species into its native range.

The second project is a new study to determine the impact of intensive forest management on existing white-tailed deer herds. Data generated by the five-year investigation will provide land managers with guidelines to be incorporated into all Temple-Inland forest management.

Financial Services

The Financial Services group reported record earnings of $54.2 million, primarily as a result of increased profitability in the savings bank and mortgage banking operations.

In September 1988, Temple-Inland acquired Guaranty Federal Savings Bank, a combination of three insolvent thrifts from the federal government. The assets received in the purchase could basically be thought of as a "bad bank" whose ultimate collectibility is guaranteed by the government and would be liquidated over a ten-year period, while the physical locations and customer base could be viewed as the foundation on which to build a viable savings bank.

At the time of the Guaranty acquisition, Temple-Inland already operated a small, but very profitable, savings and loan in East Texas called Kilgore Federal Savings and Loan. Over the past 2½ years, efforts have been directed at developing a unified management structure for the banks, while expanding the base of operations to insure that the bank would be large enough to provide a full range of customer services.

The area of Texas originally chosen for the banking operations included three major metropolitan markets; Dallas, Houston and Austin, along with each city's adjacent communities. A fourth marketing area was planned in east Texas using Kilgore Federal as a base. When fully developed, these four regional banking groups will be capable of servicing approximately 50 percent of the state's population.

After the initial round of thrift liquidation transactions, the government decided that in future transactions, assets of the failed thrifts would be packaged separately from the liabilities. When liabliities were acquired, the buyer assumed deposit liabilities and the existing base of customers, along with the banking locations. The government offset the assumption of these liabilities with cash.

These packages were put up for bid, with prospective buyers competing on the basis of what premium they were willing to pay for the ongoing business value of these institutions, with no risk associated with the assets. This opportunity fit Temple-Inland's strategy and resulted in a banking system which now includes 104 locations and a customer deposit base of approximately $6.6 billion.

Whereas many other institutions attract deposits on a national basis, Temple-Inland's bank concentrates on developing deposits from customers within its local market area.

Initially, the plan was to liquidate most of the assets in the "bad bank" over a 10-year period in accordance with a contractual agreement with



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Social responsibility is not just a phrase at Temple-Inland Financial Services. These employees of Guaranty Federal Savings Bank spent some of their free time painting homes in their marketing area for older residents unable to do it themselves. On the opposite page is the home before they started.

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the federal government. However, because of certain actions taken by Temple-Inland and the government, a majority of the assets will be liquidated in less than half that time. This liquidation and a combination of cash infusions from the acquisition of deposits and normal customer growth have resulted in an institution with very liquid investments.

Predictably, loan growth has not offset the growth in deposits. Alternatively, the bank's assets have been invested primarily in securitized, adjustable mortgages, most of which are guaranteed by one of the agencies of the federal government. Although these securities meet all the liquidity needs of the bank, they do bear a lower rate of interest than internally generated loans.

The strategic development of the bank will continue in 1992 with the merger of Guaranty and Kilgore into one bank which will be known as Guaranty Federal Bank, F.S.B. Not only will this merger achieve additional operating efficiencies, it will also allow, for the first time, development of a unified marketing plan.

The combined savings banks had record earnings of $41.3 million in 1991, up from $35.4 million the previous year. These earnings reflect the banks' emphasis on being a low-cost organization. Further efficiencies anticipated in 1992 should allow continued growth and profitability, even with a projected soft loan demand.

In January 1991, the mortgage banking operation was servicing $3.3 billion of loans. In June, the acquisition of Capitol Mortgage Bankers added $2.0 billion to the servicing portfolio. Following this acquisition, the two mortgage banking units were consolidated into one processing group, thereby achieving greater operating efficiencies.

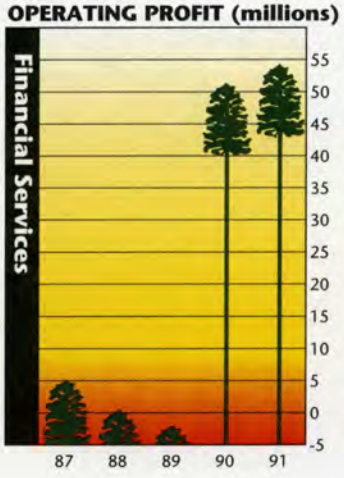
As mortgage interest rates declined throughout 1991, creating attractive opportunities for many homeowners to refinance their mortgages, mortgage originations reached record levels. During 1991, over $1.4 billion of new loans were originated. Volume continues to build in 1992 and will probably remain high until the interest rate trend reverses. Since virtually all of these new loans are for fixed maturities ranging up to 30 years, they have been sold into securitized mortgage markets rather than placed in the Bank. However, servicing rights on most of these loans have been retained and will remain a very valuable source of income in future years.

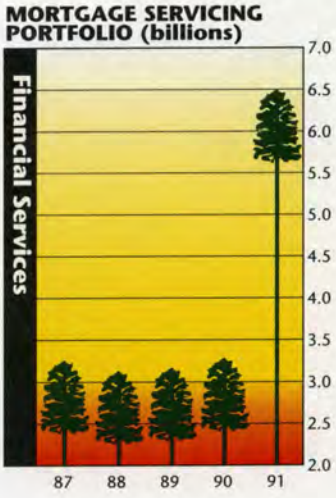
The mortgage banking operation also had record earnings of $11.9 million up from $3.4 million in 1990.

In connection with mortgage banking activities, the Financial Services Group operates land developments, primarily in Austin and San Antonio, TX. Over the last few years, home building has been relatively weak in these areas. The federal government, through the Resolution Trust Corporation, has foreclosed on many other developers' lots and has been attempting a quick liquidation of the assets. Therefore, price levels have declined and the real estate unit is in the process of liquidating its inventory into this difficult market. Lot demand improved in the second half and prices are beginning to recover, but this operation will probably continue to be unprofitable in 1992.

The insurance agency, which brokers business coverage for the general public in addition to serving as insurance manager for Temple-Inland, had another profitable year and has been able to enhance its operations by providing financial products to the savings banks.

Although the Financial Services Group had record earnings, even more encouraging is the building of a broader base that will contribute to its future stream of earnings.





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Corporate Headquarters

Diboll, Texas

Subsidiaries' Headquarters

Inland Container Corporation
Indianapolis, Indiana

Temple-Inland Forest Products Corporation
Diboll, Texas

Temple-Inland Financial Services, Inc.
Dallas, Texas



Building Products

Fiberboard Operation
Diboll, Texas

Particleboard Operations
Diboll, Texas
Monroeville, Alabama
Thomson, Georgia

Gypsum Operations
West Memphis, Arkansas
Fletcher, Oklahoma

Plywood Operation
Pineland, Texas

Lumber Operations
Rome, Georgia
DeQuincy, Louisiana
Diboll, Texas
Pineland, Texas
Buna, Texas

Retail Distribution Operations
Diboll, Texas
Pineland, Texas
Conroe, Texas
Houston, Texas
Alexandria, Louisiana



Bleached Paperboard Mill

Evadale, Texas

Containerboard Mills

Linerboard
Ontario, California
Rome, Georgia
Maysville, Kentucky (under construction)
Orange, Texas

Corrugating Medium
Newark, California
Newport, Indiana
New Johnsonville, Tennessee



Packaging

Corrugated Container Plants
Fort Smith, Arkansas
Buena Park, California
El Centro, California
Los Angeles, California
Newark, California
Ontario, California
Santa Fe Springs, California (3)
Tracy, California
Denver, Colorado
Orlando, Florida
Macon, Georgia
Rome, Georgia
Chicago, Illinois
Crawfordsville, Indiana
Evansville, Indiana
Indianapolis, Indiana
Garden City, Kansas
Kansas City, Kansas
Louisville, Kentucky
Minden, Louisiana
Minneapolis, Minnesota
Hattiesburg, Mississippi
St. Louis, Missouri
Edison, New Jersey
Spotswood, New Jersey
Middletown, Ohio
Biglerville, Pennsylvania
Erie, Pennsylvania
Hazleton, Pennsylvania
Vega Alta, Puerto Rico
Lexington, South Carolina
Rock HIll, South Carolina
Elizabethton, Tennessee (2)
Dallas, Texas
Edinburg, Texas
Petersburg, Virginia

Tape Manufacturing Operation
Milwaukee, Wisconsin

Food Service Converting Operations
El Cajon, California
Sacramento, California
Denver, Colorado
Carlisle, Ohio



Financial Services

Consumer Banking Regions
Dallas and Adjacent Cities
Austin and Adjacent Cities
Houston and Adjacent Cities
East Texas

Mortgage Banking Operations
California
Colorado
Illinois
Indiana
Maryland
Mississippi
New Jersey
North Carolina
Oklahoma
Pennsylvania
Tennessee
Texas
Virginia

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Chairman, President and Chief Executive Officer Cooper Industries, Inc.

Henry C. Goodrich *(2) (3) (4)*
President Richgood Corporation

Clifford J. Grum *(3)*
Chairman and Chief Executive Officer Temple-Inland Inc.

Bobby R. Inman *(4) (5)*

Ben J. Lancashire
Executive Vice President Temple-Inland Inc.

Walter P. Stern *(1) (2) (3)*
Chairman of the Board Capital International, Inc.

Arthur Temple *(2) (3) (5)*
Chairman Emeritus Temple-Inland Inc.

Arthur Temple III *(1) (3) (4)*
Chairman of the Board and Chief Executive Officer Exeter Investment Company

Larry E. Temple *(1) (5)*
Attorney

Clinton G. Ames Jr.
Director Emeritus

Joe C. Denman Jr.
Director Emeritus

(1) Audit Committee
(2) Management Development and Executive Compensation Committee
(3) Executive Committee
(4) Nominating Committee
(5) Public Policy/Environmental Committee

Officers

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Clifford J. Grum
Chairman and Chief Executive Officer

Ben J. Lancashire
Executive Vice President

Robert F. Adelizzi
Group Vice President

David L. Ashcraft
Group Vice President

Harold C. Maxwell
Group Vice President

Roger D. Ericson
Vice President, General Counsel and Secretary

David H. Dolben
Vice President

Kenneth M. Jastrow II
Chief Financial Officer

David W. Turpin
Treasurer

Joseph E. Tomlinson
Assistant Treasurer

James R. Wash
Assistant Secretary

Chester E. Winger
Assistant Treasurer

Inland Container Corporation

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Chairman, President and Chief Executive Officer

William B. Howes
Executive Vice President

William A. Long
Group Vice President Container Division

Ted A. Owens
Group Vice President Containerboard Division

Temple-Inland Forest Products Corporation

Bleached Paperboard Group

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Group Vice President

Aubrey W. Barlow
Vice President-Sales

W. C. Cole
Vice President-Mill Operations

Building Products Group

Harold C. Maxwell
Group Vice President

Joe K. Sample
Vice President-Marketing

Jack C. Sweeny
Vice President-Operations

Forests Division

Glenn A. Chancellor
Group Vice President

Temple-Inland Financial Services

Robert F. Adelizzi
Chairman and Chief Executive Officer

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations and Financial Condition

Results of operations including information regarding the principal business segments are shown below.

BUSINESS SEGMENTS

For the year	**1991**	1990	1989	1988	1987	1986	1985	1984
REVENUES				*(in millions)*				
Container and containerboard	**$1,148.6**	$1,144.2	$1,138.4	$1,093.1	$964.2	$721.7	$684.2	$665.3
Bleached paperboard	**370.6**	373.0	368.3	336.0	292.5	264.9	256.7	284.5
Building products	**311.1**	305.3	320.3	312.2	322.8	281.5	268.0	295.3
Other activities	**67.9**	70.0	67.2	32.2	23.2	27.7	34.2	17.8
Manufacturing net sales	**1,898.2**	1,892.5	1,894.2	1,773.5	1,602.7	1,295.8	1,243.1	1,262.9
Financial services (1)	**608.9**	508.6	49.4	40.9	39.4	47.2	39.2	36.3
Total revenues	**$2,507.1**	$2,401.1	$1,943.6	$1,814.4	$1,642.1	$1,343.0	$1,282.3	$1,299.2
INCOME BEFORE TAXES								
Container and containerboard	**$ 75.4**	$ 150.9	$ 208.4	$ 221.3	$ 150.8	$ 38.8	$ 49.7	$ 74.8
Bleached paperboard	**79.9**	98.8	114.9	82.7	53.4	29.4	19.8	46.8
Building products	**5.2**	9.4	23.7	24.6	36.5	35.9	22.5	40.9
Other activities	**1.1**	(1.7)	(.7)	1.2	–	(5.8)	2.5	(3.2)
Operating profit	**161.6**	257.4	346.3	329.8	240.7	98.3	94.5	159.3
Financial services (1)	**54.2**	51.4	(2.1)	.4	5.3	12.9	18.3	13.4
	215.8	308.8	344.2	330.2	246.0	111.2	112.8	172.7
Corporate expense	**(16.0)**	(20.7)	(12.9)	(19.9)	(11.7)	(13.1)	(8.1)	(11.9)
Parent company interest–net	**(31.8)**	(24.0)	(24.4)	(23.1)	(20.3)	(13.0)	1.2	(4.6)
Other income (2)(3)	**(1.2)**	4.7	5.0	16.3	5.5	23.4	20.3	8.7
Income before taxes	**$ 166.8**	$ 268.8	$ 311.9	$ 303.5	$ 219.5	$ 108.5	$ 126.2	$ 164.9

STOCK LISTING

Temple-Inland Inc. Common Stock is listed on the New York and Pacific Stock Exchanges, Ticker Symbol: TIN.

