

Fly Leasing Ltd
Form 424B2
July 15, 2013
Filed Pursuant to Rule 424(b)(2)
File No. 333-186089

Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus dated February 7, 2013)

11,428,571 American Depositary Shares

Fly Leasing Limited

Representing 11,428,571 Common Shares

\$14.00 per ADS

We are offering 11,428,571 common shares in the form of American Depositary Shares, or ADSs. Each ADS represents one common share. The ADSs will be evidenced by American Depositary Receipts, or ADRs.

Our ADSs are listed on the New York Stock Exchange under the symbol "FLY." The last reported sales price of our ADS on July 11, 2013 was \$14.75 per share. All of our common shares are issued in the form of ADSs.

Investing in our ADSs involves risks. See “Risk Factors” beginning on page S-9 of this prospectus supplement and “Risk Factors” under the heading “Item 3. Key Information” beginning on page 4 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated in this prospectus supplement by reference.

	Price to Public	Underwriting Discounts and Commissions ⁽¹⁾	Proceeds, Before Expenses ⁽¹⁾
Per ADS	\$ 14.00	\$ 0.84	\$ 13.16
Total	\$ 159,999,994	\$ 9,480,000	\$ 150,519,994

Certain directors and officers of Fly Leasing Limited and BBAM LP have agreed to purchase 142,857 of the ADSs (1) offered hereby. These ADSs will be sold at the public offering price shown above, and we will not pay underwriting discounts or commissions on the sale of these ADSs.

We have granted the underwriters an option to purchase up to 1,714,285 additional ADSs at the public offering price in this offering, less underwriting discounts and commissions.

The Securities and Exchange Commission and state regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock on or about July 17, 2013.

Joint Book-Running Managers

Edgar Filing: Fly Leasing Ltd - Form 424B2

Morgan Stanley Citigroup Deutsche Bank Securities RBC Capital Markets

Co-Managers

BNP Paribas CIBC

Nomura

The date of this prospectus supplement is July 11, 2013.

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus prepared by us or on our behalf. We have not, and the underwriters have not, authorized any other person to provide you with different or additional information. If anyone provides you with different information, you should not rely on it. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where an offer is not permitted. The information appearing in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein and therein, and any free writing prospectus, is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates.

 TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>About This Prospectus Supplement</u>	S-i
<u>Special Note Regarding Forward-Looking Statements</u>	S-ii
<u>Industry and Market Data</u>	S-ii
<u>Summary</u>	S-1
<u>Risk Factors</u>	S-9
<u>Use of Proceeds</u>	S-12
<u>Capitalization</u>	S-13
<u>Market for Common Stock and Dividends</u>	S-14
<u>Tax Considerations</u>	S-15
<u>Underwriting</u>	S-23
<u>Experts</u>	S-28
<u>Legal Matters</u>	S-28
<u>Where You Can Find More Information</u>	S-29
<u>Incorporation of Documents by Reference</u>	S-30
Prospectus	
<u>About this Prospectus</u>	ii
<u>Summary</u>	1
<u>Risk Factors</u>	2
<u>Special Note Regarding Forward-Looking Statements</u>	2
<u>Use of Proceeds</u>	2

<u>Ratio of Earnings to Fixed Charges</u>	3
<u>Description of Share Capital</u>	4
<u>Description of American Depositary Shares</u>	13
<u>Description of Debt Securities</u>	19
<u>Description of Warrants</u>	25
<u>Description of Subscription Rights</u>	26
<u>Description of Units</u>	27
<u>Legal Matters</u>	28
<u>Experts</u>	28
<u>Enforceability of Civil Liabilities</u>	29
<u>Where You Can Find More Information</u>	29
<u>Incorporation of Information by Reference</u>	30

Consent under the Exchange Control Act 1972 (and its related regulations) has been obtained from the Bermuda Monetary Authority for the issue and transfer of our common shares to and between non-residents of Bermuda for exchange control purposes, provided our ADSs remain listed on an appointed stock exchange, which includes the New York Stock Exchange. In granting such consent the Bermuda Monetary Authority does not accept any responsibility for our financial soundness or the correctness of any of the statements made or opinions expressed in this prospectus supplement or the accompanying prospectus, including the documents incorporated by reference.

Table of Contents

About This Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, including the documents incorporated by reference herein, which describes the specific terms of this offering of ADSs, each representing one common share, of Fly Leasing Limited. The second part, the accompanying prospectus, gives more general information, some of which may not apply to the shares or the ADSs offered hereby. You should read this entire prospectus supplement, as well as the accompanying prospectus, and the documents incorporated by reference that are described under “Incorporation of Documents by Reference” in this prospectus supplement and the accompanying prospectus. Any statement made in this prospectus supplement, in the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

Unless otherwise specified or unless the context requires otherwise, when used in this prospectus supplement:

- the terms “Fly,” “Company,” “we,” “our” and “us” refer to Fly Leasing Limited and its subsidiaries;
- all references to our shares refer to our common shares held in the form of ADSs;
- the term “BBAM” refers to BBAM Limited Partnership and its subsidiaries and affiliates;

the term “Servicer” refers collectively to our servicers, BBAM Aircraft Management LP, BBAM Aircraft Management (Europe) Limited, BBAM US LP and BBAM Aviation Services Limited, each of which is a wholly-owned subsidiary of BBAM Limited Partnership;

- the term “Manager” refers to our manager, Fly Leasing Management Co. Limited, a wholly-owned subsidiary of BBAM Limited Partnership;
 - the term “GAAM” refers to Global Aviation Asset Management;
- the term “GAAM Portfolio” refers to the portfolio of 49 aircraft and other assets acquired from GAAM;

- the term “Summit” refers to Summit Aviation Partners LLC; and
- the term “Onex” refers to Onex Corporation and its affiliates.

Table of Contents

Special Note Regarding Forward-Looking Statements

A number of the statements made or incorporated by reference in this prospectus supplement and the accompanying prospectus are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (“the Exchange Act”). These forward-looking statements include, but are not limited to, objectives, expectations and intentions and other statements contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus that are not historical facts, as well as statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” or words of similar meaning. Such statements address future events and conditions concerning matters such as, but not limited to, our earnings, cash flow, liquidity and capital resources, compliance with debt and other restrictive covenants, interest rates and dividends. These statements are based on current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control. Actual results may differ materially from these expectations due to changes in political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include, but are not limited to, those described under “Risk Factors” beginning on page S-9 of this prospectus supplement and the information described under “Risk Factors” under the heading “Item 3. Key Information” beginning on page 4 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated herein by reference, and any risk factors included or described in our other periodic reports, and in other information that we file with the Securities and Exchange Commission (the “SEC”), from time to time, and incorporated by reference into this prospectus supplement. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements.

