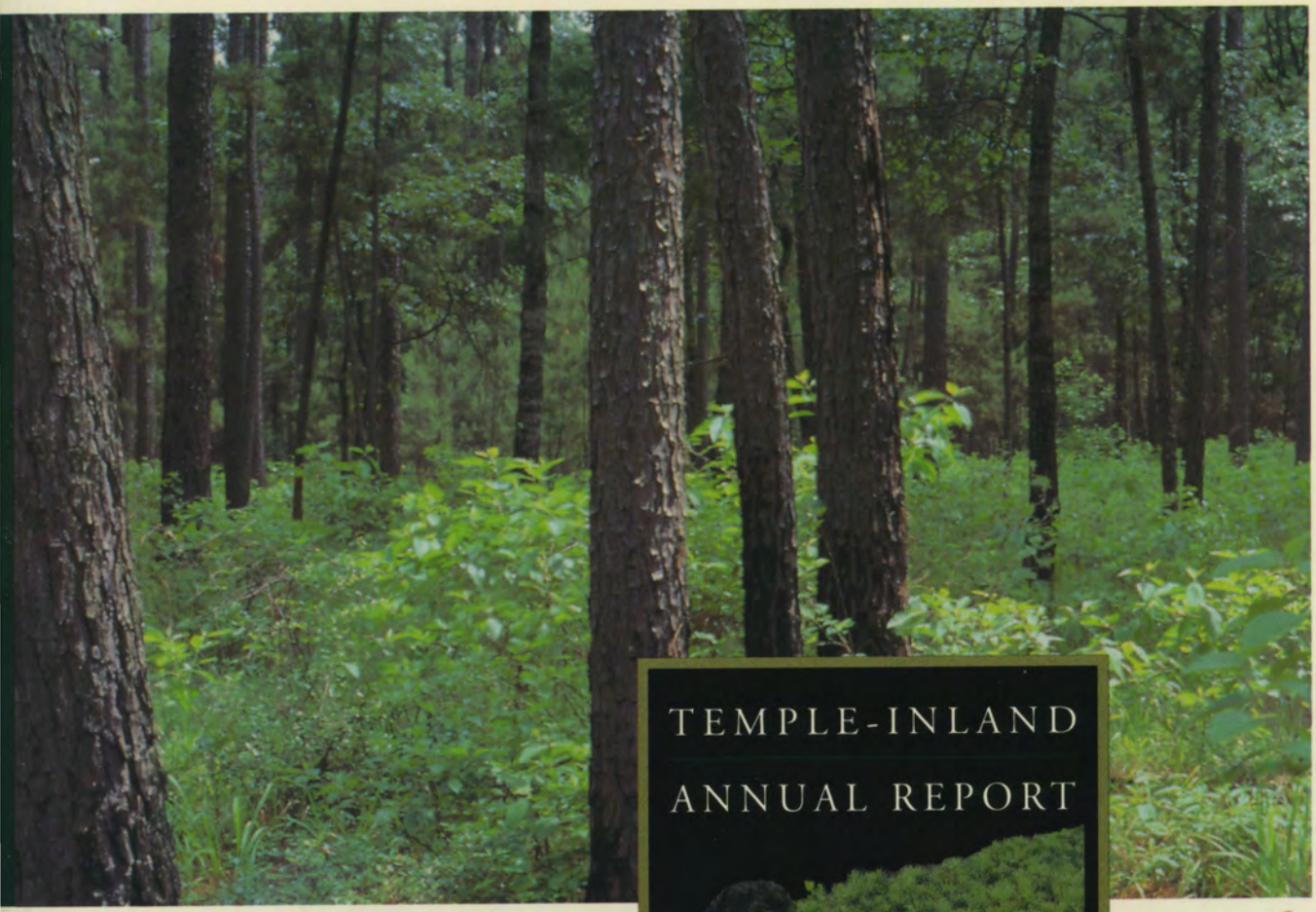
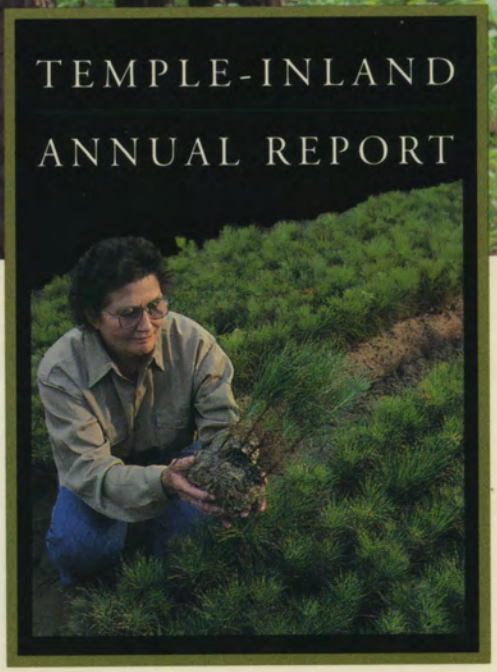
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TEMPLE-INLAND

ANNUAL REPORT



1992

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About Our Company

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

Temple-Inland's four business units operate in three major subsidiaries. Inland Container Corporation is the operating company for the Container and Containerboard group. Two groups, Bleached Paperboard and Building Products, make up Temple-Inland Forest Products Corporation. The third subsidiary, Temple-Inland Financial Services, has two major components, Guaranty Federal Bank, F.S.B. and Temple-Inland Mortgage Corporation.

The Container and Containerboard group currently operates seven paper mills, four of which are 100% recycle mills, and 39 corrugated box manufacturing plants. This group produced 2.3 million tons of containerboard (linerboard and corrugating medium) in 1992, and shipped 1.95 million tons of corrugated boxes. The company ranks in the top four in the U.S. in both containerboard and corrugated box production.

The bleached paperboard mill in Evadale, Texas, is a large specialty mill producing paper for plates and cups, file folders, folding cartons, greeting cards and other items. In 1992, the mill produced 569,000 tons.

The Company's Building Products group produces a wide range of building materials, including lumber, plywood, particleboard, gypsum wallboard and fiberboard. In 1992, Building Products' revenues totaled almost $400 million.

Temple-Inland is a major landowner in the South with about 1.9 million acres of forestland in east Texas, Louisiana, Georgia and Alabama.

Guaranty Federal Bank, F.S.B., is headquartered in Dallas, Texas and operates 100 branches in Dallas-Fort Worth, Houston, Austin, and surrounding communities.

Temple-Inland Mortgage Corporation operates nationwide and services a mortgage portfolio of approximately $7.7 billion.

Temple-Inland's common stock is listed 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)

	1992	1991	Percent Increase (Decrease)
Total Revenues	**$2,713.2**	$2,507.1	8%
Manufacturing Net Sales	**$2,075.4**	$1,898.2	9%
Operating Income	**$ 222.1**	$ 199.8	11%
Net Income	**$ 146.9**	$ 138.4	6%
Earnings Per Share	**$ 2.65**	$ 2.51	6%
Dividends Per Share	**$ .96**	$ .88	9%
Shareholders' Equity	**$1,632.6**	$1,531.5	7%
Book Value Per Share	**$ 29.55**	$ 27.89	6%
Average Shares Outstanding	**55.5**	55.2	1%
Common Shares Outstanding at Year End	**55.3**	54.9	1%

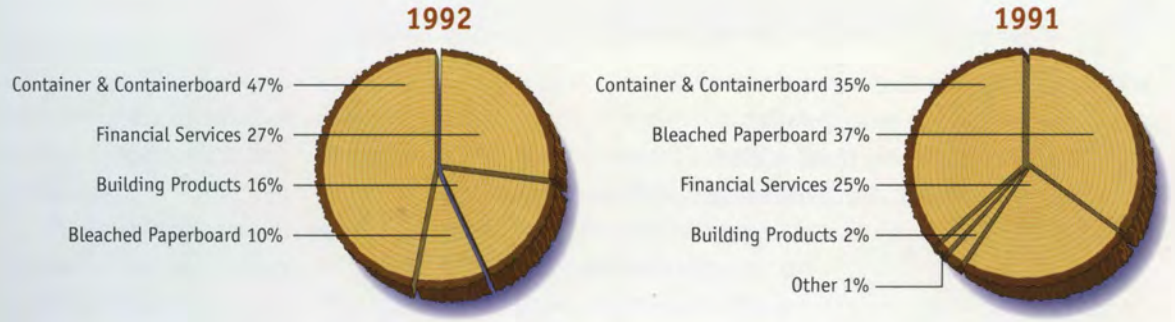
SELECTED BUSINESS SEGMENT DATA

(in millions)

	1992	1991	Percent Increase (Decrease)
MANUFACTURING NET SALES			
Container and containerboard	**$1,254.4**	$1,148.6	9%
Bleached paperboard	**$ 352.6**	$ 370.6	(5)%
Building products	**$ 391.3**	$ 311.1	26%
OPERATING INCOME			
Container and containerboard	**$ 112.3**	$ 75.4	49%
Bleached paperboard	**$ 23.3**	$ 79.9	(71)%
Building products	**$ 39.5**	$ 5.2	660%
Financial services	**$ 64.4**	$ 54.2	19%

COMBINED OPERATING EARNINGS

Combined operating earnings for Temple-Inland Inc. in 1992 and 1991 totaled $222.1 million and $199.8 million respectively. These charts show the percentage contributed by each of the Company's operating groups.



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Temple-Inland's 1.9 million acres of forestlands are not only agriculturally productive, but much of the forest is also available for recreational use by the public.

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Clifford J. Grum
Chairman,
Chief Executive
Officer

DEAR SHAREHOLDER:

The pace of the economic recovery in 1992 created mixed levels of demand for our basic products. Both Temple-Inland's building materials and corrugated shipping container operations experienced recovery while our bleached paperboard group declined. Large favorable demand for refinancing of existing residential loans allowed our mortgage banking group to reach a record level of activity.

Temple-Inland's earnings per share increased 6% to $2.65 and revenues reached a new record of $2.7 billion. During the last three years, we have experienced price deterioration in both of our paper groups, and demand to date has not been sufficient to restore normal profit margins. On the other hand, our financial services group reported record earnings in 1992, and our building products group approached a record.

Our review of operations includes a complete analysis of the results, and additional financial information is included in the financial review beginning on page 23.

The record level of revenues resulted from an enlarged financial services group, improved pricing and productivity in our building material operation, and our new and expanded paper mills. During the year, we not only completed a new 600-tons-per-day recycle linerboard mill at Maysville, Kentucky but also expanded and upgraded existing mills at Orange, Texas and Ontario, California.

Production of containerboard reached almost 2.3 million tons, up 8.7% from last year. Since the Maysville mill did not begin production until the fourth quarter and other expansion projects came on stream during the year, production in 1993 should increase an additional 200,000 tons.

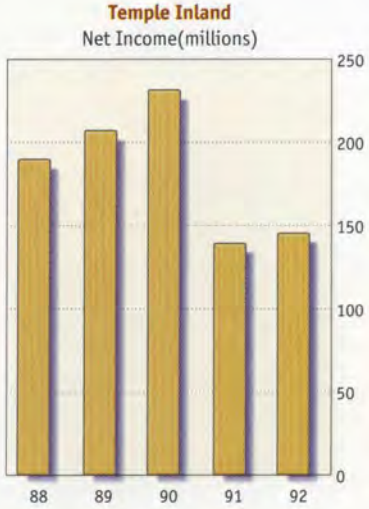
Capital expenditures of $359 million, down from $378 million last year, largely completed the projects described above, as well as a new hardwood fiber line at our Evadale, Texas bleached paperboard mill. The new pulp line will not only improve quality but will also lower costs.

The manufacture of unbleached containerboard and the conversion of this product into corrugated shipping containers continues to be our largest business segment. We now operate seven containerboard mills and 39 box plants to service our customers.

A corrugated box consists of two exterior sheets of linerboard and a fluted material made from corrugating medium as an inner core. Historically, linerboard was manufactured from virgin fiber while corrugating medium could be either virgin fiber or recycled from old boxes.

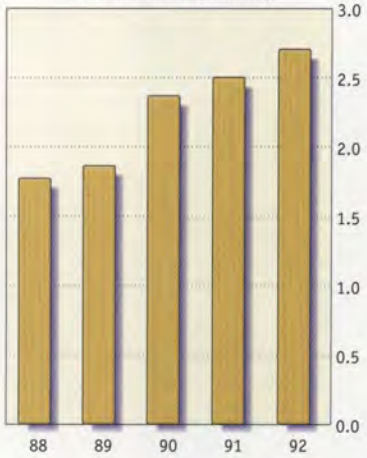
Our strategy in this segment of our business includes two goals: (1) to be a low-cost producer of quality boxes throughout the U.S. and (2) to develop the capability to manufacture a fully recycled quality box for national distribution. Some competitors share our goal of being a low-cost producer, but we have been the leader in the development of recycled linerboard.

Our first recycled linerboard mill in Ontario was completed in 1985 to serve western markets. With the completion of the Maysville mill, we are now the only company capable of efficiently providing to our customers—nationwide—boxes made of 100% recycled paper pro-

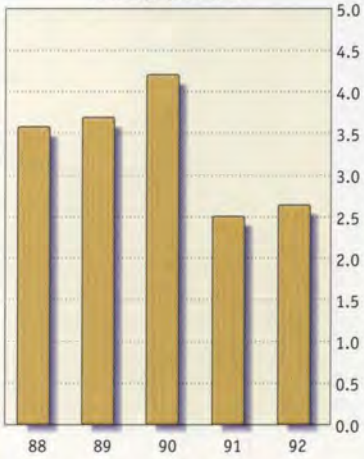


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Temple Inland
Total Revenues (billions)



Temple Inland
Earnings per Share



duced in our own mills. These boxes continue to gain customer acceptance, and in 1993 over 40% of our containerboard will be recycled.

Another part of our strategy has been to develop an improved capability for printed graphics on our boxes. Since some of our customers now demand that the corrugated container be used for more purposes than simply as a shipping container, graphics and color have become essential. In 1992, we completed conversion of an existing paper machine at Orange to manufacture white linerboard products including white-top and mottled white. We have also upgraded printing capabilities at most of our box plants in the past few years.

Some sophisticated designs that our customers demand require a specialty printing operation that cannot be performed at a normal box plant. Therefore, with the completion of our new graphics center in Indianapolis, Indiana, we have printing capabilities that will set new standards for the industry. As demand grows for these types of containers, our ability to provide enhanced graphics will not only add to our service levels but will also enhance our income stream.

Many of our major customers continue to consolidate box suppliers and we were successful in gaining market share in 1992. Our box volume growth of about 8% was again substantially higher than the national industry rate of about 5%. Although this concentration is competitively priced, this business on a longer-term basis, allows productivity improvements which can be shared by both parties.

In 1992, we converted 86% of our containerboard production in our own box plants in line with our strategy to keep the integration rate at about this level. With the Maysville mill in production for the full year in 1993, we will focus on increasing production in our existing box plants, and on expanding into new areas including the growing markets of Mexico to consume our additional containerboard production.

Recent modernization programs in our containerboard mills have provided the capability to produce lighter-weight grades which perform as well as traditional heavier weights. Since less tonnage is used, this allows us to give our box customers a competitive product at a lower cost.

Our bleached board mill at Evadale, Texas historically has been a very cost-efficient, quality producer of heavyweight grades of bleached board. As is the case with containerboard, some of our customers now require equal performance from lighter weights, and we expect this trend to continue in the future. Therefore, we have committed to a long-term project to upgrade this mill, including improvement of productivity on existing grades and production capability of lighter-weight items. When completed in 1995, we estimate total capital expenditures in excess of $500 million which will increase capacity by 25%, improve cost structure on all products, and eliminate market pulp as a product category. Although the complete project will not be finished for several years, we will begin to realize incremental benefits beginning in 1993.