	1991			1990		
COMMON STOCK PRICES AND DIVIDEND INFORMATION	PRICE HIGH	RANGE LOW	DIVIDENDS	PRICE HIGH	RANGE LOW	DIVIDENDS
First Quarter	**$ 39¾**	**$28½**	**$ .22**	$ 34 11/16	$29½	$ .20
Second Quarter	**46¾**	**34¾**	**.22**	36½	30⅛	.20
Third Quarter	**49½**	**41¼**	**.22**	38⅝	25½	.20
Fourth Quarter	**51½**	**40**	**.22**	32¾	24⅛	.20
Year	**51½**	**28½**	**.88**	38⅝	24⅛	.80

(1) Operating results for 1991 and 1990 reflect the operating income from the consolidation of Guaranty Federal Savings Bank beginning January 1, 1990.

(2) Income net of federal income taxes from life insurance operations discontinued in 1990, included in other income, was $15.3 million ($.25 per share) in 1986 and amounts were immaterial in other years.

(3) The 1991 amount includes losses of $7.4 million ($.11 per share) from the write-off of an investment in a gypsum-fiberboard venture. The 1988 amount includes gains of $12.4 million on the disposition of lands and $5.0 million on the sale of the AFCO Industries subsidiary. The 1985 amount includes an $11.3 million gain on the sale of the Eastex Packaging subsidiary.

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CONTAINER AND CONTAINERBOARD

The Container and Containerboard group manufactures linerboard and corrugating medium at six paper mills and converts these grades of containerboard into corrugated shipping containers at 39 box plants.

Earnings from the Container and Containerboard group declined 50 percent in 1991 due to continued margin erosion which resulted from lower box prices and, to a lesser extent, increased costs. Earnings for this group had decreased 28 percent in 1990 from 1989, also because of declining box prices and increased costs.

Mill production totaled 2.1 million tons in 1991, an increase of 3 percent from the previous year. The completion during 1991 of modernization and expansion of two corrugating medium mills, New Johnsonville and Newport, accounted for most of the increase. Production of containerboard exceeded internal box plant usage by 218,000 tons in 1991, 269,000 tons in 1990 and 251,000 tons in 1989. Most of the excess production continues to be sold on the domestic and export markets.

In late 1991, the $38 million project to produce mottled white and white top linerboard at the Orange mill was completed. Some mottled white linerboard was produced in December and salable white top is expected to be produced by the second quarter of 1992. As a result of this project, the Orange mill will have the capability of replacing approximately 200,000 tons per year of ordinary brown linerboard production with higher value white top linerboard, and in the process approximately 70,000 tons of the Evadale mill's excess bleached pulp will be utilized.

The $40 million expansion of the Ontario recycle linerboard mill is expected to be completed in the second quarter of 1992. This expansion will increase production by about one-third–to approximately 285,000 tons annually.

The construction of the $176 million Maysville, KY recycle linerboard mill is in progress. This new mill will have the capacity to produce approximately 210,000 tons annually of linerboard and corrugating medium using old corrugated containers as its raw material. Similar to the Newport mill, it is located adjacent to a utility power plant. A long-term contract with the utility will assure the mill a source of reasonably priced steam, without many of the environmental concerns normally associated with steam production. Construction of the mill began in early 1991, and production is scheduled to start up before the end of 1992.

	1991	1990	1989
Tons Mill Production	**2,103,000**	2,034,000	1,897,000

The Company's 39 box plants are located throughout the United States and in Puerto Rico. They manufacture a wide range of boxes from the simplest brown box to intricate die cut containers which can be printed with many colors and attractive graphics. Average price per ton of boxes can be significantly impacted by variations in production mix at the box plant locations.

Tons of boxes sold increased by 7 percent in 1991 including the tonnage of plants acquired from Crockett Container Corp. and Pakway Container Corp. in the last half of 1990. Container prices for the entire year 1991 were down an average of 3 percent after having also declined by an average 3 percent in 1990. By the end of 1991, prices had returned to beginning of the year levels after having declined 6 percent during mid-year.

The table below shows the container and containerboard sales in tons and dollars. The totals presented include not only boxes sold but also open market, domestic and export sales of containerboard and related products. Changes in product mix from period to period may make historical comparisons difficult.

Container & Containerboard	**1991**	1990	1989
Unit Sales		*(in thousands of tons)*	
1st Qtr	**523**	498	486
2nd Qtr	**536**	517	488
3rd Qtr	**532**	532	470
4th Qtr	**506**	514	469
For the year	**2,097**	2,061	1,913
Net Sales		*(in millions)*	
1st Qtr	**$ 289.7**	$ 282.4	$ 286.6
2nd Qtr	**290.1**	287.1	292.6
3rd Qtr	**285.3**	288.5	283.4
4th Qtr	**283.5**	286.2	275.8
For the year	**$1,148.6**	$1,144.2	$1,138.4

BLEACHED PAPERBOARD

The Bleached Paperboard group produces primarily bleached paperboard and some market pulp at its mill located in Evadale, Texas. This mill sells its production to manufacturers who convert the product into paper cups, plates, file folders, folding cartons, paperback book covers and a variety of other paperboard products.

This group recorded its fourth best year in 1991, with earnings of $79.9 million, down 19 percent compared to $98.8 million in 1990. The earnings decline is attributed generally to the weak economy (particularly during the fourth quarter), further price decreases of 33 percent for market pulp and an unfavorable product mix for bleached paperboard during the year, and to the planned rebuild of our largest chemical recovery boiler which increased costs and lowered production over a two-month period during the third and fourth quarters of 1991.

Bleached paperboard earned $98.8 million in 1990, down 14 percent from the record earnings of $114.9 million in 1989. Although prices for most bleached paperboard products and tons of mill production remained stable during 1990, the 20 percent decrease in the price of market pulp and escalating manufacturing costs caused earnings to decline.

In May 1991, construction began on a new $85 million hardwood fiber pulp line and bleach plant. This project will lower chemical, energy and fiber consumption, and the modified bleaching process will produce a higher quality pulp which will be stronger and brighter than current production. Hardwood pulping and bleaching capacity will increase 50 percent when this new equipment is put into production during the fourth quarter 1992. The rebuild of our largest recovery boiler, its first since installation 18 years ago, not only lowered air emissions, but increased this unit's recovery capacity by 20 percent.

In March 1991, the Bleached Paperboard group formed Temple-Inland Food Service Corporation ("Food Service"), a newly integrated paper converter to manufacture and market paper containers and products primarily for the food service industry. Food Service consists of converting plants acquired in Carlisle, Ohio, Sacramento and El Cajon, California, and Denver, Colorado. Products manufactured include paper plates and bowls, clamshells,

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carrying trays and boxes, nested food trays, fry cartons and dispensers and pails and are sold to the fast food industry, retail consumer stores and to restaurants and cafeterias. Food Service enhances the Bleached Paperboard group's ability to manufacture and market paper products for the food service industry.

Mill production in 1991 was 586,000 tons compared to 591,000 tons in 1990. The decline in production occurred during the two-month outage of the chemical recovery boiler from mid-August through mid-October 1991.

The table below lists the quarterly sales by product in tonnage and dollars. Changes in product mix from period to period may make historical comparisons difficult.

Bleached Paperboard	**1991**	1990	1989
Unit Sales		*(in thousands of tons)*	
Paperboard			
1st Qtr	**129**	128	120
2nd Qtr	**123**	109	114
3rd Qtr	**110**	117	114
4th Qtr	**112**	108	104
For the year	**474**	462	452
Pulp			
1st Qtr	**24**	31	36
2nd Qtr	**26**	28	29
3rd Qtr	**20**	34	29
4th Qtr	**25**	34	30
For the year	**95**	127	124
Net Sales		*(in millions)*	
Paperboard			
1st Qtr	**$ 80.7**	$ 88.4	$ 76.7
2nd Qtr	**77.6**	73.5	74.6
3rd Qtr	**69.1**	79.7	78.4
4th Qtr	**64.8**	73.1	70.9
For the year	**$292.2**	$314.7	$300.6
Pulp			
1st Qtr	**$ 13.4**	$ 14.3	$ 19.0
2nd Qtr	**12.0**	12.1	16.1
3rd Qtr	**8.5**	14.3	15.4
4th Qtr	**11.0**	13.8	15.5
For the year	**$ 44.9**	$ 54.5	$ 66.0
Other (including Food Service beginning in 1991)			
1st Qtr	**$ 2.1**	$ .9	$ .2
2nd Qtr	**5.7**	.8	.1
3rd Qtr	**13.9**	1.0	.4
4th Qtr	**11.8**	1.1	1.0
For the year	**$ 33.5**	$ 3.8	$ 1.7

BUILDING PRODUCTS

The Building Products group manufactures a broad line of construction and commercial grade building materials including lumber, plywood, fiber products, particleboard and gypsum wallboard. These products are produced at ten separate facilities located in Texas, Louisiana, Oklahoma, Arkansas, Alabama and Georgia. Four retail locations, which account for 14 percent of group net sales, market building materials to contractors and retail customers with approximately 15 percent of their revenues derived from sales of Company manufactured products.

Earnings from the Building Products group declined 45 percent to $5.2 million in 1991 following the general trend of the industry as housing starts fell to the lowest point in four decades. By the end of the fourth quarter, however, there were positive trends developing both in existing housing sales and new starts with mortgage interest rates at near 15-year lows.

The following table provides information on sales volume and unit sales for each business unit.

Building Products	**1991**	1990	1989
Unit Sales		*(in millions of board feet)*	
Pine lumber	**395**	342	308
		(in millions of square feet)	
Fiberboard	**443**	452	446
Particleboard	**321**	302	333
Plywood	**253**	233	213
Gypsum wallboard	**601**	699	685
Rigid foam insulation*	**–**	25	77
Net Sales		*(in millions)*	
Pine lumber	**$ 87.6**	$ 72.7	$ 67.4
Fiberboard	**48.2**	48.5	48.0
Particleboard	**60.7**	57.1	64.6
Plywood	**36.9**	33.3	33.1
Gypsum wallboard	**33.1**	40.7	41.1
Rigid foam insulation*	**–**	4.9	17.0
Retail distribution	**42.2**	41.7	42.1
Other	**2.4**	6.4	7.0
For the year	**$311.1**	$305.3	$320.3

*A three-year lease with option to purchase was negotiated for the Company's rigid foam insulation operation during the second quarter of 1990.

Increases in unit sales volume of pine lumber reflect primarily the increasing production of a new sawmill facility located near DeQuincy, Louisiana, which was completed in May 1990, and which achieved its 100 million board feet designed capacity in 1991. Accordingly, increases in net sales for 1991 in lumber products were largely attributable to this added capacity and to sales averages which were up about 4 percent over prior year levels.

Improvements in other markets such as repair and remodeling, commercial and industrial applications, and export have served to support several product lines including plywood. Also, with Western lumber and plywood producers experiencing increased timber supply problems, the strengthening demand for plywood increased sales realization for this product, accounting for about 70 percent of the revenue increase over 1990. An additional plywood press and state-of-the-art lay-up line will be in operation during the first quarter of 1992, increasing production capacity to approximately 265 million square feet annually.

Internally produced wood chips, by-products of the lumber and plywood operations, were up about 17 percent over 1990 and accounted for approximately 23 percent of the pine fiber requirements of the Company's two east Texas paper mills in 1991.

Particleboard unit sales for 1991, although down from 1989 levels, increased over the prior year, accounting for the reported increase in net sales. The housing downturn in 1991 did not affect this business unit as it did fiber products and gypsum which are more dependent on new housing starts. The gypsum wallboard markets were especially depressed due to industry over-capacity, resulting in an election by Company management to reduce operating levels during the last half of 1991. The reduced running schedule will continue into 1992 until the market improves.

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TEMPLE-INLAND FINANCIAL SERVICES

The Company's Financial Services group includes businesses involving savings banks, mortgage banking, real estate development and insurance. The following selected financial information and discussion of each business segment are provided to offer a more detailed description and explanation of the activities and operations of the Financial Services group.

