

## Scottish Re Group Limited Announces Operating Results for the Fourth Quarter and Year Ended December 31, 2004

HAMILTON, Bermuda, Feb 17, 2005

Scottish Re Group Limited (NYSE:SCT) today reported that income from continuing operations for the quarter ended December 31, 2004 was \$19.5 million, or \$0.52 per diluted ordinary share, as compared to \$30.3 million, or \$0.82 per diluted ordinary share for the prior year period. Income from continuing operations for the year ended December 31, 2004 was \$69.8 million, or \$1.86 per diluted ordinary share, as compared to \$48.8 million, or \$1.51 per diluted ordinary share for the prior year period.

Net operating earnings were \$26.0 million, or \$0.69 per diluted ordinary share for the quarter ended December 31, 2004 as compared to \$18.3 million, or \$0.50 per diluted ordinary share for the prior year period. Net operating earnings were \$79.6 million, or \$2.12 per diluted ordinary share for the year ended December 31, 2004 as compared to \$41.0 million, or \$1.27 per diluted ordinary share for the prior year period.

"This year was transformational for Scottish Re," said Michael C. French, Chairman of Scottish Re Group Limited. "We expect the momentum we gained in 2004 from the acquisition of ING Re's individual life reinsurance business, along with our numerous innovative capital markets financings will carry through into 2005 and beyond."

Net operating earnings is a non-GAAP measurement. We determine net operating earnings by adjusting GAAP income from continuing operations by net realized capital gains and losses, the change in value of embedded derivatives as adjusted for the related effects upon the amortization of deferred acquisition costs, acquisition-related due diligence costs and taxes related to these items. While these items may be significant components in understanding and assessing the Company's consolidated financial performance, the Company believes that the presentation of net operating earnings enhances the understanding of its results of operations by highlighting earnings attributable to the normal, recurring operations of its reinsurance business. However, net operating earnings are not a substitute for income from continued operations determined in accordance with GAAP.

Net income for the quarter amounted to \$19.3 million, or \$0.51 per diluted ordinary share as compared to \$10.5 million or \$0.29 per diluted ordinary share for the prior year period. Net income for the year ended December 31, 2004 amounted to \$69.6 million, or \$1.86 per diluted ordinary share as compared to \$27.3 million or \$0.85 per diluted ordinary share for the prior year period.

Total revenue for the quarter increased to \$215.4 million from \$196.5 million for the prior year period, an increase of 10%. Excluding realized gains and losses and the change in fair value of embedded derivatives, total revenue for the quarter increased to \$216.9 million from \$182.0 million for the prior year period, an increase of 19%. Total revenue for the year ended December 31, 2004 increased to \$816.6 million from \$557.4 million for the prior year period, an increase of 47%. Excluding realized gains and losses and the change in fair value of the embedded derivative, total revenue for the year ended December 31, 2004 increased to \$821.2 million from \$547.9 million for the prior year period, an increase of 50%.

Total benefits and expenses increased to \$202.4 million for the quarter from \$169.2 million, an increase of 20%. For the year ended December 31, 2004, total benefits and expenses increased to \$759.1 million from \$519.6 million, an increase of 46%. The increases in both total revenues and total benefits and expenses were principally driven by the acquisition of Scottish Re Life Corporation (previously ERC Life) and growth in the Company's reinsurance business in North America.

The Company's total assets were \$9.4 billion as of December 31, 2004. The core investment portfolio, comprising fixed maturity investments, preferred stock and most of the cash and cash equivalents, totaled \$4.3 billion, and had an average quality rating of "AA-", an effective duration of 3.8 years and a weighted average book yield of 4.2%. This compares with a portfolio balance of \$2.4 billion, an average quality rating of "AA-", effective duration of 3.9 years and an average book yield of 4.5% as of December 31, 2003.