We caution you not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus supplement in the case of forward-looking statements contained in this prospectus supplement, or the dates of the accompanying prospectus or any documents incorporated by reference herein and therein in the case of forward-looking statements made in the accompanying prospectus or such incorporated documents. Except as may be required by law, we undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

INDUSTRY AND MARKET DATA

We obtained the industry and market data used throughout this prospectus supplement, the accompanying prospectus and the documents incorporated herein and therein by reference from our own internal estimates and research as well as from industry and general publications and from research, surveys and studies conducted by third parties. We have not independently verified any data received from third parties and we do not make any representation as to the accuracy or completeness of such information. While we are not aware of any misstatements regarding any industry, market or similar data presented herein and therein, such data involves risks and uncertainties and is subject to change

based on various factors, including those discussed under the headings ‘‘Special Note Regarding Forward-Looking Statements’’ and ‘‘Risk Factors’’ in this prospectus supplement.

S-ii

Table of Contents

Summary

This section summarizes key information contained elsewhere in this prospectus supplement and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus supplement or incorporated by reference herein or in the accompanying prospectus. You should carefully review the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, including the financial statements and the notes related thereto. You should pay special attention to the information described under “Risk Factors” beginning on page S-9 of this prospectus supplement and the information described under “Risk Factors” under the heading “Item 3. Key Information” beginning on page 4 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated herein by reference. Unless indicated otherwise, all data assumes that the underwriters do not exercise their option to purchase additional ADSs. While we have not yet closed our books for the quarter ended June 30, 2013, set forth below are certain preliminary estimates of the portfolio data that we currently expect to report for the quarter. Our actual portfolio data may differ materially from these estimates due to the completion of our final closing procedures, final adjustments and other developments that may arise between now and the time the financial results for the second quarter are published. All percentages and weighted average characteristics of the aircraft in our portfolio have been calculated using net book values as of the date specified. Unless indicated otherwise, all data excludes four B767 aircraft owned by a joint venture in which we have a 57% interest.

Our Company

Fly Leasing Limited is a global lessor of modern, in-demand, fuel-efficient commercial jet aircraft. We are principally engaged in purchasing commercial aircraft, which we lease under multi-year contracts to a diverse group of airlines around the world. As of June 30, 2013, our portfolio consisted of 103 commercial jet aircraft with 97 narrow-body passenger aircraft (including two freighters) and six wide-body passenger aircraft, including 54 Boeing™ aircraft and 49 Airbus™ aircraft. The aircraft in our portfolio were manufactured between 1990 and 2013 and have a weighted average age of 9.4 years. Our aircraft are on lease to 54 airlines in 31 countries. As of June 30, 2013, our aircraft had a weighted average remaining lease term of 3.7 years. We estimate that the useful life of our aircraft is generally 25 years from the date of manufacture.

BBAM, a leading commercial jet aircraft manager with more than 20 years of experience, manages our operations and services our aircraft portfolio. BBAM is owned 50% by Summit (which is owned by the BBAM management team) and 50% by Onex.

Our Portfolio

The table below summarizes the composition of our portfolio by manufacturer and aircraft type as of June 30, 2013.

Aircraft Manufacturer	Aircraft Type	Number of Aircraft
Airbus	A319-100	19
	A320-200	26
	A330-200	1
	A340	3
	Total	49
Boeing	B737 ⁽¹⁾	41
	B747-400	1
	B757-200 ⁽¹⁾	11
	B767-300ER	1
	Total	54
Total		103

(1) Includes one freighter.

S-1

Table of Contents

As of June 30, 2013, our portfolio was composed of 89% narrow-body aircraft consisting primarily of the Airbus 319, Airbus 320 and next generation Boeing 737 aircraft families. We believe narrow-body aircraft enjoy high worldwide demand due to their fuel-efficient design, relatively low maintenance costs and ability to satisfy passenger demand for point-to-point destination service. These aircraft are used on more routes around the world than any other aircraft type and, thus, have the largest market potential for leased aircraft. As a result, we believe these aircraft are easier and more cost-efficient to lease and re-market than wide-body jets or other specialized types of aircraft.

The following table represents the composition of our portfolio based on airframe type as of June 30, 2013:

Airframe Type	Number of Aircraft	% of Net Book Value
Narrow-body ⁽¹⁾	97	89 %
Wide-body	6	11 %
Total	103	100%

(1) Includes two freighters.

Our Relationship with BBAM

We engage BBAM as Manager of our company and Servicer for our aircraft portfolio under management and servicing agreements. Through these agreements, our Manager assists us in acquiring, leasing and re-marketing aircraft, manages our day-to-day operations and affairs and services our portfolio of aircraft and related leases. Our chief executive officer and chief financial officer are BBAM employees who are exclusively dedicated to our business. Our Servicer acquires and disposes of our aircraft, markets our aircraft for lease and re-lease, collects rents and other payments from the lessees of our aircraft, monitors maintenance, insurance and other obligations under our leases and enforces our rights against lessees. BBAM is among the largest aircraft lease managers in the world, managing a fleet of over 400 aircraft.

Our Competitive Strengths

We believe that our competitive strengths include the following:

Modern, in-demand, fuel-efficient aircraft portfolio. Our aircraft portfolio primarily consists of modern, fuel-efficient commercial jet aircraft. As of June 30, 2013, our portfolio consisted of 103 aircraft with 97 narrow-body passenger aircraft (including two freighters) representing 89% of the portfolio. These narrow-body aircraft consist primarily of the Airbus 319, Airbus 320 and next generation Boeing 737 aircraft families. We believe narrow-body aircraft are in high demand on a global basis as a result of their fuel-efficient design, relatively low maintenance costs and ability to satisfy passenger demand for point-to-point service. As a result, we believe these aircraft are easier and more cost-efficient to lease and re-market than wide-body jets or other specialized types of aircraft. In addition to the large and diverse operator base that use these aircraft, these aircraft have long useful lives. We estimate that the useful life of our aircraft is generally 25 years from the date of manufacture. As of June 30, 2013, the weighted average age of the aircraft in our portfolio was 9.4 years. We believe our high-quality aircraft portfolio will enable us to generate stable and growing cash flows over the long-term.

Stable, contracted revenues from a well-balanced and diverse lease portfolio. Our large, diversified and modern portfolio generates strong predictable cash flow through recurring income from multi-year leases. As of June 30, 2013, the aircraft in our portfolio are leased to 54 different airlines across 31 countries. Our scheduled lease maturities range from 2013 to 2025, with a weighted average remaining lease term of 3.7 years. The majority of our leases are subject to fixed rental rates. No single lessee represents more than 6% of our contracted monthly revenues as of June 30, 2013. We believe these qualities contribute to our consistent profitability and stable cash flow.