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The strategy for our building materials group included recognition that fewer, but larger, new homes would be constructed and that remodeling would grow as a percentage of the market. Our goal was to establish a group of specialty products for this trend and to eliminate commodity products whenever possible. Included were our quality and productivity requirements as well as the ability to leverage our own forest assets.

Substantial capital projects, including two new sawmills and the upgrading of all our other existing manufacturing facilities, have been completed during the past few years, but the depressed state of residential construction continued to eliminate significant profitability from this group. Although the recovery did not reach normal levels of demand in 1992, our profits rebounded to $39 million and should increase this year as demand continues to grow.

The restructuring of our financial services group continued to develop both a modern, consumer-friendly savings bank in Texas and a national mortgage bank. Record earnings were reported, but of more importance was the implementation of efficiencies which will allow us to capitalize on future markets. Our savings bank continues to experience weak loan demand in the generation of adjustable mortgages for our portfolio, but our mortgage bank experienced record mortgage originations exceeding $3.5 billion.

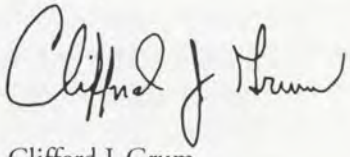
Most of these loans were fixed-rate loans which were sold to national markets, while we retained the servicing rights. At year-end, we achieved a new record of $7.7 billion in mortgages serviced by our bank.

The strategy that a viable financial services group would provide a cushion to the cyclical swings of our basic businesses continues to be successful. Financial Services pretax earnings of $64 million were over 25% of total operating earnings, and since we receive certain tax benefits from this group's activities, the after-tax ratio is even higher.

As an industry, although most of our paper markets concentrate on packaging for domestic customers, there is also production for export markets. Export growth has declined as world economies have weakened. As we enter 1993, the main resurgence of demand is concentrated in North American markets and paper markets worldwide remain in a static state.

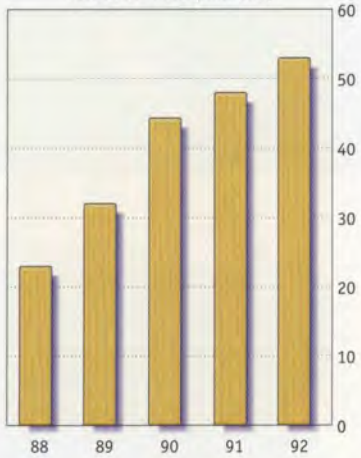
The growth momentum of the U.S. economy this year and the pace of recovery of other world economies will determine the ability of our company to restore profit margins in our paper businesses. Since export markets are less important to our building products operations, record profits should be reported this year if the level of residential construction continues to grow. Therefore, our consolidated mix of businesses will be important to the continued growth of our earnings.

Sincerely,



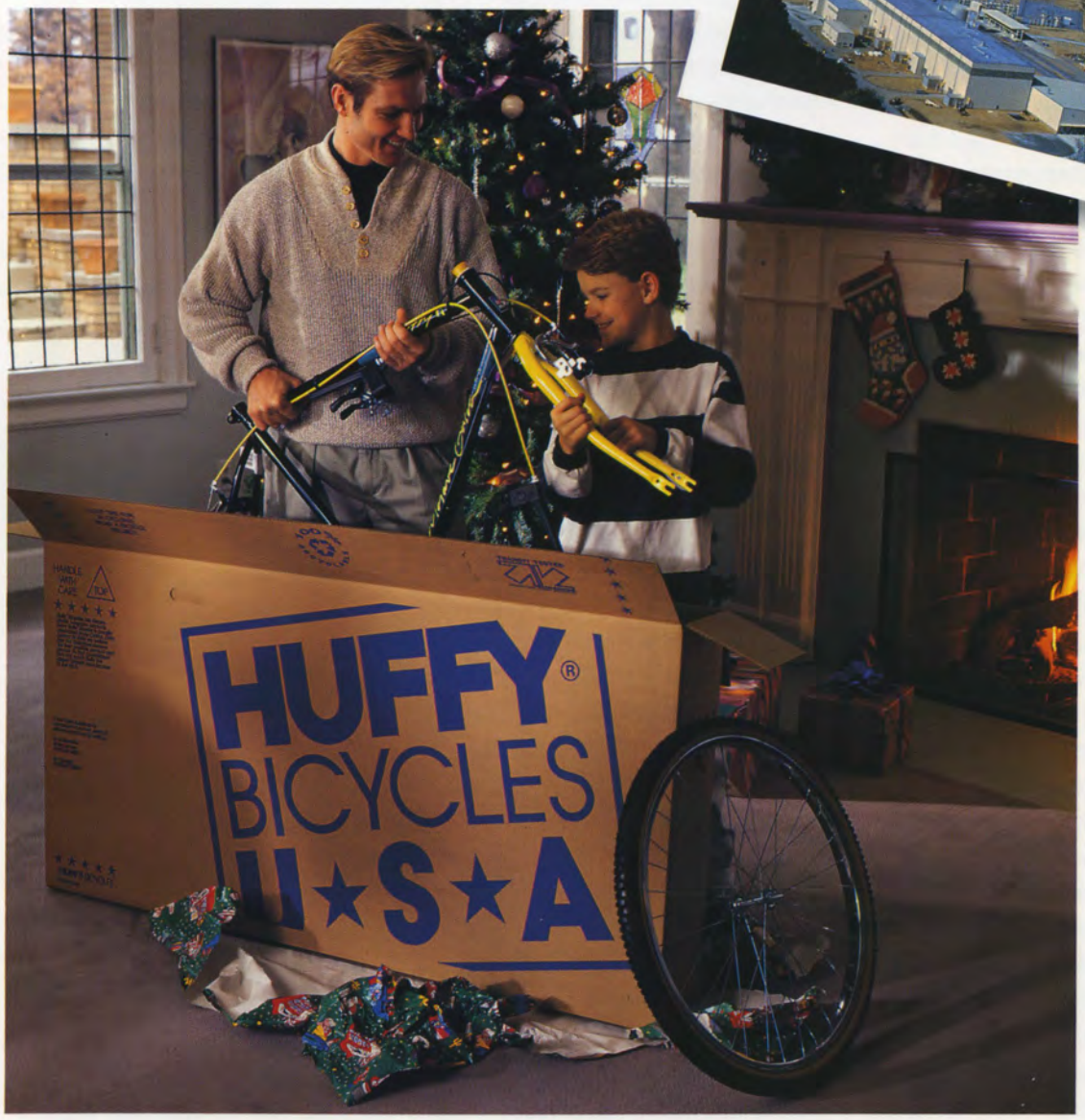
Clifford J. Grum
Chairman & Chief
Executive Officer
February 17, 1993

Temple Inland
Dividends Paid (millions)



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Inland boxes made of 100% recycled containerboard perform to the same specifications as those made from virgin kraft. With the start-up of the Maysville mill (inset), Inland can economically offer 100% recycled boxes to customers nationwide with containerboard produced in Company mills.

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Inland Container Corporation, Temple-Inland's largest manufacturing unit, is a truly diversified producer of corrugated shipping containers. Box plants are operated to meet the diverse requirements of customers, not just as a distribution mechanism for mill production. In fact, approximately 86% of Inland's mill production was consumed by its own box plants this past year.

1992 was a year of record production of both containerboard and corrugated boxes which, when coupled with a partial price recovery that began in late 1991, enabled this group to post earnings of $112.3 million, up 49% from last year's $75.4 million.

The weak economy, a low inflationary environment and higher inventory levels of containerboard combined to delay pricing recovery in 1992. The average selling price of boxes in 1992 was 2% above the average of 1991, but remained 6% below the historical highs enjoyed in 1989. With demand remaining strong and the outlook for economic growth improving, prospects for pricing recovery in 1993 are promising.

The strategy is to be able to meet the multiple needs of domestic customers by keeping mill production in line with box plant usage. Customers range from small local or regional operations to large national accounts. Inland is committed to providing all of its customers with consistently excellent service, quality products and total value.

At the same time, it must be recognized that national customers are using a more consolidated approach when purchasing shipping containers, as evidenced by the growing number of "partnering relationships." During 1992, several large companies formed buying councils among their subsidiaries and awarded large volumes of business to a single supplier, instead of using several different vendors, as had been traditional. This trend will probably continue. The Company's emphasis on providing a broad range of quality products and services, and its ability to serve national customers' corrugated container needs geographically with 39 box plants, helped Inland outpace the industry and gain market share in this competitive environment.

Industry box shipments in 1992 were up 4.9% from 1991. Inland box shipments totaled 1,949,000 tons, up 8% from the previous year, which places Inland among the four largest producers of corrugated packaging in the U.S. with 8.8% of the U.S. market.

Containerboard production at Inland's seven paper mills totaled a record 2,287,000 tons, including 44,709 tons produced at the new Maysville mill which began operations in October. For 1992, Inland also ranked among the top four producers of containerboard with about 8% of U.S. production.

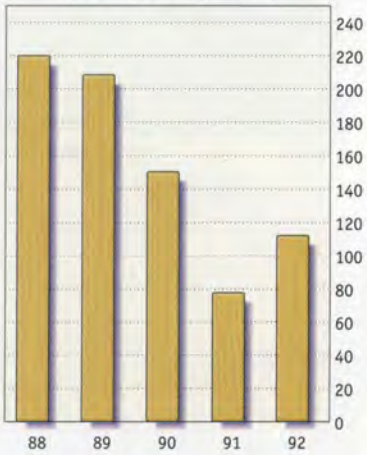
Inland can cost effectively provide customers across the U.S. with boxes made from all grades of linerboard, including unbleached, whitetop and mottled white liner, plus bleached liner, the premium grade manufactured at Temple-Inland's bleached paperboard mill in Evadale. In addition, the new Graphics Resource Center in Indianapolis provides customers with design and print capabilities which previously were available only from specialty outside vendors.

Several major containerboard projects were completed in 1992.



Ben J. Lancashire Executive Vice President

Container and Containerboard
Operating Profit (millions)



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The ultimate in enhanced graphics on corrugated packaging is achieved with preprinted linerboard. Inland's new 10-color preprint press (inset) is the centerpiece of the Company's new Graphics Resource Center in Indianapolis.

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The largest was the $176 million recycle linerboard mill in Maysville. Located on a 250-acre site on the Ohio River, about 60 miles east of Cincinnati, the mill is designed to produce 600 tons per day—or 210,000 tons annually—of 100% recycled linerboard. This mill is expandable to approximately 300,000 tons per year, as markets develop.

A $40-million expansion and modernization of the Ontario recycle linerboard mill was completed in the second quarter. New technology and equipment have improved further the quality of the product and have increased the mill's capacity by about one-third to 295,000 tons per year.

Early in 1992, a $38-million project was completed at the Orange linerboard mill to produce white-top and mottled white linerboard. These two grades of linerboard are two-ply sheets that utilize one layer of unbleached, or brown pulp, and one layer of bleached pulp. The white side of the linerboard has improved printing characteristics similar to the more expensive bleached linerboard. About 200 tons per day of bleached pulp used for these products comes from the Evadale mill about 35 miles away.

Over the last few years, most major capital projects have been aimed at improving quality and expanding capacity in the containerboard mills, but Inland's commitment to anticipating and meeting the needs of its customers will result in a somewhat different focus during the next few years.

A good example of this different focus is the completion in 1992 of the $17-million Graphics Resource Center. The centerpiece of this new facility is the printing press which features an eight-color central impression cylinder, with two downstream print stations. It is 100 inches wide, capable of running at 1,200 feet per minute and comes equipped with full robotics capability.

The main product of the Center is preprinted linerboard used by consumer products companies that want color graphics on their packages, but wish to retain the protection of traditional corrugated boxes. The printing quality required for many of these products cannot be achieved after the linerboard is converted into corrugated board, so it must be printed before being converted. The preprinted linerboard is then shipped to Inland plants across the country where it is made into boxes.

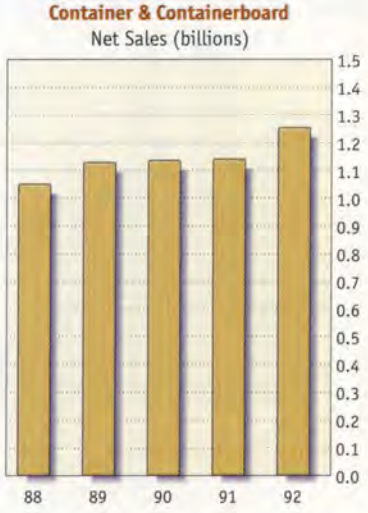
In the existing box plant system, projects will be targeted to improve quality and expand productivity. While paper mills operate 24 hours per day, box plants typically run two or three shifts, five or six days per week, thereby increasing flexibility in productive capacity. The Company's average annual output per box plant has increased from 47,000 tons in 1988 to 55,000 tons in 1992.

Also, in response to growing customer demand, additional box making capacity will be added. Some of this new capacity will come from upgrading existing plants and some will result from expanding box making capabilities geographically. A planned move into the Mexican markets is the latest example of this geographic expansion. Our Edinburg, Texas box plant can now service some markets in Mexico and in 1993 we plan to begin construction on a box plant located in Central Mexico.

With the completion of the new mill at Maysville and the expansion at Ontario, Inland maintains its leadership position as the largest producer in the U.S. of 100% recycled containerboard (linerboard and corrugating medium) as well as the largest producer of 100% recycled linerboard. In total, the Company's use of recycle fiber is about 42% of its total raw material requirements.

The experience gained and the technology learned in over 20 years of recycling allow the Company to produce recycled products of the highest quality. The Ontario and Maysville mills utilize unique technologies designed to minimize fiber damage. This improves the quality of the product, allowing customers to receive 100% recycled corrugated boxes that equal or exceed many of the specifications of virgin kraft.

This demand for recycled fiber is increasing. Many U.S. companies, both large and small, are demanding that their packaging be made from recycled fiber. In September, some of the largest U.S. corporations formed a group calling itself the "Buy Recycled Business Alliance." A major objective of this alliance is to



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require suppliers to provide higher volumes of recycled packaging materials and greater recycled content in finished goods. Inland's ability to economically provide 100% recycled boxes with paper produced in the Company's own mills gives it a distinct competitive advantage in this important market.

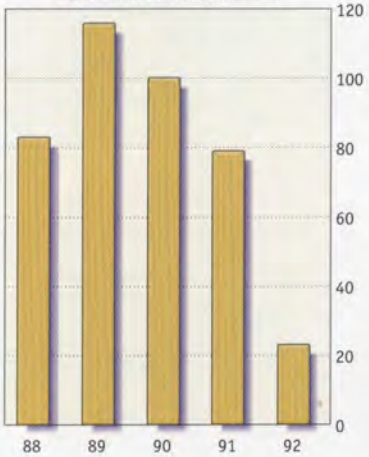
Quality remains at the forefront of all of Inland's modernization and expansion activities. The "Inland Quality Process," which has as its primary objective "Total Customer Satisfaction," has now been implemented at all Inland facilities. In addition, all Inland employees are being trained and are involved in the process of continuous improvement through quality and the elimination of waste. It is this pursuit of continued improvement that will ensure that Inland remains a successful leader in a very competitive industry.

Bleached Paperboard Group

David L. Ashcraft
Group
Vice President



Bleached Paperboard
Operating Profit (millions)



Temple-Inland's Bleached Paperboard Group's products can be divided into four major categories: food service, office and school supplies, packaging, and commercial printing. Temple-Inland maintains a dominant position in several paperboard grades, including cup, plate, file folder, bleached liner and tag.

Approximately 45% of the production from the Evadale mill goes to food service end uses. Most of the production goes to independent converters who produce plates, cups, trays, and folding cartons. In addition, some plate and folding carton paper stock is shipped to Temple-Inland Food Service Corporation, a wholly owned subsidiary formed in March 1991. Food Service Corporation converts paper stock from the Evadale mill into printed and white paper plates and bowls, carry-out pails for ethnic foods, scoops and trays for serving french fries and hot dogs, clamshells, and cartons for pies and pastries. Food Service Corporation has manufacturing facilities in Arizona, California, Colorado and Ohio.