Funds withheld at interest, totaling \$2.0 billion, had an average quality rating of "A+", an effective duration of 3.9 years and a weighted average book yield 6.2% at December 31, 2004. This compares with a total of \$1.5 billion with an average quality rating of "A-", an effective duration of 5.1 years and an average book yield of 6.3% at December 31, 2003. The market value of the funds withheld at interest amounted to \$2.1 billion at December 31, 2004.

"Scottish Re's accomplishments are reflected in our strong growth in return on equity and operating earnings and book value per share," said Scott E. Willkomm, President and Chief Executive Officer of Scottish Re Group Limited. "These factors were offset by higher than expected Sarbanes-Oxley costs that reduced our net operating earnings per share by \$0.05 for the quarter and \$0.07 for the year."

As of December 31, 2004, the Company had approximately \$1.0 trillion of life reinsurance in force covering approximately 14 million lives with an average benefit per life of \$73,000 in our North American operations. Excluding the business acquired from ING, we had approximately \$305 billion of life reinsurance in force covering 7 million lives with an average benefit per life of \$45,000. As of December 31, 2003, the Company had reinsurance of approximately \$275.0 billion of life insurance in-force on 6.2 million lives and our average benefit coverage per life was \$43,000.

The Company's book value per share was \$21.58 at December 31, 2004 as compared to \$18.73 per share at December 31, 2003.

On December 31, 2004, we completed the acquisition of the individual life reinsurance business of ING Re. In connection with the acquisition, we issued an additional \$230 million of capital to support the ING Re block. This \$230 million included \$180.0 million of securities to The Cypress Group, a private equity firm, and \$50 million of trust preferred securities.

The Company's earnings conference call will be held at 11.00 a.m (EDT) on, Thursday, February 17, 2005. The dial-in number is (877) 502-2902 or (706) 679-5950 and the reservation number is 3500149. A replay of the call will be available beginning at 1:00 pm on Thursday, February 17, 2005 and running through Thursday, March 3, 2005. The dial-in number for the replay is (800) 642-1687 or (706) 645-9291 and the PIN code is 3500149. In addition, a simultaneous Web cast, as well as an on-demand replay, of the conference call will be available at the Company's Web site, [www.scottishre.com/conferencecall](http://www.scottishre.com/conferencecall).

Scottish Re Group Limited is a global life reinsurance specialist and issuer of customized life-insurance based wealth management products for high net worth individuals and families. Scottish Re Group Limited has operating companies in Bermuda, Charlotte, North Carolina, Dublin, Ireland, Grand Cayman and Windsor, England. Its operating subsidiaries include Scottish Annuity & Life Insurance Company (Cayman) Ltd. and Scottish Re (U.S.), Inc. which are rated A- (excellent) by A.M. Best, A (strong) by Fitch Ratings, A3 (good) by Moody's and A- (strong) by Standard & Poor's, Scottish Re Limited, which is rated A- (excellent) by A.M.

Best, A (strong) by Fitch Ratings and A- (strong) by Standard & Poor's and Scottish Re Life Corporation Limited which is rated A-(excellent) by A.M. Best. Additional information about Scottish Re can be obtained from its Web site, [www.scottishre.com](http://www.scottishre.com).

Certain statements included herein are "forward-looking statements" within the meaning of the federal securities laws. The management of Scottish Re Group Limited (the "Company") cautions that forward-looking statements are not guarantees, and that actual results could differ materially from those expressed or implied in the forward-looking statements. Important events that could cause the actual results of operations or financial condition of the Company to differ include, but are not necessarily limited to, the Company's ability to attract clients and generate business; the competitive environment; the Company's ability to underwrite business; performance of outside service providers; mortality risk; surrender risk; investment risk (including asset value risk, reinvestment risk and disintermediation risk); the impact of unforeseen economic changes (such as changes in interest rates, currency exchange rate, inflation rates, recession and other external economic factors); the impact of terrorist activities on the economy, the insurance and related industries in general and the Company in particular; regulatory changes (such as changes in U.S. tax law and insurance regulation which directly affect the competitive environment for the Company's products); rating agency policies and practices; and loss of key executives. Investors are also directed to consider the risks and uncertainties discussed in documents filed by the Company with the Securities and Exchange Commission.