Temple-Inland Financial Services Selected Segment Information

Years ended December 31	1991	1990	1989
INCOME		*(in thousands)*	
Savings banks	$ 41,283	$ 35,359	$ 1,209
Mortgage banking	11,880	3,417	(4,826)
Land development and income properties	(2,402)	2,911	(313)
Insurance	3,375	2,240	2,302
Other activities	40	7,476	(456)
Operating income (loss)	54,176	51,403	(2,084)
Taxes on operating income	9,210	6,939	(695)
	44,966	44,464	(1,389)
Life insurance operations	–	–	2,589
Net income	$ 44,966	$ 44,464	$ 1,200
ASSETS			
Savings banks	$7,103,501	$5,299,064	$4,136,184
Mortgage banking	212,546	68,565	73,995
Land development and income properties	156,130	99,103	75,517
Insurance	17,983	20,950	12,045
Other	34,376	77,389	71,730
Total assets	$7,524,536	$5,565,071	$4,369,471
LIABILITIES			
Savings banks	$6,790,860	$5,152,222	$4,083,570
Mortgage banking	193,939	57,656	59,875
Land development and income properties	110,844	73,785	79,386
Insurance	15,420	17,000	7,807
Other	4,993	40,994	24,483
Total liabilities	$7,116,056	$5,341,657	$4,255,121
EQUITY			
Savings banks	$ 312,641	$ 146,842	$ 52,614
Mortgage banking	18,607	10,909	14,120
Land development and income properties	45,286	25,318	(3,869)
Insurance	2,563	3,950	4,238
Other	29,383	36,395	47,247
Total equity	$ 408,480	$ 223,414	$ 114,350

SAVINGS BANKS

The Company's savings bank operations are conducted through two wholly-owned subsidiaries, Kilgore Federal Savings and Loan Association and Guaranty Federal Savings Bank (collectively referred to as the "Savings Banks"). The Savings Banks currently operate 104 banking centers in Texas. Major market areas include Dallas, Austin and Houston.

After receiving permission from the Office of Thrift Supervision on January 28, 1992, the Savings Banks were merged and now operate as a single institution. Merger of operations will allow the Savings Banks to achieve greater economies of scale by eliminating duplicate and competing branch facilities, combining branch support functions, and allowing a unitary marketing effort toward the Savings Bank customers. When fully implemented, the merger will allow Savings Bank customers to bank at any location within the Savings Banks branch network.

Presented below is selected combined financial information for the Savings Banks:

Savings Banks Summarized Financial Statement Information

Years ended December 31	1991	1990	1989
ASSETS		*(in thousands)*	
Investment and mortgage-backed securities	$4,380,958	$1,361,368	$ 199,069
Covered assets	563,154	1,282,387	1,643,461
Receivable from FSLIC	429,966	1,384,570	1,379,950
Loans receivable	1,191,618	900,688	697,082
LIABILITIES			
Deposits	6,639,399	4,487,279	2,910,302
Federal Home Loan Bank advances	57,426	526,752	1,069,374
INCOME AND EXPENSES			
Interest income	492,745	439,635	412,573*
Net interest income	119,928	95,006	68,850*
Income before taxes	41,283	35,359	19,963*

*Includes on a pro forma basis the results of operations of Guaranty which was accounted for as a nonconsolidated investment in 1989.

The Savings Banks experienced a significant restructuring of their balance sheet during 1991. During 1991, the Savings Banks consummated the acquisition and assumption from the Resolution Trust Corporation (the "RTC") of certain assets, primarily cash, investment securities and loans, and certain liabilities, principally deposit liabilities, of six failed savings and loans. The Savings Banks had previously consummated the acquisition and assumption of certain assets and liabilities of 13 failed savings and loans during 1990. Acquisitions of failed savings and loans during 1991 resulted in the assumption of $3.2 billion in customer deposit liabilities. The RTC paid the Savings Banks cash equal to the difference between total deposits assumed and the assets acquired, less the premium paid in connection with the acquisitions. The amount of cash received associated with the 1991 acquisitions was $2.4 billion.

FDIC directed write downs of covered assets resulted in the receipt during 1991 and early 1992 of approximately $600 million. In addition to these write downs, FDIC actions during 1991 resulted in the prepayment of $1.1 billion of notes receivable from the FSLIC Resolution Fund. Proceeds from the aforementioned transactions were used to reduce Federal Home Loan Bank advances and increase the Savings Banks investments in mortgaged-backed securities.

Net interest income increased from $95.0 million for the year ended December 31, 1990 to $119.9 million for the year ended December 31, 1991, an increase of 25 percent. The improvement in net interest income has occurred during a period in which reliance on income from FSLIC assisted assets has diminished. Interest income from investments and mortgage-backed securities increased by $168.9 million in 1991 compared to the previous year, while earnings on covered assets declined by $129.6 million. Reduction of FHLB advances, declining interest rates and repricing of acquired deposits to market rates of interest at the date of acquisition have allowed the Savings Banks to maintain constant levels of interest costs in spite of changes in balances of deposits and FHLB advances.

The Savings Banks have attempted to reduce their sensitivity to interest rate risk through purchases of mortgage-backed securities

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indexed to the 11th District cost of funds ("COFI Arms"). COFI Arms allow the Savings Banks to more effectively reduce interest rate risk due to the monthly repricing of these assets as well as the comparability of the 11th District cost of funds to the Savings Bank's liability structure. COFI Arms accounted for $4.2 billion, or 96.3 percent of all mortgage-backed securities at December 31, 1991. The average interest rate of the COFI Arms mortgage-backed security portfolio was 7.5 percent at December 31, 1991. The frequent repricing of these mortgage-backed securities acts to insulate net interest income and the market value of the loan portfolio from fluctuations that can occur in the changing interest rate environment.

ACQUISITIONS

During 1991, the Savings Banks assumed deposit and other liabilities and purchased certain assets of six failed savings institutions from the RTC. The following table summarizes these purchases:

Acquired Institution	Date of Purchase	As of Purchase Date	Pro Forma As stabilized
		(dollars in millions)	
		Deposits/Branches	Deposits/Branches
First Federal S&LA, Atlanta, Texas	06/14/91	$ 77,597 /2	$ 70,000 /1
Southwest Federal Savings Assoc., Dallas, Texas	07/26/91	2,018,883 /45	1,341,000 /23
TexasBanc, FSB Conroe, Texas	08/02/91	370,003 /12	152,000 /3
Continental Savings, a FS&LA Houston, Texas	08/16/91	215,717 /6	142,000 /3
First Savings and Loan Assoc., F.A. Temple, Texas	09/06/91	277,007 /3	237,000 /2
First Federal S&LA, Beaumont, Texas	09/27/91	248,202 /5	141,000 /2
		$3,207,409 /73	$2,083,000 /34

The Savings Banks paid premiums aggregating $17.1 million during 1991 to the RTC to acquire the failed savings institutions. The premiums paid represent less than one percent of the core deposit balances assumed in the acquisitions. When combined with acquisitions during 1990, the Savings Banks have acquired core deposits of $3.2 billion at premiums totalling $18.6 million. The 1991 acquisitions continue the effort begun in 1990 to obtain low cost core deposits to complement and enhance the Savings Banks' existing franchise, while permitting entrance into new marketing areas.

Assets purchased in connection with the 1991 acquisitions include approximately $253 million in loans, including $229 million of single-family mortgage loans. The single-family mortgage loans were acquired at discounts of 10.8 percent, or $24.6 million. A significant portion of the cash received from the RTC in connection with these acquisitions has been utilized to purchase mortgage-backed securities.

Deposit balances increased during 1991 by $2.1 billion, to $6.6 billion at December 31, 1991. Core deposits assumed from the 1991 acquisitions provided substantially all growth experienced during 1991. Repricing of these deposits to market rates of interest at the date of acquisition coupled with the decline of interest rates has allowed the Savings Banks to substantially lower their overall costs of deposits. Costs of deposits were 6.6 percent and 7.7 percent for the years ended December 31, 1991 and 1990, respectively. Note H on page 42 has additional information concerning composition and costs of the deposit portfolio.

While the RTC has resolved substantially all of the insolvent savings and loans in which the Savings Banks have shown interest, it is anticipated the RTC will seek resolution of additional insolvent savings and loans in the Savings Banks' market area during 1992. The Savings Banks will continue to review those savings and loans offered for resolution by the RTC in their continuing efforts to increase market penetration and improve efficiencies.

COVERED ASSET ACTIVITY

FIRREA, when enacted in 1989, directed the FDIC to review all 1988 FSLIC assisted transactions and, where appropriate, take actions to achieve cost savings for the FSLIC Resolution Fund. Such actions could take the form of prepayment of notes, require write down in asset values and outright purchase of assisted assets. At December 31, 1990, the FDIC directed the Savings Banks to write down covered assets by $159 million. The Savings Banks received additional write down requirements at June 30, and again at December 31, 1991. The write downs during 1991 totalled $454 million. The Savings Banks are paid cash equal to the write down as part of the next quarterly payment received from the FSLIC Resolution Fund. These write downs are nonearning from the date of write down until the cash is collected. At December 31, 1991, the Receivable from FSLIC Resolution Fund includes $304 million of required write downs.

In addition to these write downs, FSLIC notes totalling $1.1 billion were prepaid by the FSLIC Resolution Fund during 1991. Due to the directed write downs, prepayment of the FSLIC notes and other dispositions, assets subject to assistance decreased from $2.7 billion, or 50.3 percent of Savings Banks total assets at December 31, 1990, to $993 million, or 14.0 percent of Savings Banks total assets at December 31, 1991.

In December 1991, the Company completed a transaction in which it repurchased the warrants retained by the FSLIC to purchase up to 20 percent of the outstanding common stock of Guaranty on a fully diluted basis.

The RTC has initiated discussions with the Savings Banks for the purpose of renegotiating the terms of the assistance agreement. The Savings Banks anticipate that the renegotiations will result in the loss of future tax free assistance payments with respect to the covered assets. There can be no assurances as to when, or if, the renegotiations will be completed, the actual results of the renegotiations or the actual impact of the renegotiations on the operations of the Savings Banks.

LIQUIDITY AND CAPITAL

Liquidity refers to the ability of the Savings Banks to generate sufficient cash to meet cash funding needs, to support current loan demand, to meet deposit withdrawals and to pay operating expenses. Significant cash resources were provided during 1991 from reduction of covered assets and prepayment of FSLIC notes and through acquisitions of failed savings and loans. Proceeds received in connection with FSLIC assisted transactions exceeded $1.6 billion, while $2.4 billion was received from the RTC in connection with the

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acquisition of failed savings and loans. Due to the reduction of FSLIC assisted assets during 1991, this area as a primary funding source has been significantly diminished. Because of the uncertainty of which failed savings and loans will be offered for sale by the RTC during 1992 and the interests of the Savings Banks to participate in acquisitions of those so offered, no assurances can be made that acquisitions will remain a significant provider of liquid funds during 1992. The Savings Banks continue to maintain access to significant stable and reliable sources of funds including customer deposits, FHLB and other borrowings, securities sold under agreements to repurchase, repayments and sales of mortgage-backed securities and other sources.

Office of Thrift Supervision regulations require savings institutions to maintain the following minimum capital levels:

- tangible capital of at least 1.5 percent of adjusted total assets
- core capital of at least 3.0 percent of adjusted total assets; however, qualifying supervisory goodwill may be included in regulatory capital to the extent of 1.5 percent of adjusted total assets through December 31, 1991, 1.0 percent in 1992, 0.75 percent in 1993 and 0.375 percent in 1994, with no goodwill to be included thereafter
- risk-based capital of at least 7.2 percent of risk-weighted assets through December 31, 1992, and 8.0 percent thereafter.

The Savings Banks are in compliance with all regulatory capital requirements at December 31, 1991. The RTC has imposed restrictions requiring all savings institutions bidding for failed savings and loans to maintain a core capital ratio of at least 4.0 percent. The Parent Company provided additional capital contributions to the Savings Banks of $117.5 million during 1991 to comply with the imposed restrictions. It is anticipated the Parent Company will continue to provide the necessary capital contributions to allow the Savings Banks to participate in future acquisitions of failed savings and loans although no assurances can be made that the Parent Company will do so.

Note K on page 43 contains additional information concerning capital requirements, including capital ratios of the Savings Banks.

MORTGAGE BANKING

The mortgage banking operations of Financial Services are conducted through Lumbermen's Investment Corporation of Texas and Capitol Mortgage Bankers, Inc. acquired in June 1991. The mortgage banking group arranges the financing for purchasers of real estate, services the mortgage loans after origination, and sells the mortgage loans to permanent investors. The cost of originating a mortgage loan normally exceeds the fees charged while the profit is earned by servicing the loan.

The servicing portfolio totals 130,000 loans with a balance of $6.5 billion in 1991 compared with 83,200 loans with a balance of $3.3 billion in 1990 and 83,300 loans with a balance of $3.2 billion in 1989.

The acquisition of Capitol Mortgage Bankers, Inc. added $2.0 billion in mortgage loan servicing. It added 14 new mortgage production branch offices. Total mortgage loan production for Financial Services in 1991 was $1.4 billion, up from $550 million in 1990 and $337 million in 1989.

A summary of selected financial information for the years 1991, 1990, and 1989 is provided below.

Mortgage Banking Operations Summary

Years ended December 31	1991	1990	1989
		(in thousands)	
Revenues	$50,823	$29,072	$28,007
Income (Loss) before taxes	11,880	3,417	(4,826)

Mortgage Banking Loan Administration Summary

Years ended December 31	1991	1990	1989
		(in millions)	
Beginning servicing portfolio	$ 3,270	$ 3,154	$ 3,136
Acquisition of Capitol Mortgage	2,047	-	-
New loans, net	1,677	553	345
Run-off	(517)	(437)	(327)
Ending servicing portfolio	$ 6,477	$ 3,270	$ 3,154
Servicing portfolio growth	35.5%	3.7%	.6%
Run-off factor	10.6%	13.6%	10.4%

LAND DEVELOPMENT AND INCOME PROPERTIES

This segment of Financial Services consists of eight active residential subdivisions in Texas, commercial acreage adjoining those subdivisions, one commercial land project in Dallas, Texas, and several commercial buildings.