Commercial printers use Temple-Inland's Texcover for a variety of printing applications including greeting cards, telephone and paperback book covers, as well as fine printing such as annual reports, including the cover of this year's Temple-Inland Annual Report.

Packaging grades include bleached linerboard, used in the manufacture of corrugated boxes, and folding carton, used in numerous packaging applications.

The Evadale mill produces heavyweight bleached paperboard products and has been very profitable since it began production in 1954. In the past, these heavyweight grades had accounted for about one-half of the U.S. market and had enjoyed substantial growth.

However, during the latest recession, demand for all bleached board weakened dramatically. In addition,

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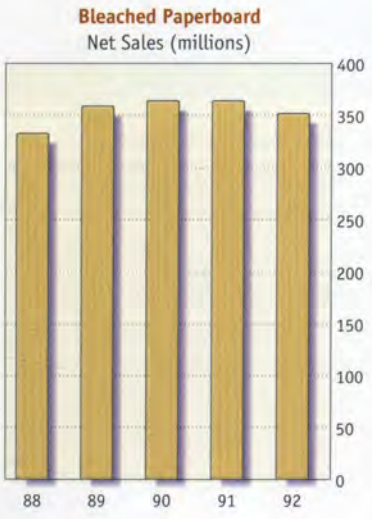
Much of Temple-Inland's bleached paperboard production goes to converters who make plates, cups and trays for food service operations. The Evadale mill's new hardwood fiber line (inset) will help the mill produce a stronger, cleaner and brighter sheet.

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there was a continued market shift from heavier-weight, higher-density grades to lower-density, lighter-weight grades. Some bleached board customers are now demanding a product that is not only lower in density and lighter in weight, but retains all of the strength and printability of the heavier board, similar to the trend being experienced in Temple-Inland's containerboard group.

Because of the decline in demand in its primary grades, the mill's production of market pulp became a larger percentage of its total output during 1992. Consequently, mill productivity was hampered and, when coupled with price deterioration in certain product groups, earnings in 1992 dropped to $23.3 million, down 71% from last year.

While 1992 was a difficult operating year, significant progress was made in preparing the Evadale mill for the future.



A new $85-million hardwood pulp line started up in late December. The 1,000-ton-per-day fiber line allows the mill to produce a lower-cost hardwood pulp that is stronger, cleaner and brighter. Increased hardwood pulp gives the paperboard a smoother surface and improves printing characteristics. Importantly, the pulp from the new fiber line is bleached without the use of elemental chlorine.

In response to the market's shift to lower-density board, engineering and planning had already begun, and in 1992, a $500-million expansion and modernization program at the Evadale mill was announced. Included in the project is the addition of a fifth paper machine, a new pine fiber line and a total upgrade of the three existing Fourdrinier paper machines.

The new paper machine will produce lightweight, low-density coated paperboard and is expected to begin operation in the second half of 1995. The new pine fiber line, to be completed by early 1995, will utilize the same technology as the hardwood fiber line completed in 1992. Upon completion of these two pulp lines, an existing fiber line will be available for use in recycling.

Upgrades of the existing paper machines, which are designed to make them more efficient on the lighter-weight paperboard grades, will continue during the next three years. As these projects are completed, the mill's profitability should improve.

Upon completion of the modernization and expansion projects, total mill capacity will increase by approximately 200,000 tons per year to over 800,000 tons. Pulping capacity at the mill will then be fully utilized by the paper machines, eliminating the need to sell market pulp in the volatile open market. Approximately 90%, or 720,000 tons, of mill production will be in paperboard grades; the remaining 10% will be used at Temple-Inland's Orange linerboard mill to produce white-top and mottled white linerboard.

The markets for many of this group's grades are relatively small. However, the folding carton market is huge and has good potential for continued growth. While maintaining a focus on the food service sectors of the industry, the mill's new capacity arising from the expansion project will be targeted toward these higher-value folding carton end uses. In addition, a significant percentage of the expansion will be targeted for export markets.

It is expected that the trends of the last few years will continue during 1993—lower densities, lighter weights, and high-quality demands. Temporarily, Evadale's earnings will continue to be constrained by its lower efficiency on the lighter-weight grades. However, as each of the modernization projects is completed, profitability gains should be realized.

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In 1992, a moderate increase of 200,000 units in housing starts to 1.2 million and improved remodeling expenditures stimulated construction spending, causing building material markets to begin recovering. Temple-Inland's Building Products Group recorded earnings of $39.5 million, up from $5.2 million last year.

Better demand was only one part of the equation, however. Last year, the supply of government-owned sawtimber on the West Coast remained lower than historical levels, primarily reflecting continued environmental restrictions on its harvest. It is estimated that the conversion of sawlogs to lumber and plywood in the western U.S. was down by over 20% in 1992 which represents a constriction of over 10% of the U.S. conversion. Most projections assume about the same level of log availability in 1993, so any increase in demand will have to be met with fiber from other regions.

Since most other building materials utilize residue from the lumber and plywood manufacturing process as their raw material, West Coast production of these materials will also be adversely affected by this fiber shortfall.

In Texas and Louisiana, where Temple-Inland has most of its 1.9 million acres of timberland, the market price of timber increased about 14% in 1992. If demand continues at projected levels, prices will probably rise even further in 1993. The strategy in Temple-Inland's building materials business has been first to build and operate all facilities as highly efficient converters of wood fiber, ensuring maximum profitability on the timber obtained from the Company's own lands. These lands supply about 60% of the Company's total lumber and plywood fiber requirements. At the same time, this efficiency allows Temple-Inland to maintain an acceptable margin on timber purchased in the open market.

Another part of this group's strategy has been, whenever possible, to distinguish its products from commodity grades by developing specialty or value-added items. In the lumber area, for instance, much of our lumber goes into the premium-priced treating market for use in construction of such popular projects as outdoor decks and patios.

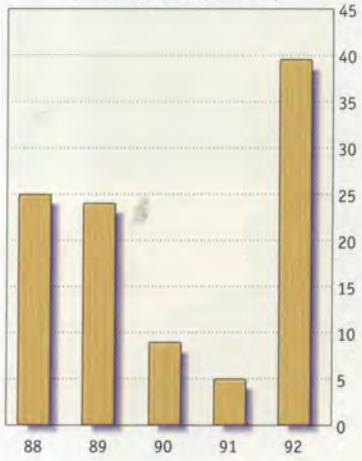
One of the first products to be upgraded to a specialty item was particleboard. As a result of manufacturing technology improvements begun several years ago at Temple-Inland's three particleboard plants, board that was once used as commodity floor underlayment is now used in the industrial-grade markets for such things as kitchen cabinets and furniture. In 1992, over 95% of production went into these higher-valued markets.

In fiberboard, the market consists of two types of products: one is a commodity sheathing product that historically was used as insulation on the exterior walls of buildings or as underlayment for certain types of roofing; the other is hardboard siding and trim products used for exterior sheathing and in certain trim applications as a substitute for lumber. Both the commodity market and the siding and trim market reflected the strength of the building recovery in 1992. Siding has gained market share as production upgrades have improved performance relative to other solid-wood products. One of the most successful products in this group is Temple-Inland's Trimcraft, a lumber substitute used in a variety



Harold C. Maxwell
Group Vice President

Building Products
Operating Profit (millions)



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An increase in construction of single family homes helped Temple-Inland Building Products Group achieve substantial earnings' gains in 1992. Temple-Inland produces a wide range of building materials (inset).

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of exterior and interior trim applications.

Gypsum markets have been very weak over the past few years as the falling level of housing starts and a glut of office buildings and apartments severely restricted demand. Gypsum is the most common interior wall sheathing used in new construction. Even with depressed market conditions, low-cost production and innovation, such as 54-inch gypsum allowed this operation to perform credibly in 1992.

It became apparent that many of the new homes being built were using nine-foot walls. Temple-Inland took advantage of an extra wide dryer located at its Memphis gypsum plant and began production of a new product that was 54 inches wide instead of the standard 48-inch width. Known as "Stretch 54", this product saves installation time and decreases waste. Since gypsum board is normally installed horizontally, the 54-inch board, when used on a nine-foot wall has only one joint that must be covered, while a 48-inch board leaves a gap that must be filled by using a one-foot strip which creates two joints that must be covered.

Low-cost and efficient conversion of fiber and development of value-added products have allowed Temple-Inland to begin focusing on another part of its long-term strategy. In recent years, efforts have been aimed at increasing the share of total production that goes to export markets. Export sales, though still a relatively small portion of total sales, have grown steadily. Some products are exported to Europe and the Far East, but perhaps the most promising export market is Mexico.

With its current economic growth receiving the support and cooperation of the Mexican government, and the progress of the North American Free Trade Agreement, demand for building materials is likely to improve dramatically in Mexico. The geographic location of Temple-Inland's manufacturing operations and its ability to provide value-added products, such as industrial-grade particleboard and plywood and the high-grade lumber required for export, uniquely position Temple-Inland to leverage its profitability in this expanding market.

Looking forward to 1993, most experts expect housing starts to increase by about 100,000 units; repair and remodeling expenditures to continue to grow; and West Coast timber supply to be constrained. This could translate into an excellent year for Temple-Inland's Building Products Group.

Forests



Glenn A. Chancellor
Group Vice President

Temple-Inland's 1.9 million acres of forestlands maintain a vital role in the Company's long-term strategic plan.

All of the Company's acreage is located in the southern part of the United States, in close proximity to the manufacturing complexes they support. About 1.4 million acres are located in east Texas and western Louisiana and the remaining one-half million acres are in Georgia and Alabama.

The forests are highly productive, easily accessible, and intensively managed. They provide the raw-material base for the pulp mills and building-products plants that depend upon virgin fiber. Careful attention is paid to the environment and other forest amenities, while maximizing financial returns through fiber production.

This strategy, when applied to the forest properties, is designed to utilize each acre to its fullest biological potential. This means that all of the primary characteristics of the timberlands are measured, mapped, and then maintained in a computerized, data management system specifically designed to accommodate the Company's plans and strategies.

Long-term timber management techniques and harvest plans are

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developed with the aid of computer simulation models to ensure that cutting plans provide the highest net present-value returns from the forestlands.

Each of several thousand individual timber stands is evaluated on a three-year cycle. This evaluation provides a continuous and overlapping harvest plan for each of the following five years. The timber stands are segregated into those best suited for growing softwood species—primarily loblolly pine—and those best suited for growing varieties of hardwood species. Management efforts can then be directed to maintain the species/site relationships that best apply to each individual stand.

These timber management practices applied to the 1.4 million acres in Texas and Louisiana will yield large volumes of high-quality sawtimber trees for the Company's four lumber and plywood mills located in those two states. In addition, intermediate-term thinnings of the pine stands, during each complete 35-year planting-to-harvest cycle, supply pulpwood-grade wood fiber that is used in the paper mills located in Evadale and Orange.

These lands currently are capable of supplying about 60% of the pine sawtimber requirements for the building products facilities. The intermediate cuts of pine pulpwood, combined with the residue materials from the building products plants, also supply about 60% of the pine requirements at the two paper mills.

The Company's Georgia-based lands supply about 30% of the wood requirements of the paper mill and sawmill in Rome, Georgia. This percentage will increase during the next few years as pine stands planted in the 1960s and 1970s reach maturity.

This high degree of self-sufficiency clearly positions Temple-Inland among those industry leaders who stand to benefit from the expected future tightening of timber supplies and the probable escalation of timber values. This increase in expected demand for timber will accelerate as harvesting of Federal timberlands declines, particularly in the "old growth forests" of the western United States. This presents an increasing opportunity for the managed timberlands of the southern states to accept a larger role as the "wood basket" of the nation.

Hardwood lands, which constitute about 12% of the total ownership, are being carefully managed with the goal of attaining productivity levels comparable to the pine lands. Hardwood is important to Temple-Inland as part of the wood fiber mix furnished for the paper mills of Georgia and Texas. Natural regeneration is currently being used to provide a continual harvest from these lands, which supply about 20% of the hardwood fiber consumed by our mills. The Company is examining other options to ensure its hardwood needs will be met, including the possible production and importation of fast-growing hardwood species.

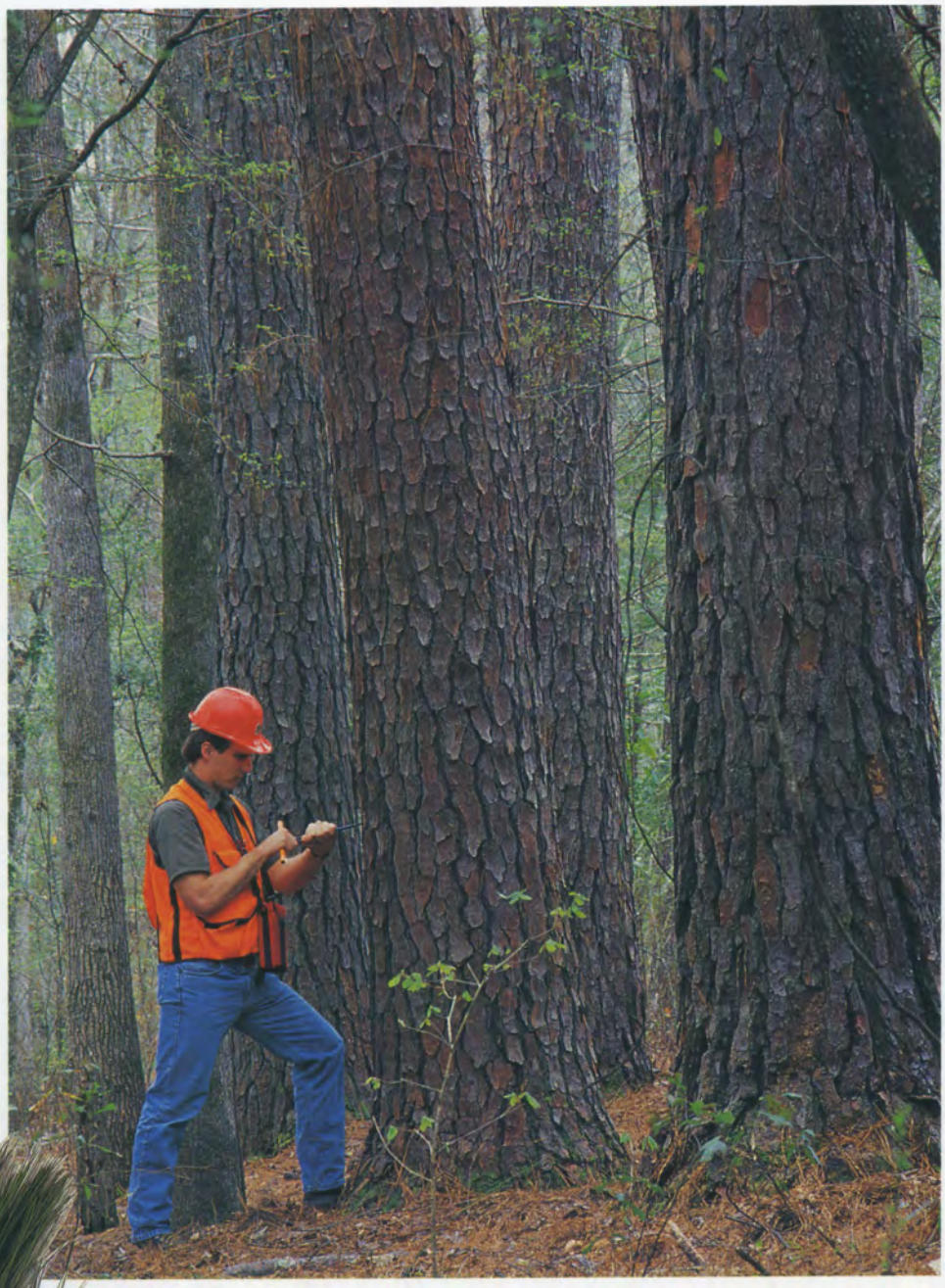
Care is taken that the non-fiber uses of the forest are protected and perpetually maintained. The Company rigidly applies voluntary Best Management Practices in order to maintain water quality in streams throughout its holdings. Other steps—such as limiting the size and frequency of regeneration cuts, providing wildlife corridors through harvest areas, and specifically designing harvest areas for minimum visual impact—are integral parts of the harvest plans.