Scottish Re Group Limited Financial Highlights (Stated in Thousands of United States Dollars, Except Per Share Data)				
(Unaudited)				
	Three months ended December 31		Twelve months ended December 31	
	2004	2003	2004	2003
Total revenue	\$215,446	\$196,465	\$816,618	\$557,367
Net operating earnings (a)	26,033	18,331	79,577	41,047
Income from continuing operations	19,492	30,268	69,834	48,789
Net income	19,284	10,542	69,626	27,281
Net operating earnings per share				
Basic	\$0.72	\$0.52	\$2.23	\$1.34
Diluted	\$0.69	\$0.50	\$2.12	\$1.27
Earnings per share from continuing operations				
Basic	\$0.54	\$0.86	\$1.95	\$1.59
Diluted	\$0.52	\$0.82	\$1.86	\$1.51
Earnings per share				
Basic	\$0.54	\$0.30	\$1.95	\$0.89
Diluted	\$0.51	\$0.29	\$1.86	\$0.85
Dividends per share	\$0.05	\$0.05	\$0.20	\$0.20
Weighted average ordinary shares				
Outstanding				
Basic	35,981,436	35,201,157	35,732,522	30,652,719
Diluted	37,847,645	36,919,283	37,508,292	32,228,001

(a) Excludes effect of realized gains and losses, change in value of embedded derivative, amortization of related deferred acquisition costs, losses from discontinued operations and acquisition-related due diligence costs.

	December 31, 2004	December 31, 2003
Book value per share - including effect of SFAS 115 and fair value of derivatives	\$21.58	\$18.73
Book value per share - excluding effect of SFAS 115 and fair value of derivatives	\$21.35	\$18.51

Consolidated Balance Sheets  
(Stated in Thousands of United States Dollars)

	December 31, 2004	December 31, 2003
<b>Assets</b>		
Fixed maturity investments	\$3,392,463	\$2,014,719
Preferred stock	125,204	126,449
Cash and cash equivalents	794,639	298,149
Other investments	16,458	17,678
Funds withheld at interest	2,014,589	1,469,425
<b>Total investments</b>	<b>6,343,353</b>	<b>3,926,420</b>
Reinsurance balances and risk fees receivable	388,464	196,192
Deferred acquisition costs	417,306	308,591
Amounts recoverable from reinsurers	1,189,923	737,429
Other assets	275,753	141,748
Segregated assets	783,573	743,137
<b>Total assets</b>	<b>\$9,398,372</b>	<b>\$6,053,517</b>
<b>Liabilities</b>		
Reserves for future policy benefits	\$3,239,982	\$1,502,415
Interest sensitive contract liabilities	3,181,447	2,633,346
Collateral finance facility liability	200,000	-
Reinsurance balances payable	535,939	125,756
Other liabilities	157,793	75,296
Long term debt	285,782	162,500
Segregated liabilities	783,573	743,137
<b>Total liabilities</b>	<b>8,384,516</b>	<b>5,242,450</b>
Minority Interest	9,697	9,295
Mezzanine Equity	142,449	141,928
Shareholders' equity		
Share capital, par value \$0.01 per share: Issued and fully paid: 39,931,145 ordinary shares (2003 - 35,228,411)	399	352
Additional paid-in capital	684,719	548,750
Accumulated other comprehensive income	32,405	29,034
Retained earnings	144,187	81,708
<b>Total shareholders' equity</b>	<b>861,710</b>	<b>659,844</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$9,398,372</b>	<b>\$6,053,517</b>

Scottish Re Group Limited  
Consolidated Statements of Income  
(Stated in Thousand of United States Dollars)

Three months ended    Twelve months ended  
December 31                    December 31