S-2

Table of Contents

The following table sets forth the maturity dates for our leases as of June 30, 2013:

Year	Number of Lease Maturities
2013	9
2014	17
2015	27
2016	14
2017	10
2018	11
2019	5
2020	3
2021	1
2022	2
2023	3
2024	—
2025	1
Total	103

Experienced and successful manager and servicer in BBAM. BBAM, the world's third-largest aircraft lease manager, manages and services our portfolio pursuant to our management and servicing agreements. As the servicer of our portfolio, BBAM performs all re-marketing, technical management, lease management and administrative services. BBAM also assists us in identifying and executing on aircraft acquisition and disposition opportunities. Together with its predecessor entities, BBAM has a 24-year operating history in the aviation industry and currently manages over 400 aircraft valued at over \$12 billion. BBAM's long history in the aircraft industry provides us with extensive relationships with airlines, aircraft manufacturers, other aircraft lessors, financial institutions, passive investors and other participants in the industry, which enhances our ability to source and finance aircraft acquisitions. We believe that we and our shareholders benefit from BBAM's global scale and connectivity in the aviation and financial industries and its deep experience in servicing leases and re-marketing aircraft, as well as its expertise in executing aircraft acquisitions and dispositions.

Proven aircraft re-marketing and sales capability. Since our inception in September 2007 through March 31, 2013, we have successfully re-marketed dozens of aircraft and have completed 21 aircraft sales, for aggregate total gains to net book value of approximately \$49 million. The average age of the aircraft that have been sold through March 31, 2013 is 12.4 years. Furthermore, since 1993, BBAM has successfully re-marketed hundreds of aircraft for multiple

lessors, demonstrating its significant capabilities in this capacity. BBAM's global re-marketing platform enhances our ability to maintain a high utilization rate for our aircraft under leases with favorable terms and high-quality lessees, as well as profitably dispose of aircraft to maximize the value of our portfolio. We will continue to selectively dispose of aircraft to profit from available opportunities and to manage portfolio age and lessee and jurisdictional exposures.

Well-placed debt structure at low margins and with manageable refinancing requirements. As of March 31, 2013, our debt facilities consisted of approximately \$2.0 billion of total financing, net of unamortized debt discounts. These facilities include a securitization, term loan and other bank debt financing. As of March 31, 2013, our debt carried a weighted average effective interest rate of 4.59% which includes interest rate swaps and policy provider premiums but excludes debt discounts and amortization of loan fees and discounts. The maturity profile of our debt spans from 2013 to 2033, and there are no significant refinancing requirements until 2018. Our net leverage, defined as the ratio of net debt to total shareholders' equity was 3.2x at March 31, 2013. Our target net leverage is 3.0x – 4.0x depending on market conditions, availability of financing and aircraft acquisition and sale activity. Throughout its history, BBAM has raised aviation financing in multiple forms for multiple lessors, including securitizations, capital markets products, warehouse facilities, aircraft portfolio term debt and one-off aircraft debt. We believe our attractive, low-cost and manageable debt structure will allow us to achieve our growth plans.

Table of Contents

Strong track record of aircraft portfolio growth. We have demonstrated a strong track record of aircraft portfolio growth by acquiring 121 aircraft through March 31, 2013. This growth was achieved through portfolio acquisitions, one-off aircraft acquisitions and sale-leaseback transactions. We have sought to use our free cash flow prudently, capitalizing on both aviation and financial cycles to acquire aircraft opportunistically. We have previously announced a target of \$300 to \$500 million of aircraft acquisitions in 2013. We have acquired five aircraft as of the date of this prospectus supplement for approximately \$170 million and have already identified approximately \$450 million of additional potential aircraft acquisitions, including select wide body aircraft, such as a Boeing 777 and Boeing 787. Assuming completion, these previously acquired and identified aircraft are expected to provide additional annualized contracted revenues of approximately \$65 million.

Commitment to consistent return of capital. We have sought to enhance shareholder value through a commitment to consistent return of capital to shareholders. As of the date of this prospectus supplement, we have paid our shareholders dividends in 22 consecutive quarters, with cumulative dividends of \$5.68 per share since our initial public offering. In addition, we repurchased \$169 million of our debt at prices significantly lower than face value. We believe that our track record of opportunistic growth and our commitment to return of capital has enhanced value to our shareholders.

Our Growth Strategies

We intend to grow our lease portfolio by pursuing the following strategies:

Capitalize on continued growth in the global aviation industry. Positive trends in world air traffic drive growth in the aircraft leasing market, which we believe is a high growth sector in the rapidly expanding aviation industry. Global passenger air travel is an expanding market with positive long-term fundamentals. Specifically, the demand for passenger and cargo air transport has grown at 2.0 times the long-term global GDP growth rate over the last 40 years. As global economies and populations grow, particularly in emerging markets, long-term air travel demand is expected to remain strong. The 2013 Boeing Current Market Outlook forecast projects a 5.0% average annual growth rate in passenger traffic between 2013 and 2033. Similarly, the size of the global commercial aircraft fleet is expected to double over the next two decades as new aircraft meet demands of continued traffic growth and older aircraft are replaced. We intend to capitalize on these developments and participate in an expanding market with long-term, positive growth trends.

Continue to acquire modern, fuel-efficient and widely used commercial aircraft, predominantly narrow-body aircraft. Our acquisition strategy is to focus primarily on new or nearly new popular narrow-body aircraft. These modern and fuel-efficient aircraft have been, and we believe they will continue to be, the types most widely used by airlines in all parts of the world, and are, therefore, the optimal asset types for leasing. We intend to acquire narrow-body aircraft predominantly through sale-leaseback and secondary market transactions, rather than by placing

orders from the manufacturers for delivery years into the future. This strategy allows us to evaluate all the relevant aspects of each acquisition transaction—the aircraft cost, the terms of the initial lease, including lease rate and lessee credit, and the available financing terms—before deploying our capital. We will also selectively acquire mid-aged aircraft when we believe the transaction represents strong prospects for attractive returns with reasonable downside protection. Additionally, we intend to evaluate wide-body aircraft when they are on lease to airlines with strong credit ratings and are financeable through attractive debt facilities, although we do not expect wide-body aircraft will represent more than 25% of our fleet.

Actively manage our lease portfolio to maximize returns through balanced lease maturities and diversification.

We intend to manage our lease portfolio by taking into account geographic and regional trends in passenger and cargo aircraft demand. Our current aircraft portfolio is well balanced among established and emerging economies.

Furthermore, our focus on highly liquid, high-demand aircraft types and our low average fleet age provides global mobility for our assets, thus mitigating regional market exposure. Our focus on desirable aircraft types also allows us to enter into favorable leasing arrangements with attractive terms and with high-quality lessees. We plan to pursue additional aircraft acquisitions and consider aircraft dispositions and re-marketing opportunities.