Efforts are continually being made to improve the timberland base. Land exchanges with other area landowners have allowed Temple-Inland to consolidate its properties into larger blocks that are located closer to its consuming plants. Nearly 50,000 acres of these land exchanges, beneficial to Temple-Inland, were completed during 1992.

The Company also has identified several thousand acres that are not desirable for management as long-term timberlands, and is disposing of these properties as opportunities arise, either through sale or exchange. Other lands that complement current holdings have been purchased and added to timber under management. These purchases have more than replaced the land sold, and will serve to increase self-sufficiency in future years.

Wildlife and recreation continue to receive substantial attention. Temple-Inland acreage is cultivated to carefully nurture the forest creatures and plant life which depend upon trees for sustenance, shelter and protection. Temple-Inland considers it important to share this valuable resource with its neighbors by providing a pleasant and satisfying forest setting as a source of recreation and education.

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Field measurements by our foresters confirm the timberland data base.

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Guaranty Federal Bank's commitment to the housing market is epitomized by this award-winning project of the Dinerstein Companies, one of Texas' premier housing developers. Financed by Guaranty, this project was the recipient of the City of Arlington's Beautification Award for neighborhood improvement. Guaranty's community activities earned an outstanding rating from the regulatory authorities.

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Robert F. Adelizzi Group Vice President

BEGINNING WITH THE acquisition of Guaranty Federal Savings Bank in September 1988, the Financial Services Group embarked on a strategy of building a premier integrated financial services company that would provide Temple-Inland with an advantageous return on investment. 1992 was a milestone year, which saw the final consolidation of the consumer banks into one bank (Guaranty Federal Bank, F.S.B.) and the mortgage banking units into a new entity named Temple-Inland Mortgage Corporation. This provides a solid foundation for further growth.

Additionally, the group achieved record profit levels with earnings of $64.4 million and developed strategies for its consumer-banking, mortgage-banking, insurance and real estate operations to build the group's franchise value while providing reliable, high-quality earnings and dividends to Temple-Inland.

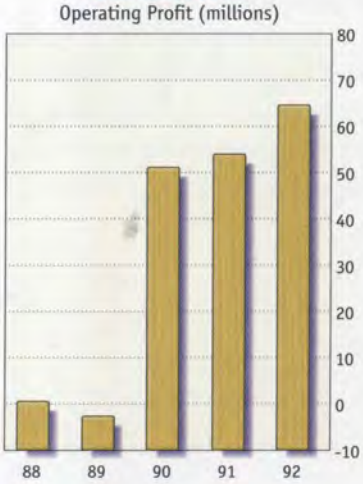
Guaranty's initial strategy was to liquidate its government-guaranteed assets over a ten-year period while developing a cost-reflective banking franchise. As a result of actions taken by Temple-Inland and the government, assisted assets have been reduced from 68% in 1988 to 5% of total assets by the end of 1992. Concurrently, Guaranty expanded its customer base and market share by acquiring the deposit liabilities of selected failed thrifts from the government. It has grown to over $7.5 billion in assets and, as a result, Guaranty now ranks as the third largest banking institution in Texas by assets.

Guaranty recognized that the growth in deposit liabilities and cash received from the reduction in government-guaranteed assets initially could not be matched with an equal growth in loans. Accordingly, investments were made in adjustable-rate, mortgage-backed securities that broadly match the bank's liability structure while providing an acceptable risk-adjusted return on equity during its transition period from investments to loans.

Today, the bank's key strategy is to begin replacing these securities with high-quality loans and shift the balance sheet from the current mix of approximately 20% loans and 80% mortgage-backed securities, to more traditional banking percentages.

In the event that the real estate markets fail to provide the lending opportunities needed to meet the bank's stringent credit-quality standards, the 1993 loan-volume goals will be delayed.

To accomplish these goals, Guaranty has developed five principal lending units that will continue to build from Temple-Inland's historical involvement with the residential real estate industry. In addition to financing single family residential mortgages, other primary lending lines of business include commercial real estate, residential construction, mortgage banking, consumer loans and national mortgage loan acquisition. The Commercial Real Estate Group provides short-term, interim financing for professional developers of multi-family and other income-producing projects. The Residential Construction Group provides credit facilities to homebuilders for the construction of single-family residences. The Mortgage Finance Group offers a full menu of credit and depository services to mortgage bankers, including warehouse lines of credit, term loans for servicing acquisition, work-



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ing capital lines of credit and cash management services. Consumer loans include both those generated by our branch system as well as wholesale acquisitions from other financial institutions.

Guaranty's strategy is to become a national lender, but with primary emphasis on residential real estate markets. The size and depth of the residential mortgage market (nearly $3 trillion) provides the greatest opportunity for repositioning the bank's balance sheet. The newly formed national Mortgage Loan Acquisition Group will acquire single-family residential mortgages from a selected network of mortgage bankers and brokers.

A key strategy for the consumer bank continues to be its focus on generating a low-cost, stable source of deposits from its 100 banking centers in Texas. Retail banking services are offered through five geographic regions based in Austin, Dallas, Houston-Galveston, Kilgore and Waco. The purpose of these regions is to assure responsive and locally sensitive banking services, under the strategic theme of Neighborhood Texas Banking.

The Mortgage Bank enhances the Financial Services Group's commitment to the national housing industry by financing and servicing single-family mortgage loans throughout the country. The Mortgage Bank is not in the business of holding loans in its portfolio. Rather, it earns profits and enhances shareholder value by producing loans at a low cost, securitizing the loans, selling them in the secondary market, and then retaining the servicing rights of these loans.

During 1992, Temple-Inland Mortgage Corporation originated a record $3.5 billion in mortgage loans and increased its servicing portfolio by $1.2 billion, resulting in a servicing portfolio that exceeded $7.7 billion at year-end. Constant attention to loan production and servicing costs, and improvements in technology and processing, will enable Temple-Inland Mortgage Corporation to maintain its position as one of the lower-cost originators and servicers of mortgage loans in the country.

Timberline Insurance Agency is operated as a general insurance agency providing a full range of insurance products, including personal and commercial lines, annuities, and life and health insurance. The agency also acts as the risk-management department of Temple-Inland and utilizes various techniques to reduce claim costs, severity and frequency. During 1992, Timberline acquired two agencies that specialize in commercial lines. Timberline has over 200 licensed representatives located in Guaranty banking centers and is able, therefore, to share in the goal of meeting the financial service needs of the customer.

Real estate operations, conducted by Lumbermen's Investment Corporation, include development of residential subdivisions, as well as the management and sale of income properties. Land development projects include eight single-family subdivisions in Austin and San Antonio. This business has seen a modest improvement as the residential markets in Austin and San Antonio continue to recover and the existing inventory of quality lots is absorbed. The continued strategy for this group will be to capture the highest value of land through the completion of the existing residential developments and to take advantage of selective new opportunities in targeted markets.

Our financial services group continues to build a base for improved earnings and should be able to continue to benefit in the future from its enlarged competitive structure.

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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

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

Plywood Operation
Pineland, 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
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
Sante 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
Yuma, Arizona
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
Arizona
California
Colorado
Georgia
Illinois
Indiana
Maryland
Michigan
New Jersey
New York
North Carolina
Oklahoma
Pennsylvania
Tennessee
Texas
Virginia
Washington

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Board of Directors

Temple-Inland Inc.

Robert Cizik (4) (5)
Chairman, President and Chief Executive Officer
Cooper Industries, Inc.

Anthony M. Frank (1) (2)
Chairman
Acrogen 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

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

Temple-Inland Inc.

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

Ben J. Lancashire
Chairman and Chief Executive Officer

William B. Howes
President and Chief Operating Officer

Ted A. Owens
Group Vice President
Containerboard Division

Joseph E. Turk
Group Vice President
Container Division

Temple-Inland Forest Products Corporation

Bleached Paperboard Group

David L. Ashcraft
Group Vice President

Aubrey W. Barlow
Vice President-Sales and Marketing

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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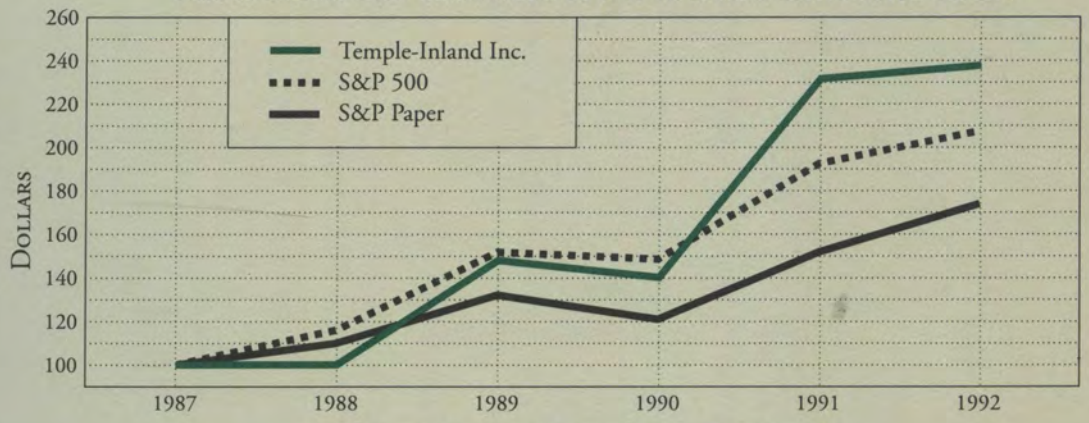
Business segments

For The Year	1992	1991	1990	1989	1988	1987	1986	1985	1984
				(in millions)					
Revenues									
Container and containerboard	$1,254.4	$1,148.6	$1,144.2	$1,138.4	$1,093.1	$ 964.2	$ 721.7	$ 684.2	$ 665.3
Bleached paperboard	352.6	370.6	373.0	368.3	336.0	292.5	264.9	256.7	284.5
Building products	391.3	311.1	305.3	320.3	312.2	322.8	281.5	268.0	295.3
Other activities	77.1	67.9	70.0	67.2	32.2	23.2	27.7	34.2	17.8
Manufacturing net sales	2,075.4	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)	637.8	608.9	508.6	49.4	40.9	39.4	47.2	39.2	36.3
Total Revenues	$2,713.2	$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	$ 112.3	$ 75.4	$ 150.9	$ 208.4	$ 221.3	$ 150.8	$ 38.8	$ 49.7	$ 74.8
Bleached paperboard	23.3	79.9	98.8	114.9	82.7	53.4	29.4	19.8	46.8
Building products	39.5	5.2	9.4	23.7	24.6	36.5	35.9	22.5	40.9
Other activities	(2.0)	1.1	(1.7)	(.7)	1.2	—	(5.8)	2.5	(3.2)
Operating profit	173.1	161.6	257.4	346.3	329.8	240.7	98.3	94.5	159.3
Financial services (1)	64.4	54.2	51.4	(2.1)	.4	5.3	12.9	18.3	13.4
	237.5	215.8	308.8	344.2	330.2	246.0	111.2	112.8	172.7
Corporate expense	(15.3)	(16.0)	(20.7)	(12.9)	(19.9)	(11.7)	(13.1)	(8.1)	(11.9)
Parent company interest—net	(47.4)	(31.8)	(24.0)	(24.4)	(23.1)	(20.3)	(13.0)	1.2	(4.6)
Other income (2)(3)	2.2	(1.2)	4.7	5.0	16.3	5.5	23.4	20.3	8.7
Income before taxes	$ 177.0	$ 166.8	$ 268.8	$ 311.9	$ 303.5	$ 219.5	$ 108.5	$ 126.2	$ 164.9

During the five preceding fiscal years, the Company's cumulative total shareholder return compared to the Standard & Poor's 500 Stock Index and to the Standard & Poor's Paper Industry Index was as shown in the following table.

Performance Graph

Temple-Inland Inc. Comparison of five-year cumulative total return*



Assumes $100 invested on December 31, 1987

*Total return assumes reinvestment of dividends

(1) Includes operating results from the consolidation of Guaranty Federal Bank, F.S.B., 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 in 1986 and amounts were immaterial in other years.

(3) The 1991 amount includes losses of $7.4 million from the write-off of an investment interest 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 seven paper mills and converts these grades of containerboard into corrugated shipping containers at 39 box plants.

The group earned $112.3 million in 1992, up 49 percent over the $75.4 million in 1991. This improvement resulted from moderately improved box prices, increased volume and lower costs at several of the group's recently modernized mills. Earnings had declined 50 percent in 1991 due to lower box prices and increased costs.

Mill production totaled 2.3 million tons in 1992, an increase of 9 percent from the previous year. Completion of modernization and expansion projects at several of the linerboard mills, together with the fourth quarter 1992 startup of the Maysville, Kentucky mill, accounted for most of this increase. Production of containerboard exceeded internal box plant usage by 243,000 tons in 1992, 218,000 tons in 1991, and 269,000 tons in 1990. Most of the excess production continues to be sold in the domestic and export markets.

Construction of the $176 million recycle linerboard mill in Maysville was completed during the fourth quarter of 1992. This new mill has the capacity to produce approximately 210,000 tons annually of linerboard and corrugating medium using old corrugated containers as a raw material. Similar to the Newport, Indiana mill, it is located adjacent to a utility power plant. A long-term contract with the utility assures the mill a source of reasonably priced steam.

The $40 million expansion of the Ontario, California recycle linerboard mill was completed in the second quarter of 1992. This expansion increases production by about one-third—to approximately 295,000 tons annually.

Early in 1992, the $38 million project to produce mottled white and white top linerboard at the Orange, Texas mill was completed. As a result of this project, the Orange mill has 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 70,000 tons of the Evadale, Texas mill's excess bleached pulp will be utilized.

	1992	1991	1990
Tons Mill Production	**2,287,000**	2,103,000	2,034,000

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 8 percent in 1992 after having increased by 7 percent in 1991. The 1991 improvement resulted, in part, from tonnage of plants acquired from Crockett Container Corp. and Pakway Container Corp. in mid-1990. Container prices for the entire year 1992 were up an average of 2 percent after having declined by 3 percent in 1991.

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 linerboard and related products. Changes in product mix from period to period may make historical comparisons difficult.

CONTAINER & CONTAINERBOARD	**1992**	1991	1990
UNIT SALES		*(in thousands of tons)*	
1st Qtr	**539**	523	498
2nd Qtr	**573**	536	517
3rd Qtr	**579**	532	532
4th Qtr	**603**	506	514
For the year	**2,294**	2,097	2,061
NET SALES		*(in millions)*	
1st Qtr	**$ 296.1**	$ 289.7	$ 282.4
2nd Qtr	**319.0**	290.1	287.1
3rd Qtr	**315.6**	285.3	288.5
4th Qtr	**323.7**	283.5	286.2
For the year	**$1,254.4**	$1,148.6	$1,144.2

BLEACHED PAPERBOARD

The Bleached Paperboard group produces bleached paperboard and market pulp at its mill located in Evadale, Texas. This production is sold 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 earnings of $23.3 million in 1992, down 71 percent compared to 1991. The decline was attributed generally to further price decreases for market pulp and other board grades, an unfavorable product mix and an extended outage for maintenance in June 1992. Earnings had decreased 19 percent in 1991 resulting primarily from lower prices for market pulp and the planned rebuild of our largest chemical recovery boiler which increased costs and lowered production over a two-month period. The rebuild of the recovery boiler, its first since installation eighteen years ago, lowered air emissions and increased this unit's capacity.