Temple-Inland Properties has typically taken the position of a financial partner in various joint ventures with home builders or land owners who are responsible for development. These ventures are accounted for by the equity method. Lots sold in 1991 totaled 356 compared with 236 sold in 1990 and 229 sold in 1989. At year end 1991, the completed residential lot inventory was 886, along with 4,073 undeveloped acres and 176 unsold commercial acres.

Selected financial information related to these activities is shown below.

Temple-Inland Properties Operations Summary

Years ended December 31	1991	1990	1989
Revenues:		(in thousands)	
Residential	$ 4,197	$ 7,258	$ 3,398
Commercial	13,655	10,236	5,154
Sale of office building	4,741	2,851	–
	$22,593	$20,345	$ 8,552
Income (Loss) Before Taxes:			
Residential	$(8,885)	$ (3,863)	$(4,023)
Commercial	1,742	3,923	3,710
Sale of office building	4,741	2,851	–
	$(2,402)	$ 2,911	$ (313)

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Shown below is Temple-Inland Properties' pro rata share of the assets, liabilities and equity of joint ventures in which it is a partner.

Temple-Inland Properties Investment in Joint Ventures

As of December 31	1991	1990	1989
		(in thousands)	
Assets	**$56,327**	$43,302	$42,156
Liabilities (a)	**53,127**	38,762	39,922
Equity	**3,200**	4,540	2,234
	$56,327	$43,302	$42,156

(a) Although the Company's pro rata share of joint venture liabilities total $28.4 million, the joint venture partners are in most instances jointly and severally liable for notes payable. The gross balance of these notes was $64.7 million at December 31, 1991. Where a venture partner is jointly and severally liable for notes payable, the partner also has rights against the other partners' interests in joint venture assets if payments above the normal partnership percentage are required.

INSURANCE

This business is operated as a general agency providing insurance sales to homeowners as well as technical expertise and advice to a broad spectrum of retail and commercial clients. The agency insurance operation also provides the placement of significant reinsurance for the Company.

A summary of the revenues and income before taxes for the years 1991, 1990 and 1989 is shown below.

Insurance Operations Summary

Years ended December 31	1991	1990	1989
		(in thousands)	
Revenues	**$15,610**	$ 7,176	$ 5,202
Income before taxes	**3,375**	2,240	2,302

ADDITIONAL COMMENTS REGARDING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Company's financial condition continues to be strong. Internally generated funds and the capacity to issue long-term debt are sufficient to fund expected capital expenditures, to service existing debt, to pay dividends, to repurchase shares of stock under authorized repurchase programs, and to meet normal working capital requirements.

During 1991, the Company issued $500 million in term notes due between 1996 and 2006. The proceeds from the notes were used to reduce short-term indebtedness, to fund the capital expenditures and acquisition programs and for general working capital requirements.

A summary of capital expenditures is shown below.

	1991	1990	1989
CAPITAL EXPENDITURES		*(in millions)*	
Container and containerboard	**$238.2**	$192.2	$163.0
Bleached paperboard	**103.4**	65.5	33.3
Building products	**15.3**	27.9	38.5
Timber and timberlands	**19.0**	34.0	21.4
Other activities	**2.4**	4.1	3.6
Total manufacturing group	**$378.3**	$323.7	$259.8

The Parent Company invested $140 million and $65 million during 1991 and 1990, respectively, to expand the savings banks. In 1991 and 1990, the Company acquired certain food service and corrugated container facilities for $28 million and $58 million, respectively.

Net interest expense incurred by the Parent Company is shown below.

	1991	1990	1989
PARENT COMPANY INTEREST—NET		*(in thousands)*	
Interest expense	**$ 55,532**	$ 36,982	$ 34,970
Interest income	**(6,482)**	(1,778)	(1,681)
Capitalized interest	**(17,223)**	(11,185)	(8,848)
Interest expense—net	**$ 31,827**	$ 24,019	$ 24,441

Interest expense increased in 1991 and 1990 due to the higher levels of debt outstanding and the conversion of certain debt to longer term maturities. Parent Company interest paid during 1991, 1990 and 1989 was $51.5 million, $34.9 million and $36.9 million, respectively.

See Note A of Notes to Consolidated Financial Statements for a discussion of the future impact of new accounting rules for income taxes and postretirement benefits.

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SELECTED FINANCIAL DATA

The following table provides selected data for the periods indicated.

For the year	1991	1990	1989	1988	1987	1986	1985	1984
				(in millions, except per share data)				
Total revenues (1)	**$ 2,507**	$2,401	$1,943	$1,814	$1,642	$1,343	$1,282	$1,299
Manufacturing net sales	**1,898**	1,892	1,894	1,774	1,603	1,296	1,243	1,263
Net income (1)	**138**	232	207	199	141	81	85	103
Capital expenditures:								
Manufacturing	**378**	324	260	219	139	103	184	130
Financial services	**9**	4	9	4	1	1	–	–
Depreciation and depletion:								
Manufacturing	**158**	140	126	112	94	79	66	63
Financial services	**4**	5	2	2	1	1	1	1
Earnings per share (1)	**2.51**	4.20	3.75	3.58	2.34	1.32	1.40	1.69
Dividends per common share	**.88**	.80	.58	.42	.35	.29	.26	.20
Average shares outstanding	**55.2**	55.4	55.3	55.7	60.3	61.1	60.8	60.6
Common shares outstanding at year end	**54.9**	54.6	54.9	55.2	55.3	60.7	60.5	60.3
At Year End								
Total assets (2)	**$10,068**	$7,834	$6,390	$2,247	$2,020	$1,894	$1,594	$1,510
Long-term debt:								
Parent company	**864**	501	399	417	416	366	248	251
Financial services	**76**	94	30	25	30	25	14	13
Ratio of total debt to total capitalization–parent company	**37%**	28%	24%	29%	31%	28%	23%	24%
Shareholders' equity	**1,532**	1,439	1,259	1,096	927	929	864	793

(1) Operating results for 1991 and 1990 reflect the operating income from consolidation of Guaranty Federal Savings Bank beginning January 1, 1990.

(2) Includes approximately $3.5 billion, $3.7 billion and $4.0 billion assets of Guaranty at year end 1991, 1990 and 1989 and $3.3 billion and $1.3 billion assets of additional savings banks acquired in 1991 and 1990.

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SUMMARIZED STATEMENTS OF INCOME

Parent Company (Temple-Inland Inc.)

For the year	1991	1990	1989
REVENUES		*(in thousands)*	
Net sales	**$1,898,233**	$1,892,531	$1,894,230
Financial services earnings	**54,176**	51,403	(2,084)
	1,952,409	1,943,934	1,892,146
COSTS AND EXPENSES			
Cost of sales	**1,574,956**	1,489,996	1,408,044
Selling and administrative	**177,595**	165,813	152,791
	1,752,551	1,655,809	1,560,835
OPERATING INCOME	**199,858**	288,125	331,311
Interest–net	**(31,827)**	(24,019)	(24,441)
Other	**(1,262)**	4,649	4,999
INCOME BEFORE TAXES	**166,769**	268,755	311,869
Taxes on income	**28,351**	36,282	104,495
NET INCOME	**$ 138,418**	$ 232,473	$ 207,374

See the notes to the Parent Company summarized financial statements.

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SUMMARIZED BALANCE SHEETS

Parent Company (Temple-Inland Inc.)

At year end	1991	1990
ASSETS	*(in thousands)*	
CURRENT ASSETS		
Cash and cash equivalents	**$ 15,805**	$ 13,265
Refundable federal income taxes	**–**	13,357
Receivables, less allowances of $5,542 in 1991 and $5,267 in 1990	**211,195**	205,882
Inventories:		
Work in process and finished goods	**69,968**	57,249
Raw materials	**153,859**	139,483
	223,827	196,732
Prepaid expenses	**30,586**	21,875
Total current assets	**481,413**	451,111
INVESTMENT IN FINANCIAL SERVICES	**405,295**	219,521
PROPERTY AND EQUIPMENT		
Buildings	**310,224**	292,319
Machinery and equipment	**2,177,361**	1,985,761
Less allowances for depreciation and amortization	**(1,185,996)**	(1,065,148)
	1,301,589	1,212,932
Construction in progress	**310,570**	172,582
	1,612,159	1,385,514
Timber and timberlands–less depletion	**356,577**	358,494
Land	**28,532**	27,960
Total property and equipment	**1,997,268**	1,771,968
OTHER ASSETS	**74,274**	63,001
TOTAL ASSETS	**$2,958,250**	$2,505,601

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	1991	1990
LIABILITIES AND SHAREHOLDERS' EQUITY	*(in thousands)*	
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 202,546**	$ 164,942
Employee compensation and benefits	**18,403**	17,540
Short-term borrowings	**17,066**	64,000
Current portion of long-term debt	**4,092**	3,813
Total current liabilities	**242,107**	250,295
LONG-TERM DEBT	**863,735**	501,027
DEFERRED FEDERAL INCOME TAXES	**287,881**	282,163
OTHER LIABILITIES	**32,988**	32,800
SHAREHOLDERS' EQUITY	**1,531,539**	1,439,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$2,958,250**	$2,505,601

See the notes to the Parent Company summarized financial statements.

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SUMMARIZED STATEMENTS OF CASH FLOWS

Parent Company (Temple-Inland Inc.)

For the year	1991	1990	1989
CASH PROVIDED BY (USED FOR) OPERATIONS		*(in thousands)*	
Net income	**$138,418**	$232,473	$207,374
Adjustments to reconcile net income to net cash:			
Depreciation and depletion	**157,675**	139,798	126,487
Deferred taxes	**5,209**	23,285	36,197
Unremitted earnings of affiliated companies	**(44,966)**	(44,464)	(1,200)
Receivables	**9,681**	(9,372)	(5,395)
Inventories	**(19,148)**	(19,808)	(9,222)
Prepaid expenses	**(8,274)**	664	(7,817)
Accounts payable and accrued expenses	**36,651**	4,824	(13,901)
Other assets and liabilities	**(1,795)**	(4,191)	(13,551)
Other	**(6,132)**	6,994	3,742
	267,319	330,203	322,714
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Capital expenditures	**(378,268)**	(323,667)	(259,786)
Sale of property and equipment, net	**12,051**	11,131	15,622
Box plant acquisitions	**–**	(58,546)	–
Investment in financial services	**(140,100)**	(64,600)	(50,788)
Tax savings credited to financial services	**–**	–	56,796
Food service acquisitions	**(27,972)**	–	–
	(534,289)	(435,682)	(238,156)
CASH PROVIDED BY (USED FOR) FINANCING			
Additions to debt	**753,507**	269,227	165,121
Payments of debt	**(437,802)**	(116,622)	(208,548)
Construction funds held by trustees	**–**	–	5,155
Issuance of common stock for stock plans	**7,156**	4,323	5,988
Purchase of stock for treasury	**(5,115)**	(12,520)	(18,404)
Cash dividends paid to shareholders	**(48,236)**	(43,885)	(31,815)
	269,510	100,523	(82,503)
Net increase (decrease) in cash and cash equivalents	**2,540**	(4,956)	2,055
Cash and cash equivalents at beginning of year	**13,265**	18,221	16,166
Cash and cash equivalents at end of year	**$ 15,805**	$ 13,265	$ 18,221

See the notes to the Parent Company summarized financial statements.

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NOTES TO THE PARENT COMPANY (TEMPLE-INLAND INC.) SUMMARIZED FINANCIAL STATEMENTS

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Parent Company (Temple-Inland Inc.) summarized financial statements include the accounts of Temple-Inland Inc. (the "Company") and its manufacturing subsidiaries. The Financial Services subsidiaries including savings and loan, mortgage banking and real estate development operations are reflected in the financial statements on the equity basis. Refer to pages 36 through 43 for the Temple-Inland Financial Services summarized financial statements. All material intercompany amounts and transactions have been eliminated. These financial statements should be read in conjunction with the Temple-Inland Inc. consolidated financial statements.

INVENTORIES

Inventories are stated at the lower of cost or market.

Cost of inventories amounting to $89.1 million in 1991 and $78.5 million in 1990 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $134.7 million in 1991 and $118.2 million in 1990 was determined principally by the first-in, first-out method (FIFO).

If the FIFO method of accounting had been applied to those inventories which were costed on the LIFO method, inventories would have been $15.1 and $16.6 million higher than reported at year end 1991 and 1990, respectively.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less allowances for accumulated depreciation and depletion. Depreciation is generally provided on the straight-line method based on estimated useful lives as follows:

Classification	Estimated Useful Lives
Buildings	5 to 40 years
Machinery and equipment:	
Manufacturing and production equipment	2 to 25 years
Automobiles and aircraft	2 to 12 years
Office and other equipment	2 to 25 years

Certain properties are being depreciated based on operating hours because they depreciate primarily through use rather than merely through elapsed time.

Timberlands, including long-term timber harvesting rights, are stated at cost, less accumulated cost of timber harvested. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of seedlings and reforestation of timberlands are capitalized.