Table of Contents

Employ efficient financing strategies. We believe our current capital structure is both efficient and highly flexible, allowing us to pursue acquisitions and capitalize on market opportunities. As of March 31, 2013, our debt facilities consisted of approximately \$2.0 billion of total financing, net of unamortized debt discounts, including a securitization, an aircraft acquisition facility, term loan and other bank financing facilities. We intend to continue to pursue a flexible, diversified financing strategy, which we believe will allow us to achieve our growth targets and enhance returns to our shareholders.

Geographic Markets

Our aircraft are leased under multi-year contracts to a diverse group of airlines globally. The following table presents the distribution of our total annualized contracted revenue by geographic region as of June 30, 2013:

	Percentage of Total Annualized Contracted Revenue	
Europe	42	%
India, Asia and South Pacific	29	%
North America	15	%
Latin and South America	8	%
Middle East and Africa	6	%
Total	100	%

Airlines

We seek to lease our portfolio of aircraft to a diversified pool of lessees under multi-year contracts in accordance with strong risk management criteria. As of June 30, 2013, our aircraft were on lease to 54 different airlines in 31 countries.

The following table sets forth our top ten lessees, as a percentage of our total annualized contracted revenue as of June 30, 2013:

Airline	Percentage of Total Annualized Contracted Revenue
----------------	--

Edgar Filing: Fly Leasing Ltd - Form 424B2

Hainan Airlines	5.7	%
Virgin America	5.2	%
Virgin Atlantic	5.2	%
US Airways	4.8	%
British Airways	4.1	%
Aeromexico	4.0	%
SpiceJet	3.8	%
Sun Express	3.6	%
Nok Airlines	3.5	%
Qantas	3.2	%
Total	43.1	%

Recent Developments

On May 21, 2013, we re-priced our 2012 term loan. The interest rate on the amended loan is LIBOR plus 3.50%, a 1.00% reduction from the previous interest rate. In addition, the LIBOR floor was reduced to 1.00%, a reduction of 0.25%. In conjunction with the re-pricing, we paid our current term loan lenders a one-time pre-payment fee of 1.00% of the then outstanding principal amount of \$380 million.

On July 3, 2013, we increased total commitments under our aircraft acquisition facility to \$450 million from \$250 million. The availability period was extended to July 3, 2015. The availability period will be followed by a three-year term period. The applicable margin has been reduced by 0.50% to 3.25% during the availability period, stepping up to 3.75%, 4.25% and 4.75% in each subsequent year during the term period.

Table of Contents

In the three months ended June 30, 2013, we acquired three Boeing 737-800 aircraft manufactured in 2013 on long-term leases to carriers in the United States, Thailand and China. These acquisitions were funded with a combination of unrestricted cash and \$95 million from our aircraft acquisition facility.

In July 2013, we also purchased two Boeing 737-800 aircraft manufactured in 1999 and 2002, on six-year leases to a German carrier. These acquisitions were funded with a combination of unrestricted cash and secured debt financing. In July 2013, we sold one Boeing 737-700 aircraft manufactured in 1999 for approximately net book value. We received end-of-lease revenue of approximately \$1.5 million in connection with this aircraft in the second quarter.

In July 2013, we entered into purchase and leaseback agreements with a South American carrier for a new Boeing 777-300ER which is expected to deliver in July 2013. We expect to finance this aircraft with secured bank debt, and closing of the transaction is subject to certain closing conditions.

Preliminary Estimates for the Quarter Ended June 30, 2013

While we have not yet closed our books for the quarter ended June 30, 2013, set forth below are certain preliminary estimates of the results of operations that we currently expect to report for the quarter. Our actual results may differ materially from these estimates due to the completion of our financial closing procedures, final adjustments and other developments that may arise between now and the time the financial results for the second quarter are published.

For the second quarter of 2013, we expect to report total revenues of approximately \$87 million to \$91 million compared to \$114.4 million for the quarter ended March 31, 2013, and total expenses of approximately \$82 million to \$86 million compared to \$76.6 million for the quarter ended March 31, 2013. The decrease in revenue compared to the quarter ended March 31, 2013 is primarily attributable to: (i) a reduction in end of lease revenue compared to the first quarter, (ii) redelivery of off-lease aircraft later in the quarter than expected resulting in less than a full period of revenue for these aircraft and (iii) the sale of six aircraft at the end of the first quarter without any offsetting aircraft acquisitions until the end of the second quarter. The increase in expenses compared to the quarter ended March 31, 2013 is primarily attributable to aircraft maintenance expenses incurred in connection with preparing aircraft for delivery to new lessees.

Corporate Information

Edgar Filing: Fly Leasing Ltd - Form 424B2

We are a Bermuda exempted company incorporated on May 3, 2007 under the provisions of Section 14 of the Companies Act 1981 of Bermuda. Our registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Although we are organized under the laws of Bermuda, we are resident in Ireland for Irish tax purposes and thus are subject to Irish corporation tax on our income in the same way, and to the same extent, as if we were organized under the laws of Ireland. Our principal executive offices are located at West Pier, Dun Laoghaire, County Dublin, Ireland. Our telephone number at that address is +353-1-231-1900.

S-6

Table of Contents

The Offering

Issuer	Fly Leasing Limited
Securities Offered	11,428,571 common shares in the form of ADSs. Each ADS represents one common share.
Option to Purchase Additional ADSs	We have granted the underwriters a 30-day option to purchase up to 1,714,285 additional common shares, in the form of ADSs.
Offering Price	\$14.00 per ADS.
ADSs Outstanding	39,592,053 ADSs will be outstanding immediately after the completion of this offering (41,306,338 ADSs if the underwriters exercise their option to purchase additional ADSs in full). The number of ADSs outstanding after this offering is based on 28,163,482 ADSs outstanding as of June 30, 2013 and excludes 650,116 stock appreciation rights (“SARs”) that are vested and outstanding with a weighted average exercise price of \$12.72 per SAR and 161,480 outstanding but unvested restricted stock units.
Use of Proceeds	We expect that we will receive approximately \$150 million in net proceeds from this offering, after deducting the underwriters’ discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including the acquisition of aircraft. See “Use of Proceeds.”
ADSs	All of our issued and outstanding common shares are held by Deutsche Bank Trust Company Americas, which acts as our depositary. Each ADS represents one common share. The depositary through its custodian will hold the common shares underlying your ADSs. The depositary will pay you the cash dividends and other distributions it receives on our common shares, in accordance with the terms of the deposit agreement, subject to any withholding taxes and any other applicable laws and regulations. We will pay all fees of the depositary, except in connection with cancellations of ADSs and withdrawal of common shares. We are offering our common shares only in the form of ADSs to facilitate the use by U.S. resident shareholders of an exemption from Irish withholding taxes available to U.S. residents. For a description of Irish withholding taxes and available exemptions for holders resident in the United States and other tax-treaty countries, you should review the information under the heading “Tax Considerations—Irish Tax Considerations” contained in this Prospectus Supplement.
NYSE Trading Symbol	“FLY”
Risk Factors	Investment in the ADSs involves a high degree of risk. You should carefully read and consider the information set forth under the heading “Risk Factors” on page S-9 of this prospectus supplement as well as the information described under “Risk Factors” under the heading “Item 3. Key Information” contained in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012, which is incorporated herein by reference, before deciding whether to invest in the ADSs.