Hardwood pulping and bleaching capacity was increased by 50 percent in December 1992 when the new $85 million fiber line and bleach plant was placed into production. This equipment lowers chemical, energy and fiber consumption, and the modified bleaching process produces a higher quality pulp which is stronger and brighter.

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. This operation has converting plants in Carlisle, Ohio, Sacramento and El Cajon, California, Denver, Colorado, and Yuma, Arizona. Products manufactured include paper plates and bowls, clamshells, 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 1992 was 569,000 tons compared to 586,000 tons in 1991 and 591,000 tons in 1990. The decline in production was due primarily to planned maintenance outages previously mentioned.

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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	1992	1991	1990
UNIT SALES		*(in thousands of tons)*	
Paperboard			
1st Qtr	**109**	120	128
2nd Qtr	**97**	116	109
3rd Qtr	**101**	107	117
4th Qtr	**107**	104	108
For the year	**414**	447	462
Pulp			
1st Qtr	**40**	33	31
2nd Qtr	**35**	33	28
3rd Qtr	**40**	23	34
4th Qtr	**40**	33	34
For the year	**155**	122	127
NET SALES		*(in millions)*	
Paperboard			
1st Qtr	**$ 66.5**	$ 81.3	$ 88.4
2nd Qtr	**65.2**	78.5	73.5
3rd Qtr	**65.0**	73.3	79.7
4th Qtr	**66.9**	68.8	73.1
For the year	**$263.6**	$301.9	$314.7
Pulp			
1st Qtr	**$ 12.9**	$ 13.4	$14.3
2nd Qtr	**10.2**	12.0	12.1
3rd Qtr	**12.7**	8.5	14.3
4th Qtr	**11.8**	11.0	13.8
For the year	**$ 47.6**	$ 44.9	$ 54.5
Other (including Food Service beginning in 1991)			
1st Qtr	**$ 12.1**	$ 1.5	$ .9
2nd Qtr	**10.4**	4.8	.8
3rd Qtr	**8.9**	9.7	1.0
4th Qtr	**10.0**	7.8	1.1
For the year	**$ 41.4**	$ 23.8	$ 3.8

BUILDING PRODUCTS

The Building Products group manufactures a diversified line of construction and commercial grade building materials including lumber, plywood, fiber products, particleboard and gypsum wallboard. These products are produced at ten separate locations 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 for the group were $39.5 million, an increase of $34.3 million from 1991. The earnings in 1992 were the highest reported since 1984. Assisted by lower mortgage interest rates, housing starts increased almost 20 percent from 1991. This increase, together with additional spending for remodeling and repairs to older homes, added renewed strength to building material markets. Market share for southern wood based operations also increased as western producers scaled back production to match declining timber resources.

Building Products earnings had declined 45 percent in 1991 compared with the previous year 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 of 1991, however, positive trends were developing both in new starts and existing housing sales.

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

BUILDING PRODUCTS	1992	1991	1990
UNIT SALES		*(in millions of board feet)*	
Pine lumber	**467**	395	342
		(in millions of square feet)	
Fiberboard	**464**	443	452
Particleboard	**326**	321	302
Plywood	**250**	253	233
Gypsum wallboard	**621**	601	699
Rigid foam insulation*	**—**	—	25
NET SALES		*(in millions)*	
Pine lumber	**$120.9**	$ 87.6	$ 72.7
Fiberboard	**55.8**	48.2	48.5
Particleboard	**70.5**	60.7	57.1
Plywood	**45.2**	36.9	33.3
Gypsum wallboard	**36.6**	33.1	40.7
Rigid foam insulation*	**—**	—	4.9
Retail distribution	**53.5**	42.2	41.7
Other	**8.8**	2.4	6.4
For the year	**$391.3**	$311.1	$305.3

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

A new sawmill, in full production since its completion in mid-1990, together with efficiency gains and improved product demand across all lumber operations, resulted in increased unit sales of 18 percent and 15 percent in 1992 and 1991, respectively. Declining lumber production in the western region of the country continued to increase demand for southern lumber during 1992, resulting in higher prices for the group's commodity-grade lumber. Additionally, this business unit has targeted certain premium grade markets, such as export and treating, which command higher net returns.

Plywood was also favorably influenced by the regional shift in demand experienced by lumber. New capital projects completed during the year are allowing the mill to increase its value-added product mix and improve panel quality for shipment to an increasing number of customers in commercial and export markets.

By-product wood chips produced by the lumber and plywood operations are shipped to the Company's two East Texas paper mills, representing about 23 percent of their pine fiber requirements. Chips supplied to the fiberboard operation from lumber manufacturing represent over half of its fiber needs.

Fiberboard shipments in 1992 were above both 1991 and 1990 levels as product demand increased for both its panel insulation and hardboard siding products. As a result of reductions in industry capacity, demand has been strong resulting in increased sales gains with this business unit reporting its strongest earnings level since 1987. Siding and specialty lumber trim substitute products represent almost two-thirds of this business unit's product mix, and have continued to gain market acceptance over traditional solid wood alternatives.

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Particleboard is produced primarily from dry by-products of lumber manufacturing and the group's production is shipped largely to fabricators of kitchen cabinets and furniture products where markets are not as seriously impacted by changes in new home construction. Earnings from particleboard operations improved as shipments and net sales increased over the two prior years. In 1992, the Diboll location processed almost 30 percent of its production into a combination of customer-specified paper laminated panels, shelving and cut-to-size components through its value-added facility built in 1988.

Gypsum wallboard markets improved slightly in 1992. The Company had elected to reduce operating levels in mid-1991 due to depressed market conditions resulting from industry overcapacity.

Retail distribution, with almost 80 percent of its revenues generated from the Houston metroplex, increased its sales volume by 27 percent in 1992 and reported the highest earnings level since 1983.

TEMPLE-INLAND FINANCIAL SERVICES

The Company's Financial Services operations include a savings bank, 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	1992	1991	1990
		(in thousands)	
INCOME			
Savings bank	**$ 44,857**	$ 41,283	$ 35,359
Mortgage banking	**20,915**	11,880	3,417
Real estate	**(9,398)**	(4,375)	2,911
Insurance	**6,244**	3,375	2,240
Other activities	**1,768**	2,013	7,476
Income before taxes	**64,386**	54,176	51,403
Taxes	**10,946**	9,210	6,939
Net income	**$ 53,440**	$ 44,966	$ 44,464
ASSETS			
Savings bank	**$7,629,699**	$7,253,562	$5,299,064
Mortgage banking	**113,670**	212,094	68,565
Real estate	**167,925**	154,830	97,015
Insurance	**19,182**	16,620	21,246
Other	**91,818**	77,761	79,181
Eliminations	**(44,289)**	(190,331)	—
Total assets	**$7,978,005**	$7,524,536	$5,565,071
LIABILITIES			
Savings bank	**$7,315,850**	$6,948,191	$5,152,222
Mortgage banking	**82,480**	194,121	57,656
Real estate	**118,094**	109,614	71,856
Insurance	**17,499**	14,057	18,345
Other	**35,751**	40,404	41,578
Eliminations	**(44,289)**	(190,331)	—
Total liabilities	**$7,525,385**	$7,116,056	$5,341,657
EQUITY			
Savings bank	**$ 313,849**	$ 305,371	$ 146,842
Mortgage banking	**31,190**	17,973	10,909
Real estate	**49,831**	45,216	25,159
Insurance	**1,683**	2,563	2,901
Other	**56,067**	37,357	37,603
Total equity	**$ 452,620**	$ 408,480	$ 223,414

SAVINGS BANK

Prior to 1992, the Company's savings bank operations were conducted through two wholly-owned subsidiaries, Kilgore Federal Savings and Loan Association and Guaranty Federal Savings Bank (collectively referred to as the "Savings Bank"). After receiving permission from the Office of Thrift Supervision ("OTS") in early 1992, the two entities were merged and now operate as a single institution, Guaranty Federal Bank, F.S.B.

The merger of operations allowed the Savings Bank to achieve greater economies of scale by eliminating competing branch facilities, combining branch support functions, and allowing a unitary marketing effort toward the Savings Bank customers. The Savings Bank currently operates 100 banking centers in Texas. Major market areas include Dallas, Austin and Houston.

Presented below is selected financial information for the Savings Bank:

SAVINGS BANK SUMMARIZED
FINANCIAL STATEMENT INFORMATION

Years ended December 31	1992	1991	1990
		(in thousands)	
ASSETS			
Mortgage-backed and investment securities	**$5,260,805**	$4,467,871	$1,361,368
Covered Assets	**393,877**	563,154	1,282,387
Receivable from FSLIC	**4,928**	429,966	1,384,570
Loans receivable	**1,332,737**	1,191,618	903,833
Mortgage loans held for sale	**394,529**	106,481	53,627
LIABILITIES			
Deposits	**5,768,745**	6,669,846	4,487,279
Federal Home Loan Bank advances	**57,786**	57,426	526,752
Other borrowings	**1,459,498**	150,573	35,261
INCOME AND EXPENSES			
Net interest income	**136,548**	120,392	95,006
Noninterest income	**22,339**	17,243	12,368
Noninterest expense	**111,415**	94,332	93,646
Income before taxes	**44,857**	41,283	35,359

1992 COMPARED TO 1991

During 1992, net interest income was $136.5 million, an increase of $16.2 million which was attributable to an increase in the average balance of interest earning assets.

In general, the declining interest rate environment during 1992 reduced asset yields and liability costs. Because the Savings Bank's asset yields declined faster than its cost of funds, the Savings Bank's interest rate spread decreased 28 basis points in 1992 to 1.69 percent from 1.97 percent in 1991. Asset yields decreased to 6.72 percent in 1992 from 8.73 percent in 1991. Lower yields in 1992 resulted from the effect of declining market interest rates on the repricing of adjustable rate assets, and from paydowns of higher yielding loans. The Savings Bank's cost of funds declined to 5.03 percent in 1992 from 6.76 percent in 1991.

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The Savings Bank has attempted to reduce its sensitivity to interest rate risk through purchases of mortgage-backed securities indexed to the Federal Home Loan Bank 11th District cost of funds ("COFI Arms"). COFI Arms, which account for substantially all of the mortgage-backed security portfolio, allow the Savings Bank 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.

Loans receivable and mortgage loans held for sale increased $429.2 million during the year, to $1.7 billion at December 31, 1992. The growth has occurred principally in mortgage loans held for sale and mortgage warehouse lending, with increases of $288.0 million and $226.1 million, respectively.

During 1992, the Savings Bank experienced a decline of $901.1 million in deposits primarily due to customers transferring funds to other investment vehicles in search of higher returns. The decline in deposits has been offset by increases in other borrowings, principally securities sold under agreements to repurchase. Other borrowings were $1.5 billion at year end 1992, an increase of $1.3 billion over the prior year balance of $150.6 million.

Noninterest income is composed primarily of service charges on deposit accounts and gains on sale of securities. The increase in noninterest income during 1992 is attributable to a $5.1 million gain recognized from the sale of substantially all fixed-rate mortgage-backed securities. This sale was undertaken to allow the Savings Bank to reduce its interest rate risk exposure and more effectively match the maturities of its assets and liabilities.

Noninterest expense in 1992 increased $17.1 million from the prior year. The most significant component of noninterest expense is compensation and benefits which rose from $34.5 million in 1991 to $40.9 million in 1992. Federal deposit insurance premiums increased $4.8 million to $14.7 million for the year ended December 31, 1992 due to an increased deposit base.

1991 COMPARED TO 1990

During 1991, net interest income was $120.4 million, an increase of $25.4 million from 1990 which was attributable to an increase in the average balance of earning assets as a result of acquisition activity. Refer to "Acquisitions" for further information.

The Savings Bank's yield on interest earning assets declined to 8.73 percent in 1991 from 10.18 percent for the year 1990 due to a decrease in the general level of interest rates during 1991 as well as the restructuring of the balance sheet. Assistance assets decreased $1.7 billion during 1991 due primarily to the FDIC directed write downs and the prepayment of notes receivable from the FSLIC Resolution Fund. Assistance assets, representing 50.3 percent of total assets at year end 1990, declined to 13.7 percent at year end 1991. Mortgage-backed and investment securities increased to $4.5 billion, 61.6 percent of total assets at year end 1991, an increase of $3.1 billion from the year 1990.

Deposit balances increased by $2.2 billion, to $6.7 billion at year end 1991. Core deposits assumed from the 1991 acquisitions provided substantially all growth experienced during the year. Repricing of deposits assumed through the 1991 acquisitions as well as the decline of interest rates allowed the Savings Bank to substantially lower overall costs of deposits. Cost of deposits were 6.6 percent and 7.7 percent for the years 1991 and 1990, respectively.

Noninterest income increased to $17.2 million in 1991 from $12.4 million in 1990 due to higher revenues from service charges and other fees on deposit accounts as a result of acquisitions.

ACQUISITIONS

During 1991 and 1990, the Savings Bank assumed deposit and other liabilities and purchased certain assets of 19 insolvent financial institutions from the RTC. The Savings Bank assumed $5.0 billion in savings deposits being serviced in 122 branches in connection with these acquisitions. Assets purchased pursuant to these acquisitions included loans, principally single-family mortgage loans and loans secured by savings deposits, approximating $253 million and $114 million, during 1991 and 1990, respectively. The Savings Bank paid premiums aggregating $17.1 million and $1.6 million during 1991 and 1990, respectively, to the RTC to acquire the insolvent financial institutions.

ASSISTANCE ACTIVITY

When the Company acquired Guaranty Federal Savings Bank in 1988, almost 70 percent of Guaranty's assets were comprised of assets subject to yield assistance and loss coverage and certain notes and other receivables established in connection with an assistance agreement ("Assistance Agreement") with the FSLIC. Due to required write downs in assisted asset book values, prepayments of the notes and other receivables, and reductions in assisted assets through normal repayment and sales, assets subject to assistance have decreased to $398.8 million, or 5.2 percent of the Savings Bank's total assets at December 31, 1992.

Assistance income recorded by the Savings Bank was $81.5 million, $697.9 million and $515.4 million for the years ended December 31, 1992, 1991 and 1990, respectively. Further reductions in the assisted assets through required write downs or other cost reduction options available to the Resolution Trust Corporation-Division of FSLIC Operations, manager of the Assistance Agreement, are not anticipated to have a material impact on future Savings Bank operations.

Notes C and G, pages 40 and 42, respectively, contain additional information regarding assistance activity.

LIQUIDITY AND CAPITAL

The Savings Bank is required by the OTS to maintain average daily balances of liquid assets and short-term liquid assets in amounts equal to five percent and one percent, respectively, of nonwithdrawable deposits and borrowings payable on demand or with maturities of one year or less. The liquidity requirements may vary from time to time at the discretion of the OTS, between 4 percent and 10 percent. The Savings Bank's average daily liquidity ratio for December 1992 was 6.3 percent.

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The primary sources of funds for the Savings Bank are customer deposits, Federal Home Loan Bank advances, securities sold under agreements to repurchase, repayments of mortgage-backed securities, and principal repayments on loans. During 1991 and 1990, acquisitions of insolvent financial institutions and reductions in FSLIC assisted assets were significant sources of funds. The Savings Bank uses its funding sources to support current loan demand, to fund deposit withdrawals, repay borrowings and maintain its liquidity.

OTS regulations require savings institutions to maintain certain minimum levels of capital. Failure to meet these minimum capital requirements subjects the savings institution to regulatory sanctions, including limitations on asset growth.

The Savings Bank's regulatory capital exceeded all applicable capital requirements at December 31, 1992. Note N on page 43 contains additional information concerning capital requirements, including capital ratios of the Savings Bank.