NOTE B–LONG-TERM DEBT

Long-term debt consists of the following:

	1991	1990
		(in thousands)
Commercial paper—weighted average interest rate was 4.86% in 1991	$183,150	$ –
Bank loans—weighted average interest rate was 7.04% and 8.21% during 1991 and 1990, respectively	–	325,000
8.375% notes payable due 1996	70,000	70,000
8.73% to 9.0% notes payable due 1996 to 1998	200,000	–
9.0% notes payable due 2001	200,000	–
8.125% to 8.38% notes payable due 2006	100,000	–
Revenue bonds due 2014—average interest rate was 4.33% and 5.91% during 1991 and 1990, respectively	34,500	34,500
8% revenue bonds due through 2009	11,665	11,665
Other revenue bonds due through 2015, weighted average interest rate of 6.63% and 8.10% as of year end 1991 and 1990, respectively	46,503	47,600
Other indebtedness due through 2000, weighted average interest rate of 9.81% and 9.04% as of year end 1991 and 1990, respectively	17,917	12,262
	$863,735	$501,027

During October 1991, the Company instituted a commercial paper program. At December 28, 1991, $183.1 million in commercial paper was outstanding. These borrowings are supported by multi-year revolving credit agreements with banks and, accordingly, are classified as long-term debt. The credit agreements are for a total of $305 million with final maturities as of January 1994, and are available for general corporate use.

Between January and April 1991, the Company issued $200 million in medium term notes with maturities ranging from five years to seven years at interest rates of 8.73 percent to 9.0 percent. On May 2, 1991, the Company issued $200 million in notes with a ten-year maturity at 9 percent interest. Pursuant to a prospectus dated November 22, 1991, the Company may offer up to $200 million of medium term notes maturing from nine months to thirty years from issue. During December 1991, the Company issued a total of $100 million of such notes maturing in fifteen years with interest rates ranging from 8.125 percent to 8.38 percent. Interest payments on the entire $500 million in term notes issued during 1991 are paid semiannually.

On December 30, 1991, the Company, through a subsidiary Inland Container Corporation, raised $20 million in financing from the issuance of Solid Waste Disposal Facilities Revenue Bonds related to the construction of Inland's green field recycle linerboard mill in Maysville, Kentucky. The bonds carry a variable interest rate and mature 2021.

At year end 1991, property and equipment of approximately $24.8 million was subject to liens in connection with $33.2 million of debt.

Aggregate maturities of the Parent Company's long-term debt during the next five years are as follows (in millions):

1992–$4.1; 1993–$2.9; 1994–$186.4; 1995–$1.3; and 1996–$175.7. For an analysis of net interest expense, see page 29.

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SUMMARIZED STATEMENTS OF INCOME

Temple-Inland Financial Services Group

For the year	1991	1990	1989
		(in thousands)	
INTEREST INCOME			
Interest on covered assets (includes FSLIC assistance of $93,482 in 1991 and $151,761 in 1990)	**$ 99,892**	$161,590	$ –
Interest on FSLIC notes	**38,757**	106,651	–
Interest on noncovered assets:			
Interest and fees on loans	**122,975**	105,443	7,101
Interest on investment and mortgage-backed securities	**196,698**	27,579	10,692
Interest on other earning assets	**53,986**	49,051	418
Total interest income	**512,308**	450,314	18,211
INTEREST EXPENSE			
Interest on deposits	**356,419**	283,308	6,304
Interest on borrowed funds	**30,855**	68,652	6,344
Total interest expense	**387,274**	351,960	12,648
NET INTEREST INCOME	**125,034**	98,354	5,563
Provision for loan losses	**2,278**	1,374	409
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**122,756**	96,980	5,154
NONINTEREST INCOME	**96,628**	58,311	31,175
NONINTEREST EXPENSE			
Compensation and benefits	**57,356**	41,516	12,038
Other (net of reimbursements from FSLIC of $579,683 in 1991 and $272,837 in 1990)	**107,852**	62,372	26,375
Total noninterest expense	**165,208**	103,888	38,413
INCOME (LOSS) BEFORE TAXES	**54,176**	51,403	(2,084)
Taxes on income	**9,210**	6,939	(695)
	44,966	44,464	(1,389)
Life insurance operations–net of tax	**–**	–	2,589
NET INCOME	**$ 44,966**	$ 44,464	$ 1,200

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

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SUMMARIZED BALANCE SHEETS

Temple-Inland Financial Services Group

At year end	1991	1990
ASSETS	*(in thousands)*	
Cash and cash equivalents	**$ 155,586**	$ 166,591
Investment and mortgage-backed securities	**4,471,940**	1,365,123
Covered assets	**563,154**	1,282,387
Receivable from FSLIC	**429,966**	1,384,570
Loans receivable	**1,202,624**	967,675
Mortgage loans held for sale	**269,126**	90,157
Other assets	**432,140**	308,568
TOTAL ASSETS	**$7,524,536**	$5,565,071
LIABILITIES		
Deposits	**$6,639,399**	$4,487,279
Federal Home Loan Bank advances	**57,426**	526,752
Short-term borrowings	**184,825**	83,599
Long-term debt	**76,502**	94,445
Other liabilities	**157,904**	149,582
TOTAL LIABILITIES	**7,116,056**	5,341,657
SHAREHOLDER'S EQUITY	**408,480**	223,414
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**$7,524,536**	$5,565,071

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

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SUMMARIZED STATEMENTS OF CASH FLOWS

Temple-Inland Financial Services Group

For the year	1991	1990	1989
CASH PROVIDED BY (USED FOR) OPERATIONS		*(in thousands)*	
Net income	**$ 44,966**	$ 44,464	$ 1,200
Adjustments to reconcile net income to net cash:			
Depreciation	**3,909**	4,716	1,646
Amortization of purchase accounting adjustments	**(20,063)**	(20,472)	–
Receivable from FSLIC	**27,772**	47,655	–
Mortgage loans held for sale	**(81,605)**	(4,539)	(57,613)
Real estate held for sale	**8,221**	9,321	(17,093)
Other	**(27,323)**	(53,437)	13,458
	(44,123)	27,708	(58,402)
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Purchase of investment and mortgage-backed securities	**(3,480,172)**	(1,233,316)	(17,622)
Sale or maturity of investment and mortgage-backed securities	**430,917**	80,603	31,986
Proceeds from sales of loans	**151,263**	338,893	–
Loans originated or acquired net of principal collected on loans	**(223,209)**	(23,677)	–
Reduction in covered assets	**575,233**	225,141	–
Proceeds from repayment of FSLIC notes	**1,063,648**	107,862	–
Consolidation of Guaranty Federal Savings Bank	**–**	–	91,236
Cash received on sale of subsidiary	**–**	70,683	–
Savings bank acquisitions	**2,923,716**	1,220,437	–
Mortgage banking acquisition	**(21,226)**	–	–
Capital expenditures	**(9,088)**	(4,593)	(9,022)
Other	**(7,313)**	(2,744)	782
	1,403,769	779,289	97,360
CASH PROVIDED BY (USED FOR) FINANCING			
Net (decrease) increase in deposits	**(1,047,313)**	(196,616)	35,668
Net (decrease) in FHLB advances	**(469,700)**	(544,930)	–
Capital contributions from parent	**140,100**	45,000	–
Additions to debt	**58,548**	82,048	124,321
Payments of debt	**(48,652)**	(135,174)	(95,783)
Other	**(3,634)**	(11,536)	–
	(1,370,651)	(761,208)	64,206
Net increase (decrease) in cash and cash equivalents	**(11,005)**	45,789	103,164
Cash and cash equivalents at beginning of year	**166,591**	120,802	17,638
Cash and cash equivalents at end of year	**$ 155,586**	$ 166,591	$120,802

See the notes to the Temple-Inland Financial Services Group summarized financial statements.

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NOTES TO THE TEMPLE-INLAND FINANCIAL SERVICES GROUP SUMMARIZED FINANCIAL STATEMENTS

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The Temple-Inland Financial Services Group summarized financial statements include savings banks, mortgage banking and real estate development activities. The investment in Guaranty Federal Savings Bank ("Guaranty") has been consolidated in the accompanying 1991 and 1990 summarized balance sheets and the results of operations are reflected in the summarized statements of income and cash flows for the years 1991 and 1990. Until December 31, 1989, the Parent Company accounted for its investment in Guaranty under the cost method. In order to enhance comparability, data contained in the notes to the summarized financial statements includes results of operations of Guaranty for the year 1989. See Note M regarding the disposition of the life insurance operations. All material intercompany amounts and transactions have been eliminated. These financial statements should be read in conjunction with the Temple-Inland Inc. consolidated financial statements.

INVESTMENT AND MORTGAGE-BACKED SECURITIES

Investment and mortgage-backed securities, all of which management has both the positive intent and ability to hold until maturity, are carried at cost, adjusted for amortization of premiums and accretion of discounts by a method which approximates the interest method over the estimated lives of the securities.

The specific identification method is used in determining gains or losses on sales of investment and mortgage-backed securities.

LOANS RECEIVABLE

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans receivable is credited to income as earned. The accrual of interest ceases when collection becomes doubtful. Discounts on mortgage loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Discounts on consumer loans are recognized over the lives of the loans using methods that approximate the interest method. Loan origination fees, net of certain direct origination and acquisition costs, are deferred and amortized using the interest method as an adjustment of the yield of the related loans. Any unamortized loan fees are credited to income in the event a loan is sold or repaid. Commitment fees are deferred and recognized into income over the life of the commitment.

The allowance for loan losses is (1) increased by charges to income, (2) increased by the portion of the premium or discount related to credit risk on bulk purchases of loans, and (3) decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions.

MORTGAGE LOANS HELD FOR SALE

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or market in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

FEDERAL INCOME TAXES

The group is included in the consolidated income tax returns filed by the Parent. Under an agreement with the Parent, the group provides an income tax provision on its income, based on an allocation from its Parent which takes into consideration the tax rate of the consolidated group.

Additionally, FSLIC's 25 percent share of the income tax benefits recognized by the Parent in excess of a 0.10 percent reduction in guaranteed yield, plus interest, will be credited to the amount of the FSLIC assistance receivable at December 31, 1993 as prescribed by the Assistance Agreement and described in Note C. This is accrued for currently and is part of the consolidated tax provision of Temple-Inland Inc.

NOTE B–ACQUISITIONS

SAVINGS BANKS

The Company initially invested $75 million for its majority interest in Guaranty in 1988, and in September 1989 made an additional capital contribution of $50 million in exchange for preferred stock. Early in 1990 the Company increased its majority interest by purchasing the interests of minority investors for a total of $19.6 million. In December 1991, the remaining minority interest, comprised of warrants held by FSLIC to acquire 20 percent of the common stock of Guaranty, was repurchased by the Company for $15.1 million.

Due to the many uncertainties surrounding operation and control of assets acquired under the FSLIC Southwest Plan, the Company did not initially consolidate Guaranty and accounted for its investment under the cost method adjusted for any recovery. Under this method, the recovery resulting from the consolidated tax benefits arising from the nontaxable FSLIC payments were credited to the Company's investment. Such benefits totaled $57 million in 1989. During this same period, the Company did not record its pro rata share of the net income of Guaranty which amounts were not material. The Company consolidated Guaranty in its December 30, 1989 balance sheet and fully consolidated Guaranty in its financial statements beginning in 1990. Many of the uncertainties surrounding the acquisition, operation and control of the assets have been resolved.

The acquisition produced substantial amounts of goodwill at Guaranty and the Company. After crediting the tax benefits to the investment, the remaining goodwill pertaining to the acquisition of Guaranty was nominal. Management believes the delay in fully consolidating Guaranty was prudent due to the significant uncertainties which initially existed and that the impact of this delay on the financial statements is not material.

The following table presents selected pro forma revenue and expense information assuming Guaranty was consolidated beginning in 1989.

	1991	1990	1989
		(in thousands)	
REVENUES			
FSLIC assisted	**$138,649**	$268,241	$282,030
Other interest	**373,659**	182,073	134,779
EXPENSES			
Interest on deposits	**356,419**	283,308	233,900
Interest on borrowings	**30,855**	68,652	116,203
Noninterest expense	**165,208**	103,888	93,911

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The Company purchased certain assets and assumed certain deposit and other liabilities of 19 failed savings institutions during 1991 and 1990, pursuant to various agreements with the Resolution Trust Corporation (the "RTC"). The RTC paid the Company cash as follows:

	1991	1990
	(in millions)	
Deposit and other liabilities assumed	$ 3,256.4	$ 1,809.8
Less assets purchased	834.3	661.4
Less premium bids paid by the Company	17.1	1.6
Cash received from the RTC	$ 2,405.0	$ 1,146.8

In connection with the acquisitions, the following assets were purchased: (a) cash and receivables from financial institutions, (b) investment grade securities and mortgage-backed securities, (c) certain loans, primarily mortgage loans and loans secured by deposits, and (d) any credit card, safe deposit, safekeeping and trust businesses conducted by the banks. Within 60 days after the acquisition dates, the Company could sell back to RTC certain loans purchased. Additionally, the Company received options expiring within 60 to 120 days of each bank's acquisition date to purchase the following assets: (a) loans not purchased at the acquisition dates, (b) owned premises, fixtures, furniture and equipment, and (c) other real estate.