	2004	2003	2004	2003
<b>Revenues</b>				
Premiums earned	\$157,302	\$139,680	\$592,557	\$391,976
Investment income, net	56,699	41,756	217,138	148,028
Realized gains (losses)	(5,523)	521	(9,187)	(4,448)
Change in value of embedded derivatives	4,105	13,904	4,561	13,904
Fee income	2,863	604	11,549	7,907
<b>Total revenues</b>	<b>215,446</b>	<b>196,465</b>	<b>816,618</b>	<b>557,367</b>
<b>Benefits and expenses</b>				
Claims and other policy benefits	107,708	98,000	430,565	275,887
Interest credited to interest sensitive contract liabilities	29,182	23,095	106,524	89,156
Acquisition costs and other insurance expenses	39,596	39,868	149,993	116,000
Operating expenses	17,528	6,254	54,497	31,021
Acquisition-related due diligence costs	4,644	-	4,644	-
Interest expense	3,776	2,024	12,902	7,557
<b>Total benefits and expenses</b>	<b>202,434</b>	<b>169,241</b>	<b>759,125</b>	<b>519,621</b>
Income before income taxes and minority interest	13,012	27,224	57,493	37,746
Income tax benefit	6,655	3,106	12,872	11,105
Income from continuing operations before minority interest	19,667	30,330	70,365	48,851
Minority interest	(175)	(62)	(531)	(62)
Income from continuing operations	19,492	30,268	69,834	48,789
Cumulative effect of accounting principle change	-	(19,537)	-	(19,537)
Loss from discontinued operations	(208)	(189)	(208)	(1,971)
<b>Net income</b>	<b>\$19,284</b>	<b>\$10,542</b>	<b>\$69,626</b>	<b>\$27,281</b>

Scottish Re Group Limited  
Supplemental Information - Net Operating Earnings and Book Value  
Per Share  
(Stated in Thousand of United States Dollars, Except Per Share Amounts)

	Three months ended December 31		Twelve months ended December 31	
	2004	2003	2004	2003
<b>Net operating earnings</b>				
Income from continuing operations	\$19,492	\$30,268	\$69,834	\$48,789
Realized losses (gains):				
non taxable companies	5,854	(281)	10,453	685
taxable companies	(331)	(240)	(1,266)	3,763
Change in value of embedded derivatives:				
non taxable companies	(164)	(388)	195	(388)
taxable companies	(3,941)	(13,516)	(4,756)	(13,516)
Taxes on above items	1,058	2,488	1,052	1,714
Due diligence costs (net)				

of taxation of \$579)	4,065	-	4,065	-
Net operating earnings	\$26,033	\$18,331	\$79,577	\$41,047
Net operating earnings				
Basic	\$0.72	\$0.52	\$2.23	\$1.34
Diluted	\$0.69	\$0.50	\$2.12	\$1.27
Weighted average number of shares				
outstanding				
Basic	35,981,436	35,201,157	35,732,522	30,652,719
Diluted	37,847,645	36,919,283	37,508,292	32,228,001
			December 31, 2004	December 31, 2003
Book Value Per Share				
Shareholders' equity			\$861,710	\$659,844
Unrealized appreciation on investments, net of taxes			(14,339)	(16,848)
Fair value of embedded derivatives			5,162	9,049
Total			\$852,533	\$652,045
Number of shares			39,931,145	35,228,411
Book value per share - excluding effect of SFAS 115 and fair value of embedded derivatives			\$ 21.35	\$ 18.51

Scottish Re Group Limited  
Supplemental Information - Segment Operating Results  
(Stated in Thousand of United States Dollars)

Life Reinsurance North America	Three months ended December 31		Twelve months ended December 31	
	2004	2003	2004	2003
Premiums earned	\$118,259	\$72,237	\$470,600	\$230,708
Investment income, net	54,373	38,561	206,009	135,731
Realized losses	(6,826)	(1,468)	(7,975)	(6,124)
Change in value of embedded derivatives	4,105	13,904	4,561	13,904
Fee income	2,074	(457)	7,869	4,067
Total revenues	171,985	122,777	681,064	378,286
Claims and other policy benefits	82,770	52,925	348,919	171,711
Interest credited to interest sensitive contract liabilities	29,182	23,095	106,524	89,156
Acquisition costs and other insurance expenses, net	30,842	27,694	131,452	83,594
Operating expenses	4,494	1,826	18,036	8,646
Interest expense	1,599	397	4,491	1,109
Total benefits and expenses	148,887	105,937	609,422	354,216
Income before income taxes and minority interest	23,098	16,840	71,642	24,070
Income tax benefit	5,936	4,534	12,686	13,934
Income before minority interest	29,034	21,374	84,328	38,004
Minority interest	(175)	(62)	(531)	(62)