MORTGAGE BANKING

1992 was an exceptional year for mortgage banking. The acquisition of Capitol Mortgage Bankers, Inc. in June 1991 and the decline in mortgage interest rates during 1992 resulted in record mortgage loan originations. Mortgage loan originations were $3.5 billion in 1992 compared to $1.4 billion and $.6 billion in 1991 and 1990, respectively. Mortgage loan originations are generated through a national network of 46 offices in 17 states. During 1992, the mortgage loan servicing portfolio grew to its all-time high of $7.7 billion.

In 1992, the two principal entities through which mortgage banking operations were conducted, Capitol Mortgage Bankers, Inc. and Lumbermen's Investment Corporation of Texas, were merged into one entity. The resulting entity, Temple-Inland Mortgage Corporation, is a full service mortgage banker. It arranges financing of single-family mortgage loans, sells the loans into the secondary market (primarily FNMA, FHLMC and GNMA securities) and services the loans after the sale.

A summary of selected financial information for the years 1992, 1991 and 1990 is provided below.

MORTGAGE BANKING OPERATIONS SUMMARY

Years ended December 31	1992	1991	1990
		(in millions)	
Revenues	**$82**	$51	$29
Income before taxes	**21**	12	3
Portfolio roll-forward:			
Beginning servicing	**$6,477**	$3,270	$3,154
Acquisition of CMB, Inc.	**—**	2,047	—
New loans added, net of servicing released	**2,516**	1,677	553
Run-off	**(1,247)**	(517)	(437)
Ending servicing	**$7,746**	$6,477	$3,270
Portfolio growth rate	**19.6%**	35.5%	3.7%
Run-off factor	**19.3%**	10.6%	13.6%
Ending number of loans serviced	**138,400**	130,000	83,200

REAL ESTATE GROUP

Real estate operations conducted by Lumbermen's Investment Corporation include development of residential subdivisions as well as management and sale of income properties. Land development projects include eight subdivisions in Austin and San Antonio, Texas. At year end, land development inventory included 420 residential lots (385 under contract) and 4,454 acres of land. Lot sales for 1992 were 487 as compared to 356 in 1991 and 236 in 1990. Real estate activity has increased in the Company's primary markets.

The Company owns 21 commercial income properties that include two hotels, eight office buildings, five retail centers and six parcels of commercial land. The two hotels (648 rooms) and office buildings in Austin and Dallas are institutional quality buildings that are held for investment. The remainder of the properties are available for sale.

In 1990 and 1991 the Company participated, through a joint venture, in the construction of "build to suit" office buildings. The profits from this venture were recorded during the construction period on the percentage of completion method of accounting.

Selected financial information related to these activities is shown below.

REAL ESTATE GROUP OPERATIONS SUMMARY

Years ended December 31	1992	1991	1990
		(in thousands)	
Revenues:			
Residential	**$ 5,904**	$ 4,197	$ 7,258
Commercial	**14,857**	13,655	10,236
Interest and other	**2,502**	2,341	—
Subtotal	**23,263**	20,193	17,494
Sale of office building	**—**	4,741	2,851
	$23,263	$24,934	$20,345
Income (loss) before taxes:			
Residential	**$ (8,573)**	$ (8,885)	$ (3,863)
Commercial	**(786)**	1,742	3,923
Interest and other	**(39)**	(1,973)	—
Subtotal	**(9,398)**	(9,116)	60
Sale of office building	**—**	4,741	2,851
	$ (9,398)	$ (4,375)	$ 2,911

Shown below is the real estate group's pro rata share of the assets, liabilities and equity of joint ventures in which it is a partner.

REAL ESTATE GROUP INVESTMENT IN JOINT VENTURES

As of December 31	1992	1991	1990
		(in thousands)	
Assets	**$31,737**	$56,327	$43,302
Liabilities (a)	**32,808**	53,127	38,762
Equity	**(1,071)**	3,200	4,540
	$31,737	$56,327	$43,302

(a) Although the Company's pro rata share of joint venture notes payable total $27.6 million, the joint venture partners are in most instances jointly and severally liable for notes payable. The gross balance of these notes was $65.1 million at December 31, 1992. Where a venture partner is jointly and severally liable for notes payable, the partner also has rights against the other partners' interest in joint venture assets if payments above the normal partnership percentage are required.

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INSURANCE

Timberline Insurance Agency operates as a general insurance agency providing a full range of insurance products, including personal lines, commercial lines, annuities and life and health insurance products.

An increased volume of single premium deferred annuities written through financial institutions contributed significantly to the agency's profitability in 1992. Additionally in 1992, a commercial insurance agency in El Paso, Texas was acquired and commercial sales offices were opened in Beaumont and San Antonio, Texas.

A summary of revenues and income before taxes for the years 1992, 1991 and 1990 is shown below.

INSURANCE OPERATIONS SUMMARY Years ended December 31	1992	1991	1990
		(in thousands)	
Revenues	**$21,826**	$14,499	$6,709
Income before taxes	**$ 6,244**	$ 3,375	$2,240

CAPITAL RESOURCES AND LIQUIDITY

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.

In September 1992, an additional $100 million in notes due 2004 and $150 million in debentures due 2022 were issued. The net proceeds from the notes and debentures will be used for capital expenditures related to the modernization and expansion program at the bleached paperboard mill.

A summary of capital expenditures is shown below.

	1992	1991	1990
		(in millions)	
CAPITAL EXPENDITURES			
Container and containerboard	**$214.9**	$238.2	$192.2
Bleached paperboard	**87.9**	103.4	65.5
Building products	**16.1**	15.3	27.9
Timber and timberlands	**36.5**	19.0	34.0
Other activities	**3.3**	2.4	4.1
Total manufacturing group	**$358.7**	$378.3	$323.7

Capital expenditures of approximately $375 million are projected for 1993. Future economic conditions could affect 1993 capital spending levels. Commitments on construction projects total $87 million at the end of 1992.

The Parent Company invested $140 million in 1991 and $65 million in 1990 to expand the Savings Bank. In 1992, 1991 and 1990, the Company acquired certain food service and corrugated container facilities for $6 million, $28 million and $58 million, respectively.

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

	1992	1991	1990
		(in thousands)	
PARENT COMPANY INTEREST—NET			
Interest expense	**$ 72,255**	$ 55,532	$ 36,982
Interest income	**(575)**	(6,482)	(1,778)
Capitalized interest	**(24,320)**	(17,223)	(11,185)
Interest expense - net	**$ 47,360**	$ 31,827	$ 24,019

Interest expense increased in 1992 and 1991 due to the higher levels of debt outstanding and the conversion of certain debt to longer term maturities. Parent Company interest paid during 1992, 1991 and 1990 was $66.3 million, $51.5 million and $34.9 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	1992	1991	1990	1989	1988	1987	1986	1985	1984
				(in millions, except per share data)					
Total revenues (1)	$ 2,713	$ 2,507	$2,401	$1,943	$1,814	$1,642	$1,343	$1,282	$1,299
Manufacturing net sales	2,075	1,898	1,892	1,894	1,774	1,603	1,296	1,243	1,263
Net income (1)	147	138	232	207	199	141	81	85	103
Capital expenditures:									
Manufacturing	359	378	324	260	219	139	103	184	130
Financial services	11	9	4	9	4	1	1	—	—
Depreciation and depletion:									
Manufacturing	167	158	140	126	112	94	79	66	63
Financial services	5	4	5	2	2	1	1	1	1
Earnings per share (1)	2.65	2.51	4.20	3.75	3.58	2.34	1.32	1.40	1.69
Dividends per common share	.96	.88	.80	.58	.42	.35	.29	.26	.20
Average shares outstanding	55.5	55.2	55.4	55.3	55.7	60.3	61.1	60.8	60.6
Common shares outstanding at year end	55.2	54.9	54.6	54.9	55.2	55.3	60.7	60.5	60.3
AT YEAR END									
Total assets (2)	$10,766	$10,068	$7,834	$6,390	$2,247	$2,020	$1,894	$1,594	$1,510
Long-term debt:									
Parent company	964	864	501	399	417	416	366	248	251
Financial services	99	76	94	30	25	30	25	14	13
Ratio of total debt to total capitalization—parent company	38%	37%	28%	24%	29%	31%	28%	23%	24%
Shareholders' equity	1,633	1,532	1,439	1,259	1,096	927	929	864	793

COMMON STOCK PRICES AND DIVIDEND INFORMATION

	1992			1991		
	Price Range			Price Range		
	High	Low	Dividends	High	Low	Dividends
First Quarter	$57½	$49⅛	$.24	$39¾	$28½	$.22
Second Quarter	55½	45	.24	46¾	34¾	.22
Third Quarter	50⅞	45	.24	49½	41¼	.22
Fourth Quarter	54¼	43⅞	.24	51½	40	.22
Year	57½	43⅞	.96	51½	28½	.88

(1) Includes operating results from consolidation of Guaranty Federal Bank, F.S.B., beginning January 1, 1990.
(2) Includes approximately $7.6 billion, $7.3 billion, $5.3 billion and $4.1 billion Savings Bank assets at year end 1992, 1991, 1990 and 1989.

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SUMMARIZED STATEMENTS OF INCOME

Parent Company (Temple-Inland Inc.)

For the year	1992	1991	1990
		(in thousands)	
REVENUES			
Net sales	$2,075,352	$1,898,233	$1,892,531
Financial services earnings	64,386	54,176	51,403
	2,139,738	1,952,409	1,943,934
COSTS AND EXPENSES			
Cost of sales	1,728,781	1,574,956	1,489,996
Selling and administrative	188,821	177,595	165,813
	1,917,602	1,752,551	1,655,809
OPERATING INCOME	222,136	199,858	288,125
Interest—net	(47,360)	(31,827)	(24,019)
Other	2,224	(1,262)	4,649
INCOME BEFORE TAXES	177,000	166,769	268,755
Taxes on income	30,090	28,351	36,282
NET INCOME	$ 146,910	$ 138,418	$ 232,473

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	1992	1991
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,115	$ 15,805
Receivables, less allowances of $5,792 in 1992 and $5,542 in 1991	214,117	211,195
Inventories:		
Work in process and finished goods	75,130	69,968
Raw materials	173,116	153,859
	248,246	223,827
Prepaid expenses	22,772	30,586
Total Current Assets	492,250	481,413
INVESTMENT IN FINANCIAL SERVICES	460,366	405,295
PROPERTY AND EQUIPMENT		
Buildings	356,911	310,224
Machinery and equipment	2,589,942	2,177,361
Less allowances for depreciation and amortization	(1,288,001)	(1,185,996)
	1,658,852	1,301,589
Construction in progress	130,418	310,570
	1,789,270	1,612,159
Timber and timberlands—less depletion	382,231	356,577
Land	30,174	28,532
Total Property and Equipment	2,201,675	1,997,268
OTHER ASSETS	92,855	74,274
TOTAL ASSETS	$3,247,146	$2,958,250

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At year end	1992	1991
		(in thousands)
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 204,108	$ 202,546
Employee compensation and benefits	17,207	18,403
Short-term borrowings	25,810	17,066
Current portion of long-term debt	3,404	4,092
Total Current Liabilities	250,529	242,107
Long-term debt	964,321	863,735
Deferred income taxes	331,361	287,881
Other liabilities	68,296	32,988
Shareholders' equity	1,632,639	1,531,539
Total liabilities and shareholders' equity	$3,247,146	$2,958,250

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	1992	1991	1990
		(in thousands)	
CASH PROVIDED BY (USED FOR) OPERATIONS			
Net income	$ 146,910	$ 138,418	$ 232,473
Adjustments to reconcile net income to net cash:			
Depreciation and depletion	167,456	157,675	139,798
Deferred taxes	19,907	5,209	23,285
Unremitted earnings of affiliated companies	(53,440)	(44,966)	(44,464)
Receivables	(2,122)	9,681	(9,372)
Inventories	(23,032)	(19,148)	(19,808)
Prepaid expenses	7,831	(8,274)	664
Accounts payable and accrued expenses	22,683	36,651	4,824
Other assets and liabilities	17,757	(1,795)	(4,191)
Other	(23,619)	(6,132)	6,994
	280,331	267,319	330,203
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Capital expenditures	(358,668)	(378,268)	(323,667)
Sale of property and equipment, net	11,688	12,051	11,131
Manufacturing acquisitions, net	(6,706)	(27,972)	(58,546)
Investment in Financial services	9,300	(140,100)	(64,600)
	(344,386)	(534,289)	(435,682)
CASH PROVIDED BY (USED FOR) FINANCING			
Additions to debt	308,086	753,507	269,227
Payments of debt	(199,596)	(437,802)	(116,622)
Construction funds held by trustees	(7,315)	—	—
Issuance of common stock for stock plans	9,456	7,156	4,323
Purchase of stock for treasury	(2,326)	(5,115)	(12,520)
Cash dividends paid to shareholders	(52,940)	(48,236)	(43,885)
	55,365	269,510	100,523
Net increase (decrease) in cash and cash equivalents	(8,690)	2,540	(4,956)
Cash and cash equivalents at beginning of year	15,805	13,265	18,221
Cash and cash equivalents at end of year	$ 7,115	$ 15,805	$ 13,265

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 group, including a savings bank, 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 $91.2 million in 1992 and $89.1 million in 1991 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $157.0 million in 1992 and $134.7 million in 1991 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 $10.7 and $15.1 million higher than reported at year end 1992 and 1991, 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:

	1992	1991
		(in thousands)
Commercial Paper—Weighted average interest rate was 3.24% in 1992	$ 6,500	$183,150
8.375% Notes Payable due 1996	70,000	70,000
8.73% to 9.0% Notes Payable due 1996 to 1998	200,000	200,000
9.0% Notes Payable due 2001	200,000	200,000
8.125% to 8.38% Notes Payable due 2006	100,000	100,000
7.25% Notes Payable due 2004	100,000	-
8.25% Debentures due 2022	150,000	-
Revenue Bonds due 2014—Average interest rate was 2.73% and 4.33% during 1992 and 1991, 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 3.10% and 6.63% as of year end 1992 and 1991, respectively	76,440	46,503
Other indebtedness due through 2000, weighted average interest rate of 9.87% and 9.81% as of year end 1992 and 1991, respectively	15,216	17,917
	$964,321	$863,735

During October 1991, the Company instituted a commercial paper program. At January 2, 1993, $6.5 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 $425 million with final maturities as of January 1995, and are available for general corporate use.

In September 1992, the Company issued $100 million of 7.25 percent notes maturing 2004 and $150 million of 8.25 percent debentures maturing 2022. Interest payments are paid semiannually.

At year end 1992, property and equipment of approximately $48.9 million was subject to liens in connection with $61.7 million of debt.

Based on the Company's incremental borrowing rate for loans, notes and debentures with similar terms and maturities, the fair value of long-term debt is $999 million on January 2, 1993.