Table of Contents

Summary Historical Consolidated Financial Data

The following table presents summary historical consolidated financial data for us as of and for the fiscal years ended December 31, 2012, 2011 and 2010 and as of and for the three-month periods ended March 31, 2013 and 2012. The information should be read in conjunction with our audited consolidated financial statements and the related notes thereto and the information under the heading “Operating and Financial Review and Prospects” set forth in our Annual Report on Form 20-F for the fiscal year ended December 31, 2012 and our unaudited condensed consolidated interim financial statements and information under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our Interim Report for the quarter ended March 31, 2013 filed as Exhibit 99.1 to our Current Report on Form 6-K, filed May 7, 2013, each of which is incorporated by reference into this prospectus supplement.

	Year ended December 31,			Three months ended	
	2012	2011⁽¹⁾	2010	March 31,	2012
	(Dollar amounts in thousands, except share and per share data)				
Consolidated Statement of Income Data:					
Revenues					
Operating lease revenue	\$376,437	\$230,716	\$219,655	\$107,374	\$102,422
Equity earnings from unconsolidated subsidiaries	9,383	5,647	2,901	422	1,855
Gains on sale of aircraft	8,360	9,137	13,449	6,451	—
Gains on sale of investment in unconsolidated subsidiary	36,882	—	—	—	—
Gain from debt transactions ⁽²⁾	—	—	12,501	—	—
Other revenues	1,634	3,289	5,159	118	230
Total revenues	432,696	248,789	253,665	114,365	104,507
Expenses					
Depreciation	136,633	95,718	84,032	34,536	34,175
Interest expense	142,491	90,547	75,748	31,021	37,022
Selling, general and administrative	40,192	27,248	25,413	9,636	9,398
Other expenses ⁽³⁾	61,849	29,938	5,598	1,390	878
Total expenses	381,165	243,451	190,791	76,583	81,473
Net income before provision for income taxes	51,531	5,338	62,874	37,782	23,034
Provision for income taxes	3,862	4,242	10,207	4,937	2,647
Net income	\$47,669	\$1,096	\$52,667	\$32,845	\$20,387
Weighted average number of shares:					
Basic	25,792,932	25,843,348	28,264,227	28,069,196	25,714,002
Diluted	25,961,605	25,992,062	28,307,971	28,162,680	25,838,621
Earnings per share:					
Basic	\$1.81	\$0.03	\$1.86	\$1.15	\$0.78

Edgar Filing: Fly Leasing Ltd - Form 424B2

Diluted	\$1.80	\$0.03	\$1.86	\$1.15	\$0.78
Dividends declared and paid per share	\$0.84	\$0.80	\$0.80	\$0.22	\$0.20

Consolidated Balance Sheet Data (as of period end):

Cash and cash equivalents	\$163,124	\$82,105	\$164,107	\$196,724	\$158,550
Total assets	\$2,968,672	\$3,198,498	\$1,978,224	\$2,906,150	\$3,210,928
Total secured borrowings ⁽⁴⁾	\$2,052,412	\$2,326,110	\$1,224,109	\$1,981,774	\$2,337,951
Total shareholders' equity	\$532,002	\$443,033	\$474,904	\$563,339	\$463,839

(1) On October 14, 2011, we completed the acquisition of the GAAM Portfolio. The financial results of the GAAM Portfolio have been included in our consolidated financial statements since the date of its acquisition.

(2) Gain from debt transactions represents gain on sale of options to purchase notes payable.

The 2011 results include a \$7.5 million impairment charge and \$18.0 million of fees and expenses recognized in (3) 2011 in connection with the acquisition of the GAAM Portfolio. The 2012 results include an \$11.4 million impairment charge and a \$32.3 million charge for interest rate swap breakage costs.

(4) Net of unamortized debt discounts.

Table of Contents

Risk Factors

An investment in the ADSs involves a high degree of risk. You should consider carefully all of the risks described below, as well as the risks incorporated by reference in this prospectus supplement and the accompanying prospectus from our Annual Report on Form 20-F for the fiscal year ended December 31, 2012 and our other filings under the Exchange Act that are incorporated by reference that are described under “Incorporation of Documents by Reference” in this prospectus supplement and the accompanying prospectus, before making a decision to invest in the ADSs. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. Some statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section titled “Special Note Regarding Forward-Looking Statements.”

Risks related to this Offering

The number of ADSs available for future sale could adversely affect the market price of our ADSs.

We cannot predict whether future issuances of our ADSs or the availability of ADSs for resale in the open market will decrease the market price of our ADSs. Upon completion of this offering, we will have outstanding 39,592,053 ADSs (41,306,338 ADSs if the underwriters exercise their option to purchase additional ADSs in full), based on the number of ADSs outstanding as of June 30, 2013.

In January 2013, we filed a universal shelf registration statement with the SEC, which was declared effective in February 2013 and permits us, from time to time, to offer and sell up to an aggregate of \$500 million of common shares, preference shares, debt securities, warrants, subscription rights and units to the extent necessary or advisable to meet our liquidity needs.

Any of the following could have an adverse effect on the market price of our ADSs:

- the exercise of the underwriters’ option to purchase additional ADSs;

Edgar Filing: Fly Leasing Ltd - Form 424B2

- issuances of exchangeable notes or other exchangeable or convertible securities;

- issuances of preferred shares with liquidation or distribution preferences; and

- other issuances of our ADSs.

The sale of ADSs in this offering and future sales or issuances of our ADSs may be dilutive to existing shareholders.