Income from continuing operations	\$28,859	\$21,312	\$83,797	\$37,942
Net operating earnings				
Income from continuing operations	\$28,859	\$21,312	\$83,797	\$37,942
Realized losses (gains):				
non taxable companies	5,735	620	8,087	2,235
taxable companies	1,091	848	(112)	3,889
Change in value of embedded derivatives:				
non taxable companies	(164)	(388)	195	(388)
taxable companies	(3,941)	(13,516)	(4,756)	(13,516)
Taxes on above items	813	1,856	857	1,251
Net operating earnings	\$32,393	\$10,732	\$88,068	\$31,413

Scottish Re Group Limited  
Supplemental Information - Segment Operating Results (continued)  
(Stated in Thousand of United States Dollars)

Life Reinsurance International

	Three months ended December 31		Twelve months ended December 31	
	2004	2003	2004	2003
Premiums earned	\$39,043	\$67,443	\$121,957	\$161,268
Investment income, net	2,195	1,933	10,023	7,537
Realized gains	1,076	1,510	803	548
Total revenues	42,314	70,886	132,783	169,353
Claims and other policy benefits	24,938	45,075	81,646	104,176
Acquisition costs and other insurance expenses, net	8,330	11,567	16,428	30,143
Operating expenses	5,784	2,094	18,891	11,518
Total benefits and expenses	39,052	58,736	116,965	145,837
Income before income taxes	3,262	12,150	15,818	23,516
Income tax benefit (expense)	493	(1,411)	(77)	(2,719)
Income from continuing operations	\$3,755	\$10,739	\$15,741	\$20,797
Net operating earnings				
Income from continuing operations	\$3,755	\$10,739	\$15,741	\$20,797
Realized losses (gains):				
Non-taxable companies	-	(432)	-	(432)
taxable companies	(1,076)	(1,078)	(803)	(116)
Taxes on above item	141	629	88	460
Net operating earnings	\$2,820	\$9,858	\$15,026	\$20,709

Scottish Re Group Limited  
Supplemental Information - Segment Operating Results (continued)  
(Stated in Thousand of United States Dollars)

Other

	Three months ended December 31		Twelve months ended December 31	
	2004	2003	2004	2003

Investment income, net	\$131	\$1,262	\$1,106	\$4,760
Realized gains (losses)	227	479	(2,015)	1,128
Fee income	789	1,061	3,680	3,840
Total revenues	1,147	2,802	2,771	9,728
Acquisition costs and other insurance expenses, net	424	607	2,113	2,263
Operating expenses	7,250	2,334	17,570	10,857
Due diligence costs	4,644	-	4,644	-
Interest expense	2,177	1,627	8,411	6,448
Total benefits and expenses	14,495	4,568	32,738	19,568
Loss before income taxes	(13,348)	(1,766)	(29,967)	(9,840)
Income tax benefit (expense)	226	(17)	263	(110)
Loss from continuing operations	\$(13,122)	\$(1,783)	\$(29,704)	\$(9,950)
Net operating loss				
Loss from continuing operations	(13,122)	(1,783)	(29,704)	(9,950)
Realized losses (gains):				
non taxable companies	119	(469)	2,366	(1,118)
taxable companies	(346)	(10)	(351)	(10)
Taxes on above items	104	3	107	3
Due diligence costs (net of taxation of \$579)	4,065	-	4,065	-
Net operating loss	\$(9,180)	\$(2,259)	\$(23,517)	\$(11,075)

SOURCE: Scottish Re Group Limited

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