Aggregate maturities of the Parent Company's long-term debt during the next five years are as follows (in millions): 1993–$3.4; 1994–$9.8; 1995–$11.4; 1996–$165.7; and 1997–$5.7. 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	1992	1991	1990
		(in thousands)	
INTEREST INCOME			
Mortgage-backed and investment securities	$306,437	$196,698	$ 27,579
Loans receivable	124,022	122,975	105,443
Other earnings assets	47,314	53,986	49,051
Assisted Assets:			
Covered Assets (including FSLIC yield maintenance of $13,518 in 1992, $93,482 in 1991 and $151,761 in 1990)	36,078	99,892	161,590
FSLIC Resolution Fund notes receivable	—	38,757	106,651
Total interest income	513,851	512,308	450,314
INTEREST EXPENSE			
Deposits	309,596	356,419	283,308
Borrowed funds	48,800	30,855	68,652
Total interest expense	358,396	387,274	351,960
NET INTEREST INCOME	155,455	125,034	98,354
Provision for loan losses	2,615	2,278	1,374
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	152,840	122,756	96,980
NONINTEREST INCOME			
Loan servicing fees	28,907	22,099	18,845
Loan origination and marketing	28,957	13,545	10,197
Other	66,116	60,984	29,269
Total noninterest income	123,980	96,628	58,311
NONINTEREST EXPENSE			
Compensation and benefits	87,009	57,356	41,516
Other (net of reimbursements from FSLIC of $68,001 in 1992, $565,665 in 1991 and $256,982 in 1990)	125,425	107,852	62,372
Total noninterest expense	212,434	165,208	103,888
INCOME BEFORE TAXES	64,386	54,176	51,403
Taxes on income	10,946	9,210	6,939
NET INCOME	$ 53,440	$ 44,966	$ 44,464

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	1992	1991
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 117,623	$ 155,586
Mortgage-backed and investment securities	5,264,912	4,471,940
Loans receivable	1,343,279	1,202,624
Mortgage loans held for sale	461,211	269,126
Covered Assets	393,877	563,154
Receivables from FSLIC Resolution Fund	4,928	429,966
Other assets	392,175	432,140
TOTAL ASSETS	$7,978,005	$7,524,536
LIABILITIES		
Deposits	$5,644,410	$6,639,399
Securities sold under repurchase agreements	1,459,498	150,312
Advances from Federal Home Loan Bank	57,786	57,426
Other borrowings	99,111	111,015
Other liabilities	264,580	157,904
TOTAL LIABILITIES	7,525,385	7,116,056
SHAREHOLDER'S EQUITY	452,620	408,480
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$7,978,005	$7,524,536

See the notes to the Temple-Inland Financial Services Group summarized financial statements.
Certain amounts have been reclassified to conform with current year's classification.

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SUMMARIZED STATEMENTS OF CASH FLOWS

Temple-Inland Financial Services Group

For the year	1992	1991	1990
		(in thousands)	
CASH PROVIDED BY (USED FOR) OPERATIONS			
Net income	$ 53,440	$ 44,966	$ 44,464
Adjustments to reconcile net income to net cash:			
Provision for amortization, depreciation and accretion	27,719	10,116	(15,756)
Gain on sales of securities	(5,113)	(31)	(2)
Receivables from FSLIC Resolution Fund	119,317	27,772	47,655
Mortgage loans held for sale	(192,085)	(81,605)	(4,539)
Other	68,896	(45,341)	(44,114)
	72,174	(44,123)	27,708
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Purchases of securities	(2,239,355)	(3,480,172)	(1,233,316)
Maturities of securities	1,306,135	421,033	77,946
Proceeds from sales of securities and loans	129,386	161,147	341,550
Loans originated or acquired net of principal collected on loans	(135,413)	(223,209)	(23,677)
Reduction in covered assets	472,843	575,233	225,141
Repayment of FSLIC Resolution Fund notes	—	1,063,648	107,862
Cash received on sale of subsidiary	—	—	70,683
Savings bank acquisitions	—	2,923,716	1,220,437
Mortgage banking acquisition	—	(21,226)	—
Capital expenditures	(11,075)	(9,088)	(4,593)
Other	(138)	(7,313)	(2,744)
	(477,617)	1,403,769	779,289
CASH PROVIDED BY (USED FOR) FINANCING			
Net decrease in deposits	(890,591)	(1,047,313)	(196,616)
Net increase (decrease) in securities sold under repurchase agreements and short-term borrowings	1,273,782	(414,744)	(505,182)
Additions to debt	600	23,592	52,300
Payments of debt	(8,090)	(68,652)	(145,174)
Contributions from (dividend to) Parent	(9,300)	140,100	45,000
Other	1,079	(3,634)	(11,536)
	367,480	(1,370,651)	(761,208)
Net increase (decrease) in cash and cash equivalents	(37,963)	(11,005)	45,789
Cash and cash equivalents at beginning of year	155,586	166,591	120,802
Cash and cash equivalents at end of year	$ 117,623	$ 155,586	$ 166,591

See the notes to the Temple-Inland Financial Services Group summarized financial statements.
Certain amounts have been reclassified to conform with current year's classification.

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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 (the "Group") summarized financial statements include savings bank, mortgage banking and real estate development activities. 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.

MORTGAGE-BACKED AND INVESTMENT SECURITIES

Mortgage-backed and investment 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 mortgage-backed and investment 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. Premiums and discounts on loans are amortized to income using the interest method over the remaining period to contractual maturity, adjusted for anticipated prepayments. 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 Group'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.

FAIR VALUES OF FINANCIAL INSTRUMENTS

FASB Statement No. 107, "Disclosure about Fair Value of Financial Instruments", requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flows or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The carrying amounts of financial instruments with short-term maturities and/or variable rates of interest approximate those instruments' fair values.

NOTE B - ACQUISITIONS

SAVINGS BANK

The Company initially invested $75 million for its majority interest in Guaranty Federal Savings Bank ("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 Group for $15.1 million.

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The Group 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, summarized as follows:

	1991	1990
	(in millions)	
Deposit and other liabilities assumed	$3,256.4	$1,809.8
Less assets purchased	315.6	587.8
Less premium bids paid by the Group	17.1	1.6
Cash and cash equivalents received from the RTC	$2,923.7	$1,220.4

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 institutions.

MORTGAGE BANKING

In June 1991, the Group purchased all of the outstanding common stock of Capitol Mortgage Bankers, Inc. 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 has provided the Group certain general indemnifications against future losses incurred in relation to recourse servicing obligations. The accompanying statements of income include the results of operations of the acquired entity from June 1, 1991, forward.

NOTE C - FSLIC ASSISTANCE

In connection with the 1988 acquisition, the Company 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 financial assistance to Guaranty and exert significant influence over a portion of Guaranty's assets ("Covered Assets"). In August 1989, the FSLIC Resolution Fund (the "Fund") was established to assume all assets and obligations of the FSLIC. The Fund is managed by the Federal Deposit Insurance Corporation (the "FDIC") and the Assistance Agreement is managed by the Resolution Trust Corporation-Division of FSLIC Operations (the "RTC-DFO"). Financial assistance includes guaranteed yields and loss coverage on Covered Assets, certain expense reimbursements and indemnification from certain claims and litigation. Management must obtain regulatory approval for substantially all matters relating to claims or litigation and the maintenance and/or disposition of Covered Assets. Terms of the Assistance Agreement require the Company to pay the Fund 25 percent of the income tax benefits recognized by the Company from inclusion of Guaranty's operations in the Company's consolidated tax return. This obligation is accrued for currently as part of the consolidated tax provision of Temple-Inland Inc.

The RTC-DFO reviewed means to reduce the cost of many FSLIC assisted transactions and took the following actions with respect to the Assistance Agreement during 1992 and 1991: prepaid the Fund notes receivable totaling approximately $1.1 billion; prepaid a receivable for fair value adjustments totaling approximately $31 million (see Note G); directed write downs in the carrying value of Covered Assets by approximately $493 million (see Note F); and sold to the Group warrants to purchase Guaranty stock (see Note B). Other cost reduction options available to the RTC-DFO include additional write downs on certain Covered Assets to their estimated market values and renegotiations of yield maintenance. Management anticipates Covered Asset balances and related assistance income will continue to decline in 1993 and subsequent years and, therefore, does not currently anticipate that any renegotiations will have a material impact on the Group.

The following summarizes the components of assistance income:

For the year	1992	1991	1990
		(in thousands)	
Yield maintenance on Covered Assets	**$13,518**	$ 93,482	$151,761
Loss coverage and expense reimbursement on Covered Assets, including FDIC directed write downs	**68,001**	565,665	256,982
Interest on receivables from the Fund	—	38,757	106,651
	$81,519	$697,904	$515,394

NOTE D - MORTGAGE-BACKED AND INVESTMENT SECURITIES

Mortgage-backed and investment securities consist of the following at December 31, 1992:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities:		*(in thousands)*		
FNMA certificates	$2,672,285	$10,955	$(19,780)	$2,663,460
FHLMC certificates	460,830	985	(4,593)	457,222
GNMA certificates	6,361	291	—	6,652
Collateralized mortgage obligations	654,569	481	(4,673)	650,377
Private issuer pass-through securities	1,391,290	1,252	(18,860)	1,373,682
	5,185,335	13,964	(47,906)	5,151,393
Debt securities:				
U.S. Government (including agencies)	1,928	80	(3)	2,005
Corporate securities	11,079	65	(16)	11,128
Other	9,795	1,165	—	10,960
	22,802	1,310	(19)	24,093
Equity securities:				
Federal Home Loan Bank stock	56,392	—	—	56,392
Other	383	343	—	726
	56,775	343	—	57,118
	$5,264,912	$15,617	$(47,925)	$5,232,604

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Mortgage-backed and investment securities consist of the following at December 31, 1991:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities:		*(in thousands)*		
FNMA certificates	$2,377,100	$50,281	$(177)	$2,427,204
FHLMC certificates	429,671	7,430	(160)	436,941
GNMA certificates	46,908	3,918	(15)	50,811
Collateralized mortgage obligations	30,986	255	—	31,241
Private issuer pass-through securities	1,496,747	20,534	(144)	1,517,137
	4,381,412	82,418	(496)	4,463,334
Debt securities:				
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
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

Fair values for mortgage-backed and investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

The mortgage loans underlying mortgage-backed securities generally have contractual maturities ranging from 15 to 40 years, with principal and interest installments due monthly. The actual maturities of mortgage-backed securities may differ from the contractual maturities of the underlying loans because issuers or mortgagors may have the right to call or prepay their securities or loans, respectively.

Certain mortgage-backed and investment securities are guaranteed directly or indirectly by the U.S. Government. Other mortgage-backed securities which are not guaranteed by the U.S. Government or its agencies are senior subordinated securities rated AA or better. The collateral underlying these securities is primarily residential properties located in California.

NOTE E - LOANS RECEIVABLE

Loans receivable consist of the following:

At year end	1992	1991
	(in thousands)	
Real estate mortgage	**$1,153,279**	$ 863,227
Construction and development	**274,556**	216,609
Commercial	**25,451**	58,176
Consumer and other	**271,091**	294,938
	1,724,377	1,432,950
Less:		
Unfunded portion of loans	**320,625**	146,091
Unearned discounts	**9,319**	24,525
Unamortized purchase discounts	**28,123**	39,570
Net deferred fees	**2,280**	708
Allowance for loan losses	**20,751**	19,432
	381,098	230,326
	$1,343,279	$1,202,624

Activity in the allowance for loan losses is as follows:

For the year	1992	1991	1990
		(in thousands)	
Balance, beginning of year	**$19,432**	$ 1,954	$1,227
Provision for loan losses	**2,615**	2,278	1,374
Additions related to bulk purchases of loans	**1,419**	16,944	—
Charge-offs, net of recoveries	**(2,715)**	(1,744)	(647)
Balance, end of year	**$20,751**	$19,432	$1,954

The fair value of loans receivable at December 31, 1992, is approximately $1.4 billion. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. The fair values for residential mortgage loans and consumer loans are based on quoted market prices. The carrying amount of accrued interest receivable approximates its fair value.

Real estate and construction loans are secured primarily by one- to four-family residential or commercial properties located in Texas.

NOTE F - COVERED ASSETS

As discussed in Note C, certain assets acquired by Guaranty are considered Covered Assets. The Fund 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 $39 million and $454 million during 1992 and 1991, respectively. Covered Assets are summarized as follows:

At year end	1992	1991
	(in thousands)	
Loans	**$267,475**	$287,920
Investments in real estate	**72,761**	200,620
Advances to and investments in subsidiaries	**48,342**	58,595
Other assets	**5,299**	16,019
	$393,877	$563,154

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NOTE G - RECEIVABLES FROM FSLIC RESOLUTION FUND

Receivables from the Fund consist of the following:

At year end	1992	1991
	(in thousands)	
Assistance receivable due quarterly, primarily for yield maintenance on Covered Assets	$1,815	$ 22,401
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	3,113	376,992
Amounts to be recovered for reimbursement of certain costs 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); paid in 1992	—	30,573
	$4,928	$429,966

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

NOTE H - DEPOSITS

Deposits consist of the following:

At year end	1992		1991	
	Rate	Amount	Rate	Amount
		(dollars in thousands)		
Noninterest bearing demand	—%	$ 169,896	—%	$ 158,538
Interest bearing demand	2.77%	1,276,336	4.44%	1,311,759
Savings deposits	3.00%	194,269	4.61%	203,467
Time deposits	5.33%	3,999,835	6.59%	4,957,772
		5,640,336		6,631,536
Deposit premium		4,074		7,863
		$5,644,410		$6,639,399

Scheduled maturities of time deposits outstanding at December 31, 1992, are as follows:

Time deposits in amounts of:	$100,000 or more	Less than $100,000	Total
		(in thousands)	
3 months or less	$ 85,425	$ 867,618	$ 953,043
Over 3 through 6 months	64,347	717,804	782,151
Over 6 through 12 months	63,877	723,459	787,336
Over 12 months	197,412	1,279,893	1,477,305
	$411,061	$3,588,774	$3,999,835

The fair value of time deposits of approximately $4.1 billion at December 31, 1992, is estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates of similar maturities. The fair values for other deposits, which have no defined maturities, are equal to the amount payable on demand (i.e., their carrying amounts).

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

For the year	1992	1991	1990
		(in thousands)	
Interest on deposits	$312,699	$360,016	$304,253
Interest on borrowed funds	44,358	36,646	76,051
Total Interest Paid	$357,057	$396,662	$380,304

NOTE I - SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements were delivered to brokers/dealers, who retained such securities as collateral for the borrowings and have agreed to resell the same securities back to the Group at the maturities of the agreements. The agreements generally mature within one to thirty days.

Information concerning borrowings under repurchase agreements is summarized as follows:

	1992	1991
	(dollars in thousands)	
At year end:		
Weighted average interest rate	3.50%	5.41%
Mortgage-backed securities pledged to secure the agreements:		
Carrying value	$1,524,505	$155,563
Estimated market value	1,517,704	158,073
During the year:		
Average balance	972,500	91,848
Maximum month-end balance	1,571,406	209,544

NOTE J - ADVANCES FROM FEDERAL HOME LOAN BANK

Pursuant to collateral agreements with the Federal Home Loan Bank, advances are secured by a blanket floating lien on the Savings Bank's assets. The weighted average interest rate of the advances was 8.62 percent at December 31, 1992 and 1991. At December 31, 1992, the advances have calendar year maturity dates as follow (in millions): 1993–$10.3; 1998 and thereafter—$50.0. The fair value of the advances at December 31, 1992 is approximately $65.2 million and is estimated using discounted cash flow analyses, based on current rates for similar types of borrowing arrangements.

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NOTE K - OTHER BORROWINGS

Other borrowings consist of the following:

At year end	1992	1991
	(in thousands)	
Short-term borrowings	$ —	$ 34,513
Long-term debt at varying rates which approximates prime, secured primarily by real estate	99,111*	76,502
	$99,111	$111,015

*On January 4, 1993, long-term debt was reduced by $15.5 million to a total of $83.6 million.

Aggregate maturities of the Group's long-term debt during the next five years are as follows (in millions): 1993–$1.1; 1994–$16.7; 1995–$18.4; 1996–$46.2; and 1997–$.7.

NOTE L - LOAN SERVICING

The Group services real estate loans that are owned by independent investors. The Group serviced approximately 138,000 and 130,000 mortgage loans aggregating $7.7 and $6.5 billion as of December 31, 1992 and 1991, respectively.

The Group is required to advance, from its company funds, escrow and foreclosure costs for loans that it services. The majority of these advances are recoverable, except for certain amounts for loans serviced for GNMA, which are reserved. In addition, the Group assumes market risk of disposing of certain foreclosed VA loans. No significant losses were incurred during 1992 in connection with this risk.

NOTE M - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The Group is a party to financial instruments with off-balance sheet risk in the normal course of business to reduce its exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, mandatory forward commitments, interest rate swaps, and other hedging instruments.