MORTGAGE BANKING

In June 1991, the Company purchased all of the outstanding common stock of Capitol Mortgage Bankers, Inc., a mortgage banking entity, in a purchase transaction for $22 million. The portion of the purchase price attributable to the value of the servicing rights acquired was $15 million. In association with the purchase, the seller, the RTC, has provided the Company certain general indemnifications against future losses incurred in relation to recourse servicing obligations. The accompanying statement of income includes the results of operations of the acquired entity from June 1, 1991, forward.

NOTE C–FSLIC ASSISTANCE

In connection with the 1988 acquisition, Guaranty entered into an assistance agreement with the FSLIC (the "Assistance Agreement") whereby, for a period of ten years from the date of acquisition, the FSLIC will provide substantial financial assistance to Guaranty and exert significant influence over a substantial portion of Guaranty's assets. Such assets (the "Covered Assets") were generally all of Guaranty's assets at the date of acquisition except cash, marketable securities, performing one- to four-family mortgage loans and certain premises and equipment. While assets of subsidiaries are not Covered Assets, Guaranty's advances to and investments in its subsidiaries are Covered Assets and for purposes of determining FSLIC assistance are to be accounted for using the equity method of accounting.

On August 9, 1989, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was signed into law. Under provisions of FIRREA, the FSLIC was dissolved and its assets and liabilities except for those expressly transferred or assumed by the RTC were transferred to the FSLIC Resolution Fund. Funding sources, including the U.S. Treasury, subject to appropriation by Congress, are available to satisfy the FSLIC Resolution Fund liabilities. Throughout these financial statements, the terms FSLIC and FSLIC Resolution Fund are used interchangeably to refer to the successor to the FSLIC responsible for funding the FSLIC notes and other financial obligations of, and for monitoring compliance, with the Assistance Agreement.

Financial assistance includes guaranteed yields and loss coverage on Covered Assets, certain expense reimbursements and indemnification from certain claims and litigation. Guaranty must obtain regulatory approval for substantially all matters relating to claims or litigation and the maintenance and/or disposition of Covered Assets and assets of subsidiaries. FSLIC assistance will be reduced by 25 percent of the income tax benefits recognized by the Parent from the inclusion of Guaranty's operations in the Parent's consolidated income tax returns. As a means of currently funding a portion of the tax benefit arrangement with the FSLIC, Guaranty has agreed to reduce guaranteed yields by 0.10 percent.

Guaranteed yields are based upon Texas Cost of Funds, as defined, plus certain margins ranging from 2.40 percent to 1.70 percent, decreasing annually. FSLIC assistance is reduced by actual yields and increased by actual losses realized on Covered Assets. Equity in subsidiaries' net earnings or losses is considered either actual yields or actual losses, respectively, under terms of the Assistance Agreement.

The FSLIC has agreed to indemnify Guaranty for amounts incurred in connection with the satisfaction and defense of litigation and claims relating to the Closed Associations and Covered Assets of Guaranty and for challenges to the acquisition. Additionally, any such approved expenses incurred by Guaranty's subsidiaries are reimbursable from the FSLIC to the extent the FSLIC provides yield maintenance or actual loss coverage on Guaranty's investments in subsidiaries.

Indemnities for claims in excess of $10 million, interest payments on FSLIC notes receivable, guaranteed yields, and actual losses are payable quarterly. At the FSLIC's option, all other FSLIC financial assistance is due either quarterly or at the expiration of the Assistance Agreement. Amounts deferred for future payment earn interest at the guaranteed yield rate.

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The following summarizes the components of FSLIC assistance income:

Year ended December 31, 1991	Actual Yield	FSLIC Assistance	Guaranteed Yield
		(in thousands)	
Interest on covered assets:			
Loans	$ 36,521	$ 5,112	$ 41,633
Investments in real estate	(316)	39,876	39,560
Investments in subsidiaries	(30,109)	46,969	16,860
Other assets	314	1,525	1,839
	$ 6,410	93,482	$ 99,892
Loss coverage and expense reimbursement on covered assets, including FDIC directed write downs		565,665	
Amortization of cost in excess of fair value of net assets acquired		14,018	
Interest on receivables from the FSLIC Resolution fund		38,757	
		$711,922	

Year ended December 31, 1990	Actual Yield	FSLIC Assistance	Guaranteed Yield
		(in thousands)	
Interest on covered assets:			
Loans	$ 40,616	$ 32,759	$ 73,375
Investments in real estate	208	60,661	60,869
Investments in subsidiaries	(31,876)	55,077	23,201
Other assets	881	3,264	4,145
	$ 9,829	151,761	$161,590
Loss coverage and expense reimbursement on covered assets, including FDIC directed write downs		256,982	
Amortization of cost in excess of fair value of net assets acquired		15,855	
Interest on receivables from the FSLIC Resolution fund		106,651	
		$531,249	

The amounts receivable under the Assistance Agreement have a significant impact on Guaranty's statements of financial condition and also on current and future operations. As mandated by FIRREA, Guaranty's Assistance Agreement is subject to review by thrift regulators and other governmental agencies. The Company believes that it has properly interpreted and is complying with the terms of the Assistance Agreement.

The RTC has reviewed many of the FSLIC assisted transactions and has recommended certain actions to achieve cost savings for the FSLIC Resolution Fund. Congress has appropriated funds to implement these recommendations. The FSLIC Resolution Fund has begun to implement these recommendations with respect to the Assistance Agreement, including the following: (i) the FSLIC Resolution Fund has prepaid all of the notes issued pursuant to the Assistance Agreement (see Note F); (ii) the FDIC directed Guaranty to write down the carrying value of its Covered Assets by approximately $600 million during 1991 and 1990 (see Note E); and (iii) the Company repurchased warrants issued to the FSLIC to purchase Guaranty stock (see Note B).

In addition, the RTC has initiated discussions with the Company for the purpose of renegotiating the terms of the Assistance Agreement. These discussions include without limitation, (i) the reduction or elimination of assistance payments on Covered Assets, (ii) additional write downs on certain Covered Assets to their estimated market value, (iii) the reduction or elimination of tax benefits associated with the assistance payments; and (iv) continued management of the Covered Assets through a new asset management and disposition contract. The Company anticipates that the renegotiations will result in the loss of future tax free assistance payments with respect to the Covered Assets. However, the Company does not currently anticipate that the renegotiations will otherwise have a material impact on the Company. There can be no assurance, however, as to when (or if) the renegotiations will be completed, the actual results of the renegotiations, or the actual impact of the renegotiations on the Company.

NOTE D–INVESTMENT AND MORTGAGE-BACKED SECURITIES

Investment and mortgage-backed securities consist of the following at December 31, 1991:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:		*(in thousands)*		
U.S. Government (including agencies)	$ 31,186	$ 1,238	$ –	$ 32,424
Corporate securities	33,136	231	(27)	33,340
	64,322	1,469	(27)	65,764
Mortgage-backed securities	4,381,412	82,418	(496)	4,463,334
Equity securities:				
Federal Home Loan Bank stock	26,110	–	–	26,110
Other	96	1	(31)	66
	26,206	1	(31)	26,176
	$4,471,940	$83,888	$ (554)	$4,555,274

Investment and mortgage-backed securities consist of the following at December 31, 1990:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Debt securities:		*(in thousands)*		
U.S. Government (including agencies)	$ 6,805	$ 98	$ (3)	$ 6,900
Corporate securities	1,075	2	–	1,077
	7,880	100	(3)	7,977
Mortgage-backed securities	1,323,017	20,079	(1,765)	1,341,331
Equity securities:				
Federal Home Loan Bank stock	33,345	–	–	33,346
Other	881	4	(152)	733
	34,226	4	(152)	34,078
	$1,365,123	$20,183	$ (1,920)	$1,383,386

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NOTE E–COVERED ASSETS

As discussed in Note C, certain assets acquired by Guaranty are considered Covered Assets. FSLIC provides yield assistance on Covered Assets as well as assures the ultimate recovery of the book value. Under the provisions of the Assistance Agreement, Guaranty was required to reduce the value of its Covered Assets by $454 million and $159 million during 1991 and 1990, respectively. Covered Assets are summarized as follows:

December 31,	1991	1990
	(in thousands)	
Loans	$ 287,920	$ 582,929
Investments in real estate	200,620	477,719
Advances to and investments in subsidiaries	58,595	198,223
Other assets	16,019	23,516
	$ 563,154	$1,282,387

Management estimates the fair market value of Covered Assets without the FSLIC's assistance would be approximately $26 million and $427 million less than their carrying value at December 31, 1991 and 1990, respectively.

NOTE F–RECEIVABLES FROM THE FSLIC RESOLUTION FUND

Receivables from the FSLIC Resolution Fund consist of:

December 31,	1991	1990
	(in thousands)	
Initial notes receivable due for excess of liabilities assumed over assets acquired, based on June 30, 1988 amounts, interest due quarterly at Texas Cost of Funds plus .40%, due September 30, 1998, received in 1991	$ –	$ 679,306
Notes receivable from sale of certain assets, interest due quarterly at Texas Cost of Funds plus certain defined margins, due September 30, 1998, received in 1991	–	384,342
Assistance receivable due quarterly, primarily for guaranteed yields on Covered Assets	22,401	37,044
Other assistance payments receivable, due either quarterly or at the expiration of the Assistance Agreement, interest (if any) payable quarterly at Texas Cost of Funds plus certain defined margins, due no later than September 30, 1998	376,992*	210,348
Amounts to be recoverable from FSLIC for reimbursement of certain amortization of cost in excess of fair value of net assets acquired (created primarily by purchase discounts on one- to four-family mortgage loans and mortgage-backed securities)	30,573	54,591
Accrued interest on notes receivable	–	18,939
	$ 429,966	$1,384,570

*Includes $303.6 million of FDIC directed write downs in which payment was received January 1992.

The Texas Cost of Funds applicable for each quarter during 1991 and 1990 follows:

	1991	1990
March 31	7.95%	8.75%
June 30	7.49%	8.75%
September 30	7.14%	8.21%
December 31	6.62%	8.21%

The estimated amounts of the assistance payments receivable are subject to review by the FSLIC. Guaranty management believes that the final determination of the amount of such receivables from FSLIC will not be materially different from that estimated.

NOTE G–LOANS RECEIVABLE

Loans receivable consist of the following:

December 31,	1991	1990
	(in thousands)	
Real estate mortgage	$ 863,227	$ 782,482
Construction and development	216,609	66,737
Commercial	58,176	41,555
Consumer and other	294,938	184,692
	1,432,950	1,075,466
Less:		
Unfunded portion of loans	146,091	51,911
Unearned discount	24,525	3,383
Unamortized purchase discount	39,570	49,455
Net deferred fees	708	1,088
Allowance for loan losses	19,432	1,954
	230,326	107,791
	$1,202,624	$ 967,675

Activity in the allowance for loan losses is as follows:

Years Ended December 31,	1991	1990	1989
		(in thousands)	
Balance, beginning of year	$ 1,954	$1,227	$1,166
Provision for loan losses	2,278	1,374	409
Additions related to bulk purchases of loans	16,944	–	–
Charge-offs, net of recoveries	(1,744)	(647)	(348)
Balance, end of year	$19,432	$1,954	$1,227

NOTE H–DEPOSITS

Deposits consist of:

December 31,	1991		1990	
	Rate	Amount	Rate	Amount
		(dollars in thousands)		
Non-interest bearing demand	–%	$ 158,538	–%	$ 159,595
Interest bearing demand	4.44%	1,311,759	6.53%	715,492
Savings deposits	4.61%	203,467	5.31%	90,540
Time deposits	6.59%	4,957,772	8.20%	3,509,505
		6,631,536		4,475,132
Deposit premium		7,863		12,147
		$6,639,399		$4,487,279

Scheduled maturities of time deposits outstanding at December 31, 1991, are as follows:

Time deposits in amounts of:	$100,000 or more	Less than $100,000	Total
		(in thousands)	
3 months or less	$ 147,968	$1,261,176	$1,409,144
Over 3 through 6 months	81,084	904,173	985,257
Over 6 through 12 months	84,232	1,072,309	1,156,541
Over 12 months	165,799	1,241,031	1,406,830
	$ 479,083	$4,478,689	$4,957,772

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NOTE I–FEDERAL HOME LOAN BANK ADVANCES

Pursuant to collateral agreements with the Federal Home Loan Bank of Dallas (the "FHLB"), advances are secured by $139.4 million of qualifying first mortgage loans. Interest rates on the advances at December 31, 1991 and 1990 ranged from 6.58 percent to 8.65 percent and from 7.73 percent to 8.97 percent, respectively. Aggregate maturities of FHLB advances during the next five years are as follows (in millions): 1992–$.3 and 1993-$10.0.

NOTE J–SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings consist of the following:

	1991	1990
	(in thousands)	
Short-term borrowings:		
Secured, primarily by mortgage-backed securities	**$184,412**	$82,868
Unsecured	**413**	731
	$184,825	$83,599

Long-term debt consists of the following:

		1990
	(in thousands)	
Long-term debt, secured primarily by real estate (at varying interest rates which approximate prime):		
Notes payable to banks	**$ 39,364**	$57,705
Other indebtedness	**37,138**	36,740
	$ 76,502	$94,445

Aggregate maturities of the Group's long-term debt during the next five years are as follows (in millions): 1992–$.5; 1993–$24.4; 1994–$16.0; 1995–$17.2; and 1996–$1.8.