In connection with this offering, we, our executive officers and directors, Summit, BBAM Limited Partnership, the Manager, Onex and the Servicer have entered into lock-up agreements restricting the sale of any of our ADSs or any securities convertible into or exercisable or exchangeable for our common shares or ADSs for 90 days following the date of this prospectus supplement. However, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and RBC Capital Markets, LLC, as representatives of the underwriters, or the representatives, at any time may release all or a portion of the securities subject to the foregoing lock-up provisions. We have been advised by the representatives that, when determining whether or not to release ADSs or other securities subject to a lock-up agreement, the representatives will consider the particular circumstances surrounding the request, including but not limited to, the length of time before the lock-up expires, the number of ADSs or other securities requested to be released, the reason for the request, the possible impact on the market for our ADSs and whether the holder of ADSs or other securities requesting the release is an officer, director, or other affiliate of our company. If the restrictions under such agreements are waived, the affected ADSs or other securities, including 2,191,060 ADSs held by Summit and Onex that were registered for resale under the Securities Act, may be available for sale into the market, which could reduce the market price of our ADSs.

S-9

Table of Contents

From time to time we also may issue ADSs in connection with aircraft acquisitions. We may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of our ADSs, or the perception that these sales could occur, may adversely affect the prevailing market price of our ADSs or may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities.

Our share price could be volatile and could decline, resulting in a substantial or complete loss on our shareholders' investment.

The stock markets, including the New York Stock Exchange, on which we list our ADSs, have experienced significant price and volume fluctuations. As a result, the market price of our ADSs could be similarly volatile, and investors in our ADSs may experience a decrease in the value of their ADSs, including decreases unrelated to our operating performance or prospects. The price of our ADSs could be subject to wide fluctuations in response to a number of factors, including:

- variations in our quarterly operating results;
- failure to meet earnings estimates;

publication of research reports about us, other aircraft lessors or the aviation industry or the failure of securities analysts to cover our shares after this offering;

- additions or departures of key management personnel;

adverse market reaction to any indebtedness we may incur or preference or common shares or ADSs we may issue in the future;

- changes in our dividend payment policy or failure to execute our existing policy;
- actions by shareholders;
- changes in market valuations of similar companies;

announcements by us or our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments;

- speculation in the press or investment community;

the realization of any of the other risk factors presented or incorporated by reference in this prospectus supplement;

- changes in accounting principles;

- terrorist acts;

changes or proposed changes in laws or regulations affecting the aviation industry or enforcement of these laws and regulations, or announcements relating to these matters; and

- general market conditions, including factors unrelated to our performance.

Many of the factors listed above are beyond our control. Those factors may cause the market price of our ADSs to decline significantly, regardless of our financial performance and condition and prospects. It is impossible to provide any assurance that the market price of our ADSs will not fall in the future, and it may be difficult for holders to resell shares of our ADSs at prices they find attractive, or at all.

Table of Contents

Our business operations may not generate the cash needed to make distributions on our capital stock or to service our indebtedness, and we may adjust our dividend policy.

Our ability to make distributions on our ADSs and payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our ADSs, to pay our indebtedness or to fund our other liquidity needs.

We may not be able to pay future dividends at the current level or at all, if, among other things, we do not have sufficient cash to pay the intended dividends or if our financial performance does not achieve expected results. To the extent that we do not have sufficient cash to pay dividends, we do not intend to borrow funds to pay dividends. The declaration and payment of future dividends to holders of our ADSs will be at the discretion of our board of directors and will depend on many factors, including our financial condition, cash flows, legal requirements and other factors as our board of directors deems relevant. As a Bermuda company, our ability to pay dividends is subject to certain restrictions imposed by Bermuda law. Any change in our dividend policy could have a material adverse effect on the market price of our ADSs.

Market interest rates may have an effect on the trading value of our ADSs.

One of the factors that investors may consider in deciding whether to buy or sell our ADSs is our dividend rate as a percentage of the price of our ADSs relative to market interest rates. If market interest rates increase, prospective investors may demand a higher dividend yield on our ADSs or seek alternative investments paying higher dividends or interest. As a result, interest rate fluctuations and capital market conditions can affect the market value of our ADSs. For instance, if interest rates rise, the market price of our ADSs may decrease as market rates on interest-bearing securities, such as bonds, increase.

We expect that we will be treated as a passive foreign investment company, or a “PFIC,” for the current taxable year and for the foreseeable future, which could have adverse U.S. federal income tax consequences to a U.S. Holder.

We expect that we will be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and for the foreseeable future. Assuming we are a PFIC, a U.S. Holder of our ADSs will be subject to the PFIC rules, with a variety of potentially adverse tax consequences under the U.S. federal income tax laws. Such consequences depend in part on whether such holder elects to treat us as a qualified electing fund (a “QEF”). Absent a QEF election or

mark-to-market election, a U.S. holder who disposes or is deemed to dispose of our ADSs at a gain, or who receives or is deemed to receive certain distributions with respect to our ADSs, generally will be required to treat such gain or distributions as ordinary income and to pay an interest charge on the tax imposed. If a U.S. Holder makes a QEF election in the first taxable year in which the U.S. Holder owns our ADSs (assuming our continued compliance with certain reporting requirements), then such U.S. Holder will be required for each taxable year to include in income a pro rata share of our ordinary earnings as ordinary income and a pro rata share of our net capital gains as long-term capital gain, subject to a separate voluntary election to defer payment of taxes, which deferral is subject to an interest charge. Such inclusion is required even if the amount exceeds cash distributions, if any. Moreover, our distributions, if any, will not qualify for the reduced rate of U.S. federal income tax that applies to qualified dividends paid to non-corporate U.S. taxpayers.

It is also possible that one or more of our subsidiaries is or will become a PFIC . Such determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the amount and nature of a subsidiary's income, as well as the market valuation and nature of a subsidiary's assets. In such case, assuming a U.S. Holder does not receive from us the information it needs to make a QEF election with respect such a subsidiary, a U.S. Holder generally will be deemed to own a portion of the shares of such lower-tier PFIC and may incur liability for a deferred tax and interest charge if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder otherwise is deemed to have disposed of an interest in, the lower-tier PFIC (including through a sale of our ADSs).

The determination whether or not we (or any of our subsidiaries) is a PFIC is a factual determination that is made annually based on the types of income we (or any of our subsidiaries) earn and the value of our (or our subsidiaries') assets, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that we (or any of our subsidiaries) will or will not be considered a PFIC in the current or future years or that the IRS will agree with our conclusion regarding our (or our subsidiaries') PFIC status. Investors should consult with their own tax advisors about the PFIC rules, including the advisability of making a QEF election or the mark-to-market election, and should carefully review the information under the heading "Tax Considerations—U.S. Federal Income Tax Considerations" contained in this prospectus supplement.

Table of Contents

Use of Proceeds

We expect that we will receive approximately \$150 million in net proceeds from this offering, after deducting the underwriters' discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering for general corporate purposes, including the acquisition of aircraft.