At December 31, 1992, the Group's commitments to originate mortgage loans total $291.6 million and commitments to sell mortgage loans total $630.5 million. To the extent mortgage loans at the appropriate rates are not available to fulfill these commitments, the Group is subject to market risk resulting from interest rate fluctuations.

At December 31, 1992, the Group has a swap agreement outstanding whereby the Group pays a fixed rate of 7.41 percent and receives a variable rate based on the three-month LIBOR on a notional principal amount of $95 million. Entering into interest rate swap agreements involve not only the risk of default by the other party, but also the market risk associated with changes in interest rates.

NOTE N - REGULATORY CAPITAL MATTERS

The Savings Bank is subject to certain regulatory capital requirements. The Savings Bank is required to maintain minimum regulatory tangible capital ratio equal to 1.5 percent of adjusted total assets, minimum 3 percent leverage capital ratio, and minimum 8 percent risk-based capital ratio. Failure to meet these capital requirements exposes an institution to regulatory sanctions, including limitation on asset growth. At December 31, 1992, the Savings Bank met these capital requirements.

	Savings Bank		Regulatory Requirement	
	$	%	$	%
	(dollars in thousands)			
Tangible capital	$310,726	4.1%	$115,033	1.5%
Leverage capital	344,195	4.4%	230,066	3.0%
Risk-based capital	338,893	13.8%	196,702	8.0%

The Savings Bank is limited to dividend payments in any year of no more than 75 percent of net earnings without specific regulatory approval.

NOTE O - SUBSEQUENT EVENT

On February 17, 1993, the Savings Bank signed a definitive agreement to acquire American Federal Bank, FSB for $150 million, subject to final adjustment of asset and liability values. However, if the final price falls below an agreed amount as a result of the price adjustments, either party may terminate the transaction. The transaction is subject, among other conditions, to a due diligence examination by the Savings Bank, together with the approval of regulatory authorities. Anticipated closing of the transaction in the third quarter of 1993, will increase assets of the Savings Bank by approximately 15 percent.

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CONSOLIDATED STATEMENTS OF INCOME

Temple-Inland Inc. and Subsidiaries

For the year	1992	1991	1990
		(in thousands)	
REVENUES			
Manufacturing net sales	$2,075,352	$1,898,233	$1,892,531
Financial services revenues	637,831	608,936	508,625
	2,713,183	2,507,169	2,401,156
COSTS AND EXPENSES			
Manufacturing costs and expenses	1,917,602	1,752,551	1,655,809
Financial services expenses	573,445	554,760	457,222
	2,491,047	2,307,311	2,113,031
OPERATING INCOME	222,136	199,858	288,125
Parent company interest – net	(47,360)	(31,827)	(24,019)
Other	2,224	(1,262)	4,649
INCOME BEFORE TAXES	177,000	166,769	268,755
Taxes on income	30,090	28,351	36,282
NET INCOME	$ 146,910	$ 138,418	$ 232,473
EARNINGS PER SHARE	$ 2.65	$ 2.51	$ 4.20

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	1992	1991	1990
		(in thousands)	
CASH PROVIDED BY (USED FOR) OPERATIONS			
Net income	$ 146,910	$ 138,418	$ 232,473
Adjustments to reconcile net income to net cash:			
Depreciation and depletion	172,312	161,584	144,514
Deferred taxes and tax credits	19,907	5,209	23,285
Amortization and accretion	22,863	6,207	(20,472)
Receivable from FSLIC Resolution Fund	119,317	27,772	47,655
Receivables	(2,122)	9,681	(9,372)
Inventories	(215,117)	(100,753)	(24,347)
Accounts payable and accrued expenses	22,683	36,651	4,824
Other	65,752	(61,573)	(40,649)
	352,505	223,196	357,911
CASH PROVIDED BY (USED FOR) INVESTMENTS			
Capital expenditures	(369,743)	(387,356)	(328,260)
Sale of property and equipment, net	11,688	12,051	11,190
Purchases of investments	(2,239,355)	(3,480,172)	(1,233,316)
Maturities of investments	1,306,135	421,033	77,946
Proceeds from sales of investments and loans	129,386	161,147	341,550
Loans originated net of principal collected	(135,413)	(223,209)	(23,677)
Reduction in covered assets	472,843	575,233	225,141
Repayment of FSLIC Resolution Fund notes	—	1,063,648	107,862
Savings bank acquisitions	—	2,923,716	1,220,437
Manufacturing acquisitions, net	(6,706)	(27,972)	(58,546)
Mortgage banking acquisition	—	(21,226)	—
Investment in Financial services	—	(15,100)	(19,600)
Cash received on disposal of insurance operations	—	—	70,683
Other	(138)	7,787	(2,803)
	(831,303)	1,009,580	388,607
CASH PROVIDED BY (USED FOR) FINANCING			
Additions to debt	308,686	777,099	321,527
Payments of debt	(207,686)	(506,454)	(261,796)
Net increase (decrease) in short-term borrowings	1,273,782	(414,744)	(505,182)
Purchase of stock for treasury	(2,326)	(5,115)	(12,520)
Cash dividends paid to shareholders	(52,940)	(48,236)	(43,885)
Net decrease in deposits	(890,591)	(1,047,313)	(196,616)
Other	3,220	3,522	(7,213)
	432,145	(1,241,241)	(705,685)
Net increase (decrease) in cash	(46,653)	(8,465)	40,833
Cash at beginning of year	171,391	179,856	139,023
Cash at end of year	$ 124,738	$ 171,391	$ 179,856

See the notes to the consolidated financial statements.
Certain amounts have been reclassified to conform with current year's classification.

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CONSOLIDATING BALANCE SHEETS

Temple-Inland Inc. and Subsidiaries

At year end 1992	Parent Company	Financial Services	Consolidated
		(in thousands)	
ASSETS			
Cash	$ 7,115	$ 117,623	$ 124,738
Investments	—	5,264,912	5,264,912
Covered assets	—	393,877	393,877
Receivable from FSLIC	—	4,928	4,928
Loans receivable	—	1,343,279	1,343,279
Trade and other receivables	214,117	—	214,117
Inventories	248,246	461,211	709,457
Property and equipment	2,201,675	26,340	2,228,015
Other assets	115,627	365,835	482,182
Investment in affiliates	460,366	—	—
TOTAL ASSETS	$3,247,146	$7,978,005	$10,765,505
LIABILITIES			
Deposits	$ —	$5,644,410	$ 5,644,410
Securities sold under repurchase agreements and Federal Home Loan Bank advances	—	1,517,284	1,517,284
Long-term debt	964,321	99,111	1,063,432
Deferred income taxes	331,361	8,350	339,711
Short-term borrowings	29,214	—	29,214
Other liabilities	289,611	256,230	538,815
TOTAL LIABILITIES	$1,614,507	$7,525,385	$ 9,132,866
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			295,369
Retained earnings			1,420,084
			1,776,843
Cost of shares held in the treasury: 6,138,884 shares			(144,204)
TOTAL SHAREHOLDERS' EQUITY			1,632,639
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$10,765,505

See the notes to the consolidated financial statements.

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CONSOLIDATING BALANCE SHEETS

Temple-Inland Inc. and Subsidiaries

At year end 1991	Parent Company	Financial Services	Consolidated
		(in thousands)	
ASSETS			
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
Securities sold under repurchase agreements and Federal Home Loan Bank advances	—	207,738	207,738
Long-term debt	863,735	76,502	940,237
Deferred income taxes	287,881	11,692	299,573
Short-term borrowings	17,066	34,513	51,579
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

See the notes to the consolidated financial statements.
Certain amounts have been reclassified to conform with current year's classification.

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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 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)
Net income	—	—	146,910	—
Dividends paid on common stock – $.96 per share	—	—	(52,940)	—
Stock issued for stock plans – 384,192 shares reissued from treasury at cost	—	464	—	8,992
Stock reacquired for treasury – 47,431 shares at cost	—	—	—	(2,326)
BALANCE AT JANUARY 2, 1993	$61,390	$295,369	$1,420,084	$(144,204)

See the notes to the consolidated financial statements.

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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. 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 55,535,000 in 1992, 55,248,000 in 1991 and 55,361,000 in 1990.

CASH EQUIVALENTS

Cash equivalents consist of investments with a maturity of three months or less. The carrying amounts approximate fair value because of the short maturity of these instruments.

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. The estimated cumulative effect of implementing the new standard, using current tax rates, will be to reduce the deferred tax liability by approximately $125 million.

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 estimated cumulative effect of adopting the new standard will be to record a liability of $115 million and a deferred tax asset of $40 million.

The Company presently expects to adopt both these statements in 1993. The net cumulative effect will increase net income and shareholders' equity by an estimated $50 million or 90 cents per share. 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 nonqualified stock options, and permit the grant of stock appreciation rights with all or part of any options so granted.

Options for 733,501, 854,689 and 1,071,083 shares were exercisable at year end 1992, 1991 and 1990, respectively. An additional 1,262,665, 1,427,931 and 1,685,857 shares of common stock were available for grants at year end 1992, 1991 and 1990, respectively.

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

	Common Stock	
	Number of Shares	Price Range Per Share
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	$16-$46
Exercised	(525,345)	$ 8-$33
Forfeited	(32,466)	$22-$36
Outstanding at December 28, 1991	1,527,999	$ 8-$46
Granted	204,519	$36-$54
Exercised	(359,972)	$ 8-$36
Forfeited	(41,287)	$22-$54
Outstanding at January 2, 1993	1,331,259	$12-$54

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 1992, awards of 116,529 shares of common stock were outstanding at an average price of $35.66 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 4, 1993, options to purchase 274,312 shares of stock at a price of $50.56 per share were granted and 37,220 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 non-union 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 1992, 1991 and 1990 follows:

	1992	1991	1990
CHARGES (CREDITS)		*(in millions)*	
Service cost – benefits earned during the period	**$ 9.5**	$ 9.2	$ 8.6
Interest cost on projected benefit obligation	**24.7**	23.3	21.3
Actual return on plan assets	**(28.4)**	(76.1)	2.0
Net amortization and deferral	**(10.1)**	45.6	(34.3)
Net pension (credit) charge	**$ (4.3)**	$ 2.0	$ (2.4)

The actuarial computations for the years 1992, 1991 and 1990 assumed a discount rate on benefit obligations of 8.5 percent to 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 1992 and 1991 is summarized below:

	1992	1991
	(in millions)	
Actuarial present value of benefit obligations:		
Vested benefits	**$ 235.3**	$ 215.2
Nonvested benefits	**23.2**	18.7
Accumulated benefit obligation	**258.5**	$233.9
Projected benefit obligation for service rendered to date	**$(302.0)**	$(282.2)
Plan assets at fair value, primarily stocks and bonds	**393.2**	374.0
Plan assets in excess of projected benefit obligation	**91.2**	91.8
Prior service cost not yet recognized in net periodic pension cost	**(.9)**	(1.1)
Unrecognized net (gain) loss from past experience different from that assumed	**(21.9)**	(25.6)
Unrecognized net asset at beginning of period, less amortization to date	**(35.1)**	(39.7)
Net pension asset included in the balance sheet	**$ 33.3**	$ 25.4

The assets of the plans at January 2, 1993, 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 these benefits totaled approximately $6.6, $6.8 and $6.0 million in 1992, 1991 and 1990, 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)	
1992		
Federal	**$17,517**	**$10,038**
Investment tax credit deferred	**—**	**(3,482)**
State and other	**6,017**	**—**
	$23,534	**$ 6,556**
1991		
Federal	$ 23,447	$ 7,257
Investment tax credit deferred	—	(4,154)
State and other	2,323	(522)
	$ 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

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

	1992	1991	1990
		(in thousands)	
Depreciation	**$ 15,703**	$ 14,882	$ 15,799
Investment tax credits	**(3,482)**	(4,154)	(4,894)
Pension expense	**1,238**	1,645	2,595
Other employee benefit plans	**(606)**	2,060	808
Other - net	**(6,297)**	(11,852)	(10,484)
	$ 6,556	$ 2,581	$ 3,824

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

	1992	1991	1990
		(in thousands)	
Taxes on income at statutory rate	**$ 60,180**	$ 56,701	$ 91,377
Book benefit of FSLIC assistance and other permanent items	**(32,625)**	(26,519)	(55,197)
Investment tax credits	**(3,482)**	(4,154)	(4,894)
State and foreign taxes	**6,017**	2,323	3,852
All other	**—**	—	1,144
	$ 30,090	$ 28,351	$ 36,282

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Income tax payments, net of refunds received, were $(2) million, $3 million and $4 million during 1992, 1991 and 1990, 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 which if utilized could result in tax savings of $162 million and $59 million, respectively, at December 1992. If unused, these carryforwards expire through the year 2006. The realization 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 $103 million which may be carried forward indefinitely. The Company has only recognized $41 million of the benefits since their utilization may be limited by complex tax laws, other uncertainties and current accounting standards. However, a portion of these carryforwards and credits will be recognized as part of the pending accounting policy changes to be adopted in 1993 which are discussed in Note A.

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 1992, 1991 and 1990.

Additional business segment information is presented below.

For the year	1992	1991	1990
		(in millions)	
IDENTIFIABLE ASSETS			
Container and containerboard	**$ 1,615.2**	$ 1,463.7	$1,309.5
Bleached paperboard	**450.7**	393.8	281.6
Building products	**216.8**	203.0	193.5
Timber and timberlands	**419.8**	382.8	404.2
Corporate and other activities	**84.3**	109.7	80.6
	2,786.8	2,553.0	2,269.4
Financial services	**7,978.7**	7,515.5	5,565.1
TOTAL	**$10,765.5**	$10,068.5	$7,834.5
DEPRECIATION AND DEPLETION			
Container and containerboard	**$ 97.5**	$ 87.4	$ 74.5
Bleached paperboard	**32.1**	29.9	29.8
Building products	**22.7**	22.4	21.6
Timber and timberlands	**12.0**	15.1	11.8
Other activities	**3.2**	2.9	2.1
	167.5	157.7	139.8
Financial services	**4.8**	3.9	4.7
TOTAL	**$ 172.3**	$ 161.6	$ 144.5

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

Selected quarterly financial results for the years 1992 and 1991 are summarized below:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions except per share amounts)			
1992				
Total revenues	**$658.0**	**$684.4**	**$672.2**	**$698.6**
Manufacturing net sales	**485.5**	**523.5**	**521.7**	**544.7**
Manufacturing gross profit	**82.0**	**97.9**	**87.9**	**78.8**
Financial services operating income before taxes	**19.2**	**18.0**	**16.2**	**11.0**
Net income	**34.8**	**47.7**	**39.2**	**25.2**
Earnings per share	**.63**	**.85**	**.71**	**.46**
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

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.

See page 29 for a discussion of commitments on construction projects.

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REPORT OF MANAGEMENT

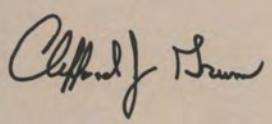
MANAGEMENT REPORT ON FINANCIAL STATEMENTS

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.

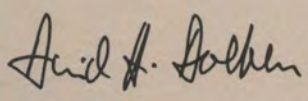
The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied 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

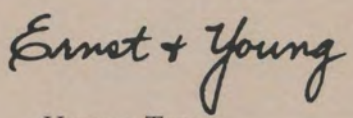
REPORT OF INDEPENDENT AUDITORS

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 January 2, 1993 and December 28, 1991, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended January 2, 1993. 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 January 2, 1993 and December 28, 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 2, 1993, in conformity with generally accepted accounting principles.



Houston, Texas
February 17, 1993

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SHAREHOLDER INFORMATION

TRANSFER AGENT AND REGISTRAR
First Chicago Trust Company of New York
P.O. Box 3981
Church Street Station
New York, New York 10008-3981

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 7, 1993 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, 1992, there were 9,268 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 First Chicago Trust Company of New York, 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 First Chicago Trust Company of New York, Dividend Reinvestment Plans, P.O. Box 13531, Newark, New Jersey 07188-0001.

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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