A summary of interest paid by the Financial Services Group is shown below:

	1991	1990	1989
		(in thousands)	
Interest on deposits	**$360,016**	$304,253	$ 6,278
Interest on borrowed funds	**36,646**	76,051	12,421
Total Interest Paid	**$396,662**	$380,304	$ 18,699

NOTE K–REGULATORY CAPITAL MATTERS

The savings banks are subject to certain regulatory capital requirements which are expected to be revised in 1992. The savings banks are required to maintain a minimum regulatory tangible capital equal to 1.5 percent of adjusted total assets, a minimum 3 percent leverage capital ratio, and for December 31, 1991, a 7.2 percent risk-based capital ratio. The risk-based capital ratio requirement will be increased to 8 percent on December 31, 1992. Failure to meet these capital requirements exposes an institution to regulatory sanctions, including limitation on asset growth. At December 31, 1991, both savings banks met these capital requirements. During January 1992, the Company received approval to merge the savings banks. The following table presents the savings banks' combined capital ratios as compared to the regulatory requirement at December 31, 1991:

	Savings Banks		Regulatory Requirement	
	$	%	$	%
	(dollars in thousands)			
Tangible capital	$274,096	3.78%	$108,811	1.50%
Leverage capital	319,477	4.40%	218,020	3.00%
Risk-based capital	321,936	15.83%	146,428	7.20%

Guaranty is limited to dividend payments in any year of no more than 50 percent on net earnings without specific regulatory approval.

NOTE L–CONCENTRATION OF CREDIT RISK

A significant portion of the Group's assets, including covered assets, receivables from the FSLIC Resolution Fund, mortgage-backed securities and certain investment securities, is guaranteed directly or indirectly by the U.S. Government or its agencies. Additionally, the Group has granted real estate, commercial and consumer loans to its customers. Almost all of the real estate loans are secured by owner-occupied one- to four-family residential or commercial properties, located in Texas.

NOTE M–SALE OF INSURANCE SUBSIDIARIES

Effective June 30, 1989, the National Fidelity Life Insurance Company subsidiary was sold for $74 million. The sales price consisted of $40 million in cash and a $34 million note payable over seven years with interest at 11 percent per annum. A loss of $4.1 million was realized including certain costs and expenses relating to the sale.

In early 1990, the Great American Reserve Insurance Company ("GARCO") subsidiary was sold for $143.5 million less assets retained totaling $37.9 million. The sales price consisted of $70.6 million in cash and a $35.0 million 11.25 percent note payable. No significant gain was realized in connection with the sale. With the sale of this life insurance company, the Company has completely exited the life insurance business. The revenues and expenses have been restated to present the Company's life insurance business as a discontinued operation. GARCO's operating results for the periods presented were not material. Revenues for the life insurance operations were $177.5 million for the year 1989.

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CONSOLIDATED STATEMENTS OF INCOME

Temple-Inland Inc. and Subsidiaries

For the year	1991	1990	1989
REVENUES		*(in thousands)*	
Manufacturing net sales	**$1,898,233**	$1,892,531	$1,894,230
Financial services revenues	**608,936**	508,625	49,386
	2,507,169	2,401,156	1,943,616
COSTS AND EXPENSES			
Manufacturing costs and expenses	**1,752,551**	1,655,809	1,560,835
Financial services expenses	**554,760**	457,222	51,470
	2,307,311	2,113,031	1,612,305
OPERATING INCOME	**199,858**	288,125	331,311
Parent company interest–net	**(31,827)**	(24,019)	(24,441)
Other	**(1,262)**	4,649	4,999
INCOME BEFORE TAXES	**166,769**	268,755	311,869
Taxes on income	**28,351**	36,282	104,495
NET INCOME	**$ 138,418**	$ 232,473	$ 207,374
EARNINGS PER SHARE	**$ 2.51**	$ 4.20	$ 3.75

See the notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Temple-Inland Inc. and Subsidiaries

For the year	1991	1990	1989
CASH PROVIDED BY (USED FOR) OPERATIONS		*(in thousands)*	
Net income	**$ 138,418**	$ 232,473	$ 207,374
Adjustments to reconcile net income to net cash:			
Depreciation and depletion	**161,584**	144,514	128,133
Deferred taxes and tax credits	**5,209**	23,285	36,197
Amortization of purchase accounting adjustment	**(20,063)**	(20,472)	–
Receivable from FSLIC	**27,772**	47,655	–
Receivables	**9,681**	(9,372)	(5,395)
Inventories	**(100,753)**	(24,347)	(66,835)
Accounts payable	**36,651**	4,824	(13,901)
Other	**(35,303)**	(40,649)	(49,063)
	223,196	357,911	264,312
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Capital expenditures	**(387,356)**	(328,260)	(268,808)
Sale of property and equipment, net	**12,051**	11,190	16,404
Purchase of investments	**(3,480,172)**	(1,233,316)	(17,622)
Sale or maturity of investments	**430,917**	80,603	31,986
Proceeds from sale of loans	**151,263**	338,893	–
Loans originated net of principal collected	**(223,209)**	(23,677)	–
Reduction in covered assets	**575,233**	225,141	–
Proceeds from repayment of FSLIC notes	**1,063,648**	107,862	–
Savings bank acquisitions	**2,923,716**	1,220,437	–
Box plant acquisitions	**–**	(58,546)	–
Mortgage banking acquisition	**(21,226)**	–	–
Food service acquisitions	**(27,972)**	–	–
Investment in financial services	**(15,100)**	(19,600)	(50,788)
Tax savings credited to financial services	**–**	–	56,796
Consolidation of savings banks	**–**	–	91,236
Cash received on disposal of insurance operations	**–**	70,683	–
Other	**7,787**	(2,803)	–
	1,009,580	388,607	(140,796)
CASH PROVIDED BY (USED FOR) FINANCING			
Additions to debt	**812,055**	351,275	289,442
Payments of debt	**(486,454)**	(251,796)	(304,331)
Purchase of stock for treasury	**(5,115)**	(12,520)	(18,404)
Cash dividends paid to shareholders	**(48,236)**	(43,885)	(31,815)
Net decrease in FHLB advances	**(469,700)**	(544,930)	–
Net increase (decrease) in deposits	**(1,047,313)**	(196,616)	35,668
Other	**3,522**	(7,213)	11,143
	(1,241,241)	(705,685)	(18,297)
Net increase (decrease) in cash	**(8,465)**	40,833	105,219
Cash at beginning of year	**179,856**	139,023	33,804
Cash at end of year	**$ 171,391**	$ 179,856	$ 139,023

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CONSOLIDATING BALANCE SHEETS

Temple-Inland Inc. and Subsidiaries

At year end 1991	PARENT COMPANY	FINANCIAL SERVICES	CONSOLIDATED
ASSETS		*(in thousands)*	
Cash	$ 15,805	$ 155,586	$ 171,391
Investments	–	4,471,940	4,471,940
Covered assets	–	563,154	563,154
Receivable from FSLIC	–	429,966	429,966
Loans receivable	–	1,202,624	1,202,624
Trade and other receivables	211,195	–	211,195
Inventories	223,827	269,126	492,953
Property and equipment	1,997,268	20,087	2,017,355
Other assets	104,860	412,053	507,879
Investment in affiliates	405,295	–	–
Total assets	$2,958,250	$7,524,536	$10,068,457
LIABILITIES			
Deposits	$ –	$6,639,399	$ 6,639,399
Federal Home Loan Bank advances	–	57,426	57,426
Long-term debt	863,735	76,502	940,237
Deferred federal income taxes	287,881	11,692	299,573
Short-term borrowings	17,066	184,825	201,891
Other liabilities	258,029	146,212	398,392
Total liabilities	$1,426,711	$7,116,056	$ 8,536,918
SHAREHOLDERS' EQUITY			
Preferred stock–par value $1 per share: authorized 25,000,000 shares; none issued			–
Common stock–par value $1 per share: authorized 200,000,000 shares; issued 61,389,552 shares including shares held in the treasury			61,390
Additional paid-in capital			294,905
Retained earnings			1,326,114
			1,682,409
Cost of shares held in the treasury: 6,475,645 shares			(150,870)
Total shareholders' equity			1,531,539
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$10,068,457

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CONSOLIDATING BALANCE SHEETS

Temple-Inland Inc. and Subsidiaries

At year end 1990	PARENT COMPANY	FINANCIAL SERVICES	CONSOLIDATED
ASSETS		*(in thousands)*	
Cash	$ 13,265	$ 166,591	$ 179,856
Investments	–	1,365,123	1,365,123
Covered assets	–	1,282,387	1,282,387
Receivable from FSLIC	–	1,384,570	1,384,570
Loans receivable	–	967,675	967,675
Trade and other receivables	219,239	–	219,239
Inventories	196,732	90,157	286,889
Property and equipment	1,771,968	20,742	1,792,710
Other assets	84,876	287,826	356,019
Investment in affiliates	219,521	–	–
Total assets	$2,505,601	$5,565,071	$7,834,468
LIABILITIES			
Deposits	$ –	$4,487,279	$4,487,279
Federal Home Loan Bank advances	–	526,752	526,752
Long-term debt	501,027	94,445	595,472
Deferred federal income taxes	282,163	11,692	293,855
Short-term borrowings	64,000	83,599	147,599
Other liabilities	219,095	137,890	344,195
Total liabilities	$1,066,285	$5,341,657	$6,395,152
SHAREHOLDERS' EQUITY			
Preferred stock–par value $1 per share: authorized 25,000,000 shares; none issued			–
Common stock–par value $1 per share: authorized 200,000,000 shares; issued 61,389,552 shares including shares held in the treasury			61,390
Additional paid-in capital			298,188
Retained earnings			1,235,932
			1,595,510
Cost of shares held in the treasury: 6,800,271 shares			(156,194)
Total shareholders' equity			1,439,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$7,834,468

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Temple-Inland Inc. and Subsidiaries

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK
		(in thousands)		
BALANCE AT DECEMBER 31, 1988	$30,684	$331,431	$871,785	$(138,118)
Net income	–	–	207,374	–
Dividends paid on common stock–$.58 per share	–	–	(31,815)	–
Stock issued for stock plans–348,520 shares reissued from treasury at cost	11	(1,937)	–	7,914
Stock reacquired for treasury–685,728 shares at cost	–	–	–	(18,404)
Effect of two-for-one stock split	30,695	(30,695)	–	–
BALANCE AT DECEMBER 30, 1989	$61,390	$298,799	$1,047,344	$(148,608)
Net income	–	–	232,473	–
Dividends paid on common stock–$.80 per share	–	–	(43,885)	–
Stock issued for stock plans–216,559 shares reissued from treasury at cost	–	(611)	–	4,934
Stock reacquired for treasury–478,092 shares at cost	–	–	–	(12,520)
BALANCE AT DECEMBER 29, 1990	$61,390	$298,188	$1,235,932	$(156,194)
Net income	–	–	138,418	–
Dividends paid on common stock–$.88 per share	–	–	(48,236)	–
Stock issued for stock plans–450,944 shares reissued from treasury at cost	–	(3,283)	–	10,439
Stock reacquired for treasury–126,318 shares at cost	–	–	–	(5,115)
BALANCE AT DECEMBER 28, 1991	$61,390	$294,905	$1,326,114	$(150,870)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles and with current financial reporting requirements. However, because certain assets and liabilities are in separate corporate entities, the consolidated assets are not available to satisfy all consolidated liabilities.

The consolidated financial statements include the accounts of Temple-Inland Inc. (the "Company") and all subsidiaries in which the Company has more than a 50 percent equity ownership. Due to many uncertainties, the Company did not initially consolidate Guaranty and accounted for its investment using the cost method adjusted for any recovery. The Company consolidated Guaranty in its 1989 balance sheet and fully consolidated Guaranty beginning in 1990. See Note B on page 39. All material intercompany amounts and transactions have been eliminated.

Included as an integral part of the consolidated financial statements are separate summarized financial statements and notes for the Company's primary business groups as well as the significant accounting policies unique to each group.

EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding, including common stock equivalents, during the period. The weighted average shares outstanding was 55,248,000 in 1991, 55,361,000 in 1990 and 55,324,000 in 1989.

CASH EQUIVALENTS

Cash equivalents consist of investments with a maturity of three months or less.

PENDING ACCOUNTING POLICY CHANGES

In February 1992, the Financial Accounting Standards Board issued Statement No. 109, "Accounting for Income Taxes". Under the guidelines, companies are required to adopt the liability method for computing deferred income taxes no later than 1993.

In December 1990, the Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The new standard will require employers to switch from pay-as-you-go to the accrual accounting for postretirement benefits (primarily medical coverage) no later than 1993.

The Company presently expects to adopt both these statements in 1993. The Company has made a preliminary assessment of the accrual for postretirement benefits and expects to record a liability of $100 million. The impact on equity will be substantially offset by the reduction of deferred taxes as a result of adopting the new accounting for income taxes. The Company does not anticipate a significant impact on future earnings except that the effective tax rate will more closely match the statutory rate.