S-12

Table of Contents

Capitalization

The following table sets forth our consolidated cash and cash equivalents and capitalization as of March 31, 2013:

- on an actual basis; and
- as adjusted to give effect to the completion of this offering, assuming no exercise of the underwriters' option to purchase up to 1,714,285 additional ADSs.

This table should be read in conjunction with “Summary—Summary Historical Consolidated Financial Data” appearing elsewhere in this prospectus supplement and our consolidated financial statements, including the accompanying notes, incorporated by reference into this prospectus supplement.

	As of March 31, 2013	
	Actual	As Adjusted
	(Dollar amounts in thousands, except par value data)	
Cash and cash equivalents		
Cash and cash equivalents ⁽¹⁾	\$ 196,724	\$ 346,594
Restricted cash and cash equivalents	148,004	148,004
Total cash and cash equivalents	\$ 344,728	\$ 494,598
Long-term debt:		
Secured borrowings ⁽²⁾	\$ 1,981,774	\$ 1,981,774
Shareholders' equity		
Common shares, \$0.001 par value; 499,999,900 shares authorized; 28,124,536 shares issued and outstanding, actual; 39,553,107 shares issued and outstanding, as adjusted	28	40
Manager shares, \$0.001 par value; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	484,539	634,397
Retained earnings	109,377	109,377
Accumulated other comprehensive loss, net	(30,605)	(30,605)
Total shareholders' equity	563,339	713,209
Total capitalization	\$ 2,545,113	\$ 2,694,983

(1) Between March 31, 2013 and June 30, 2013, approximately \$36 million of unrestricted cash was used to purchase three Boeing 737-800 aircraft.

(2) Net of unamortized debt discounts.

S-13

Table of Contents

Market for Common Stock and Dividends

Our ADSs are traded on the New York Stock Exchange under the symbol “FLY.”

The following table sets forth the quarterly high and low sales prices for our ADSs on the New York Stock Exchange for the two most recent financial years:

	High	Low
2011:		
Quarter ended March 31, 2011	14.58	12.17
Quarter ended June 30, 2011	14.54	12.67
Quarter ended September 30, 2011	13.49	10.00
Quarter ended December 31, 2011	13.23	10.53
2012:		
Quarter ended March 31, 2012	14.17	12.01
Quarter ended June 30, 2012	13.76	11.40
Quarter ended September 30, 2012	13.63	12.25
Quarter ended December 31, 2012	13.95	11.06
2013:		
Quarter ended March 31, 2013	16.50	12.51
Quarter ended June 30, 2013	17.37	14.63
Quarter ended September 30, 2013 (through July 11, 2013)	17.30	14.45

The last reported sale price of our ADSs on the New York Stock Exchange on July 11, 2013 was \$14.75 per ADS. As of June 30, 2013, there were 28,163,482 ADSs outstanding, each representing one common share.

The table below shows the quarterly dividends we have paid and the total cash requirement for each dividend payment.

Dividend payment date	Dividends	
	paid per share	Total cash outlay
2013:		
May 20, 2013	\$ 0.22	\$ 6.2 million

Edgar Filing: Fly Leasing Ltd - Form 424B2

February 20, 2013	\$ 0.22	\$ 6.2 million
2012:		
November 20, 2012	\$ 0.22	\$ 5.7 million
August 20, 2012	\$ 0.22	\$ 5.7 million
May 21, 2012	\$ 0.20	\$ 5.1 million
February 17, 2012	\$ 0.20	\$ 5.1 million
2011:		
November 21, 2011	\$ 0.20	\$ 5.1 million
August 19, 2011	\$ 0.20	\$ 5.1 million
May 20, 2011	\$ 0.20	\$ 5.1 million
February 18, 2011	\$ 0.20	\$ 5.3 million
2010:		
November 19, 2010	\$ 0.20	\$ 5.3 million
August 20, 2010	\$ 0.20	\$ 5.4 million
May 20, 2010	\$ 0.20	\$ 5.7 million
February 19, 2010	\$ 0.20	\$ 6.1 million

Notwithstanding the foregoing, we may not be able to pay future dividends at the current level or at all, if, among other things, we do not have sufficient cash to pay the intended dividends or if our financial performance does not achieve expected results. To the extent that we do not have sufficient cash to pay dividends, we do not intend to borrow funds to pay dividends.

The declaration and payment of future dividends to holders of our common shares will be at the discretion of our board of directors and will depend on many factors, including our financial condition, cash flows, legal requirements and other factors as our board of directors deems relevant.

Pursuant to Bermuda law, we are restricted from declaring or paying a dividend if there are reasonable grounds for believing that (1) we are, or would after the payment be, unable to pay our liabilities as they become due, or (2) the realizable value of our assets would thereby be less than our liabilities.

Table of Contents

Tax Considerations

The following discussion is a summary of certain of the tax implications of an investment in our shares. You should consult your tax advisor prior to investing regarding all U.S. federal, U.S. state, U.S. local, Irish, Bermuda and other country income and other tax consequences of an investment in our shares, with specific reference to your own particular tax situation and recent changes in applicable law. References to our shares throughout this discussion include references to our ADSs.

U.S. Federal Income Tax Considerations

The following is a general discussion of the U.S. federal income taxation of us and of certain U.S. federal income tax consequences of acquiring, holding or disposing of the shares by U.S. Holders (as defined below) and information reporting and backup withholding rules applicable to both U.S. and Non-U.S. Holders (as defined below). It is based upon the U.S. Internal Revenue Code of 1986, as amended (the "Code"), issued and proposed income tax regulations ("Treasury Regulations") promulgated thereunder, legislative history, and judicial and administrative interpretations thereof, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). In addition, the application and interpretation of certain aspects of the passive foreign investment company ("PFIC") rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service ("IRS") or the courts. This summary does not address any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, and does not purport to address all of the U.S. federal income tax consequences applicable to us or to all categories of investors, some of whom may be subject to special rules including, without limitation, dealers in securities, commodities, or foreign currencies, financial institutions or "financial services entities," insurance companies, holders of shares held as part of a "straddle," "hedge," "constructive sale," "conversion transaction," or other integrated transaction for U.S. federal income tax purposes, U.S. persons whose "functional currency" is not the U.S. dollar, persons who have elected "mark-to-market" accounting, persons who have not acquired their shares upon their original issuance, or in exchange for consideration other than cash, persons who hold their shares through a partnership or other entity which is a pass-through entity for U.S. federal income tax purposes, or persons for whom a share is not a capital asset, and persons holding, directly indirectly or constructively, 5% or more of our ADSs or underlying shares. The tax consequences of an investment in our shares will depend not only on the nature of our operations and the then-applicable U.S. federal tax principles, but also on certain factual determinations that cannot be made at this time, and upon a particular investor's individual circumstances. No rulings have been or will be sought from the IRS regarding any matter discussed herein.