NOTE B–STOCK OPTION AND PURCHASE PLANS

The Company has established stock option plans for key employees and directors. The plans provide for the granting of incentive stock options and/or non-qualified stock options, and permit the grant of stock appreciation rights with all or part of any options so granted.

Options for 854,689, 1,071,083 and 979,608 shares were exercisable at year end 1991, 1990 and 1989, respectively. An additional 1,427,931, 1,685,857 and 2,057,788 shares of common stock were available for grants at year end 1991, 1990 and 1989, respectively.

A summary of activity under the option plans is presented below:

Common Stock	Number of Shares	Price Range Per Share
Outstanding at December 31, 1988	1,770,260	$ 5-$32
Granted	282,652	$12-$28
Exercised	(348,520)	$ 5-$32
Forfeited	(47,898)	$22-$32
Outstanding at December 30, 1989	1,656,494	$ 8-$32
Granted	415,883	$19-$33
Exercised	(162,199)	$ 8-$28
Forfeited	(107,514)	$14-$31
Outstanding at December 29, 1990	1,802,664	$ 8-$33
Granted	283,146	$31-$46
Exercised	(525,345)	$ 8-$33
Forfeited	(32,466)	$22-$36
Outstanding at December 28, 1991	1,527,999	$ 8-$46

Additionally, an Incentive Stock Plan provides for a maximum of 625,000 shares of common stock to be reserved for awards at the discretion of the Board of Directors. At year end 1991, awards of 130,377 shares of common stock were outstanding at an average price of $29.90 per share.

The Company has Savings and Stock Purchase Plans which permit participating employees to invest in the Company's common stock and other funds.

On February 7, 1992, options to purchase 188,744 shares of stock at a price of $54.19 per share were granted and 23,820 shares were awarded under the Incentive Stock Plan.

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NOTE C–PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

The Company and its subsidiaries have several pension plans covering substantially all employees. Plans covering salaried and nonunion hourly employees provide benefits based on compensation and years of service, while union hourly plans are based on negotiated benefits and years of service. The Company's policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of ERISA.

A summary of the components of net pension cost in 1991, 1990 and 1989 follows:

	1991	1990	1989
Charges (Credits)		*(in millions)*	
Service cost–benefits earned during the period	**$ 9.2**	$ 8.6	$ 7.6
Interest cost on projected benefit obligation	**23.3**	21.3	19.5
Actual return on plan assets	**(76.1)**	2.0	(48.1)
Net amortization and deferral	**45.6**	(34.3)	20.1
Net pension (credit) charge	**$ 2.0**	$ (2.4)	$ (.9)

The actuarial computations for the years 1991, 1990 and 1989 assumed a discount rate on benefit obligations of 9 percent, an expected long-term rate of return on plan assets of 9 percent and annual salary/benefit increases of 5 percent to 6 percent over the average remaining service lives of employees covered by the plans.

The status of employee pension benefit plans at year end 1991 and 1990 is summarized below:

	1991	1990
	(in millions)	
Actuarial present value of benefit obligations:		
Vested benefits	**$ 215.2**	$ 196.5
Nonvested benefits	**18.7**	19.6
Accumulated benefit obligation	**$ 233.9**	$ 216.1
Projected benefit obligation for service rendered to date	**$ (282.2)**	$ (264.9)
Plan assets at fair value, primarily fixed income securities	**374.0**	305.3
Plan assets in excess of projected benefit obligation	**91.8**	40.4
Prior service cost not yet recognized in net periodic pension cost	**(1.1)**	.6
Unrecognized net (gain) loss from past experience different from that assumed	**(25.6)**	24.2
Unrecognized net asset at beginning of period, less amortization to date	**(39.7)**	(44.4)
Net pension asset included in the balance sheet	**$ 25.4**	$ 20.8

The assets of the plans at December 31, 1991 include 380,998 shares of common stock of the Company having a market value of $19.6 million at that date.

In addition, certain health care and life insurance benefits are provided for retired employees. Substantially all employees may become eligible for these benefits if they reach retirement age while employed by the Company. The cost of providing the benefits is recognized by expensing the insurance premiums as incurred. These costs totaled approximately $3.1, $2.4 and $1.6 million in 1991, 1990 and 1989, respectively.

See Note A for a discussion of pending accounting policy changes relating to the accounting for postretirement benefits other than pensions.

NOTE D–TAXES ON INCOME

Taxes on income consisted of the following:

	Current	Deferred
	(in thousands)	
1991		
Federal	**$ 23,447**	**$(7,979)**
Investment tax credit deferred	**–**	**(4,154)**
State and other	**2,323**	**14,714**
	$ 25,770	**$ 2,581**
1990		
Federal	$ 28,606	$ 6,518
Investment tax credit deferred	–	(4,894)
State and other	3,852	2,200
	$ 32,458	$ 3,824
1989		
Federal	$ 84,121	$ 22,552
Investment tax credit deferred	–	(5,847)
State and other	5,877	(2,208)
	$ 89,998	$ 14,497

The provision for deferred income taxes reflects timing differences between financial and tax reporting related to the following items:

	1991	1990	1989
		(in thousands)	
Depreciation	**$ 14,882**	$ 15,799	$ 21,126
Investment tax credits	**(4,154)**	(4,894)	(5,847)
Pension expense	**1,645**	2,595	2,605
Other employee benefit plans	**2,060**	808	528
Other–net	**(11,852)**	(10,484)	(3,915)
	$ 2,581	$ 3,824	$ 14,497

The differences between the consolidated effective income tax rate and the federal statutory income tax rates include the following:

	1991	1990	1989
		(in thousands)	
Taxes on income at statutory rate	**$ 56,701**	$ 91,377	$106,035
Book benefit of FSLIC assistance and other permanent items	**(26,519)**	(55,197)	–
Investment tax credits	**(4,154)**	(4,894)	(5,831)
State and foreign taxes	**2,323**	3,852	6,363
All other	**–**	1,144	(2,072)
	$ 28,351	$ 36,282	$104,495

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Income tax payments, net of refunds received, were $3 million, $4 million and $13 million during 1991, 1990 and 1989, respectively.

Investment tax credits were deferred and are being amortized as a reduction of income tax expense over the estimated useful lives of the related assets.

Equity in the earnings of 20-50% owned affiliates is reinvested; accordingly, no provision for income taxes is made on the undistributed earnings.

See Note A for a discussion of pending accounting policy changes relating to the accounting for income taxes.

Temple-Inland and Guaranty have net operating loss carryforwards of $598 million and $234 million, respectively, at December 1991 which will, if unused, expire through the year 2006. The utilization of Guaranty's loss carryforwards is limited to the future taxable income of the Guaranty group. The Company also has alternative minimum tax credits of $142 million which may be carried forward indefinitely. The Company has not recognized any significant benefits from these tax attributes since their utilization may be limited by complex tax laws and other uncertainties. Under various interpretations, currently proposed tax legislation could significantly reduce the net operating loss carryforward of the Parent Company.

NOTE E–BUSINESS SEGMENT INFORMATION

Refer to "Business Segments" on page 23 for information relating to Revenues and Income Before Taxes, and page 29 for information relating to Capital Expenditures for the principal segments of business for the three years 1991, 1990 and 1989.

Additional business segment information is presented below.

For the year	1991	1990	1989
		(in millions)	
Identifiable Assets			
Container and containerboard	**$ 1,463.7**	$ 1,309.5	$ 1,088.0
Bleached paperboard	**393.8**	281.6	245.1
Building products	**203.0**	193.5	208.4
Timber and timberlands	**382.8**	404.2	364.8
Corporate and other activities	**109.7**	80.6	114.3
	2,553.0	2,269.4	2,020.6
Financial services	**7,515.5**	5,565.1	4,369.5
Total	**$10,068.5**	**$7,834.5**	**$6,390.1**
Depreciation and Depletion			
Container and containerboard	**$ 87.4**	$ 74.5	$ 61.9
Bleached paperboard	**29.9**	29.8	28.7
Building products	**22.4**	21.6	22.4
Timber and timberlands	**15.1**	11.8	11.7
Other activities	**2.9**	2.1	1.8
	157.7	139.8	126.5
Financial services	**3.9**	4.7	1.6
Total	**$ 161.6**	**$ 144.5**	**$ 128.1**

NOTE F–SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Selected quarterly financial results for the years 1991 and 1990 are summarized below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions except per share amounts)			
1991				
Total revenues	**$606.9**	**$618.3**	**$641.5**	**$640.4**
Manufacturing net sales	**468.0**	**485.8**	**475.4**	**469.0**
Manufacturing gross profit	**82.9**	**86.1**	**79.4**	**74.9**
Financial services operating income before taxes	**12.4**	**17.0**	**12.6**	**12.2**
Net income	**42.1**	**40.6**	**32.0**	**23.7**
Earnings per share	**.76**	**.74**	**.58**	**.43**
1990				
Total revenues	$591.2	$587.4	$604.5	$618.0
Manufacturing net sales	477.0	475.3	475.0	465.2
Manufacturing gross profit	112.0	103.3	97.7	89.5
Financial services operating income before taxes	12.1	15.1	12.7	11.5
Net income	62.2	65.7	56.5	48.1
Earnings per share	1.12	1.18	1.02	.88

NOTE G–SHAREHOLDER RIGHTS PLAN

During 1989, the Board of Directors adopted a Shareholder Rights Plan in which one preferred stock purchase right ("the Right") was declared as a dividend for each common share outstanding. Each one-half right entitles shareholders to purchase, under certain conditions, one-hundredth of a share of newly issued Series A Junior Participating Preferred Stock at an exercise price of $200. The Rights will be exercisable only if a person or group acquires beneficial ownership of 20 percent or more of the common shares or commences a tender or exchange offer, upon consummation of which such person or group would beneficially own 25 percent or more of the common shares. The Company will generally be entitled to redeem the Rights at $.01 per Right at any time until the 10th business day following public announcement that a 20 percent position has been acquired. The Rights will expire on February 20, 1999.

NOTE H–COMMITMENTS AND CONTINGENCIES

There are pending against the Company and its subsidiaries lawsuits and claims arising in the regular course of business.

In the opinion of management, recoveries, if any, by plaintiffs or claimants that may result from the foregoing litigation and claims will not be material in relation to the consolidated financial position of the Company and its subsidiaries.

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REPORT OF MANAGEMENT

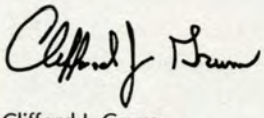
MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management has prepared and is responsible for the Company's financial statements, including the notes thereto. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with that in the financial statements.

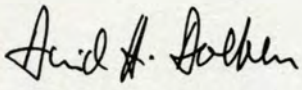
The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Company's financial statements have been examined by Ernst & Young, independent auditors, who have expressed their opinion with respect to the fairness of the presentation of the statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets with the independent auditors and internal auditors to evaluate the effectiveness of the work performed by them in discharging their respective responsibilities and to assure their independent and free access to the Committee.



Clifford J. Grum
Chairman of the Board and
Chief Executive Officer



David H. Dolben
Vice President and
Chief Accounting Officer

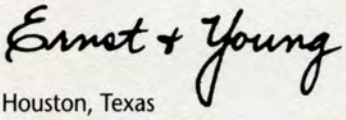
REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF TEMPLE-INLAND INC.:

We have audited the accompanying consolidated balance sheets of Temple-Inland Inc. and subsidiaries as of December 28, 1991 and December 29, 1990, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 28, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Temple-Inland Inc. and subsidiaries at December 28, 1991 and December 29, 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 28, 1991, in conformity with generally accepted accounting principles.



Houston, Texas
February 14, 1992

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SHAREHOLDER INFORMATION

Transfer Agent and Registrar
NationsBank of Texas
P.O. Box 831402
Dallas, Texas 75283-1402

Independent Accountants
Ernst & Young
Houston, Texas

Annual Meeting
The annual meeting of shareholders of Temple-Inland Inc. will be held at our corporate headquarters, 303 South Temple Drive, Diboll, Texas on Friday, May 1, 1992 at 9:00 a.m. local time.

Stock Listing
Temple-Inland Inc. Common Stock is listed on the New York and Pacific Stock Exchanges, Ticker Symbol: TIN.

Number of Shareholders
As of December 31, 1991, there were 9,867 shareholders of record of the Company's common stock.

Dividend Reinvestment Plan
The Company offers its shareholders a convenient and economical way to increase their investment in our Common Stock through the purchase of additional shares with quarterly dividends and optional cash payments. Under the Temple-Inland Inc. Dividend Reinvestment Plan administered by NationsBank of Texas, Temple-Inland pays the brokerage fees and service charges, and the shareholder receives the benefit of larger quantity purchases and optional free custodial services. For more information on the Plan, contact NationsBank of Texas, Dividend Reinvestment Department, P.O. Box 831402, Dallas, Texas 75283-1402.

Form 10-K
A copy of Temple-Inland Inc.'s annual report on Form 10-K as filed with the Securities and Exchange Commission will be sent without charge upon written request to the Company's Shareholder Relations Department.

Mailing Address
Temple-Inland Inc.
Drawer N
Diboll, Texas 75941

Telephone Number
(409) 829-1313

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