For purposes of this discussion, a "U.S. Holder" is (1) a citizen or resident of the United States; (2) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the

United States or any political subdivision thereof; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust which (a) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. A “Non-U.S. Holder” is a beneficial owner of our shares that is not a U.S. Holder and who, in addition, is not (1) a partnership or other fiscally transparent entity; (2) an individual present in the United States for 183 days or more in a taxable year who meets certain other conditions; or (3) subject to rules applicable to certain expatriates or former long-term residents of the United States. This summary does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a decision to purchase the shares. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than the United States. For U.S. tax purposes holders of our ADSs are treated as if they hold the underlying common shares represented by the ADSs.

Taxation of U.S. Holders of Shares

We expect that we will be treated as a PFIC for U.S. federal income tax purposes for the current taxable year and for the foreseeable future and that U.S. Holders of shares will be subject to the PFIC rules, as summarized below. However, no assurance can be given that we (or any of our subsidiaries) will or will not be considered a PFIC in the current or future years. The determination whether or not we are a PFIC is a factual determination that is made annually based on the types of income we earn and the value of our assets, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that we are or are not a PFIC or that the IRS will agree with our conclusion regarding our PFIC status. If we (or any of our subsidiaries) are currently or were to become a PFIC, U.S. Holders of shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

Tax Consequences of PFIC Status. The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of shares of stock in a PFIC. We will be treated as a PFIC if (i) 75% or more of our gross income is passive income or (ii) at least 50% of our assets are held for the production of, or produce, passive income in a taxable year, based on a quarterly average and generally by value, including our pro rata share of the gross income or assets of any company, U.S. or foreign, in which we are considered to own directly or indirectly 25% or more of the shares by value. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. Assuming we are a PFIC, our dividends will not qualify for the reduced rate of U.S. federal income tax that applies to qualified dividends paid to non-corporate U.S. Holders. Thus, dividends (as determined for U.S. federal income tax purposes) will be taxed at the rate applicable to ordinary income of the U.S. Holder.

Assuming we are a PFIC, U.S. Holders of our shares will be subject to different taxation rules with respect to an investment in our shares depending on whether they elect to treat us as a qualified electing fund (a “QEF”), with respect to their investment in our shares. If a U.S. Holder makes a QEF election in the first taxable year in which the U.S. Holder owns our shares (and if we comply with certain reporting requirements, which we have done and intend to do), then such U.S. Holder will be required for each taxable year to include in income a pro rata share of our ordinary earnings as ordinary income and a pro rata share of our net capital gain as long-term capital gain, subject to a separate voluntary election to defer payment of taxes, which deferral is subject to an interest charge. If a QEF election is made, U.S. Holders will not be taxed again on our distributions, which will be treated as return of capital for U.S. federal income tax purposes. Instead, distributions will reduce the U.S. Holder’s basis in our shares and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of a capital asset.

The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed U.S. federal income tax return or, if not required to file an income tax return, by filing such form with the IRS. Even if a QEF election is not made, a shareholder in a PFIC who is a U.S. Holder must file a completed IRS Form 8621 every year. We have provided and intend to continue to provide U.S. Holders with all necessary information to enable them to make QEF elections with respect to Fly Leasing Limited as described above.

U.S. Holders may, instead of making a QEF election, make a “mark-to-market” election, recognizing as ordinary income or loss each year an amount equal to the difference, as of the close of the taxable year, between the fair market value of the shares and the U.S. Holder’s adjusted tax basis in the shares. Losses would be allowed only to the extent of net mark-to-market gain previously included by the U.S. Holder under the election for prior taxable years. If the mark-to-market election were made, then the rules set forth below would not apply for periods covered by the election. The U.S. Holder’s basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. A mark-to-market election is only available if our shares meet trading volume requirements on qualifying exchange.

Because we are a PFIC, if a U.S. Holder does not make a QEF election or mark-to-market election, then the following special rules will apply:

Excess distributions by us to a U.S. Holder would be taxed in a special way. “Excess distributions” are amounts received by a U.S. Holder with respect to our shares in any taxable year that exceed 125% of the average distributions received by such U.S. Holder from us in the shorter of either the three previous years or such U.S. Holder’s holding period for shares before the present taxable year. Excess distributions must be allocated ratably to each day that a U.S. Holder has held our shares. A U.S. Holder must include amounts allocated to the current taxable year in its gross income as ordinary income for that year. A U.S. Holder must pay tax on amounts allocated to each prior taxable year in which we were a PFIC at the highest rate in effect for that year on ordinary income and the tax is subject to an interest charge at the rate applicable to deficiencies for income tax. The preferential U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. Holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions.

The entire amount of gain realized by a U.S. Holder upon the sale or other disposition of shares will also be treated as an excess distribution and will be subject to tax as described above.

The tax basis in shares that were acquired from a decedent who was a U.S. Holder would not receive a step-up to fair market value as of the date of the decedent's death but would instead be equal to the decedent's basis, if lower than fair market value.

If a corporation is a PFIC for any taxable year during which a U.S. Holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the U.S. Holder's shares, even if the corporation no longer satisfies either the passive income or passive assets test described above, unless the U.S. Holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

It is also possible that one or more of our subsidiaries is or will become a PFIC. Such determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the amount and nature of a subsidiary's income, as well as the market valuation and nature of a subsidiary's assets. In such case, assuming a U.S. Holder does not receive from such subsidiary the information that the U.S. Holder needs to make a QEF election with respect such a subsidiary, a U.S. Holder generally will be deemed to own a portion of the shares of such lower-tier PFIC and may incur liability for a deferred tax and interest charge if we receive a distribution from, or dispose of all or part of our interest in, or the U.S. Holder otherwise is deemed to have disposed of an interest in, the lower-tier PFIC (including through a sale of our ADSs). There is no assurance that we will have timely knowledge of the status of any such lower-tier PFIC, or that we will cause the lower-tier PFIC to provide the required information for a U.S. Holder to make or maintain a QEF election with respect to the lower-tier PFIC. In addition, a mark-to-market election generally would not be available with respect to such a lower-tier PFIC. U.S. Holders are advised to consult with their tax advisors regarding the tax issues raised by lower-tier PFICs.

You should consult your tax advisor about the PFIC rules, including the advisability of making a QEF election or mark-to-market election.

In addition, a U.S. Holder that is an individual (and, to the extent provided in future regulations, an entity), may be subject to recently-enacted reporting obligations with respect to shares and if the aggregate value of these and certain other "specified foreign financial assets" exceeds \$50,000. If required, this disclosure is made by filing Form 8938 with the IRS. Significant penalties can apply if holders are required to make this disclosure and fail to do so. In addition, a U.S. Holder should consider the possible obligation to file a Form TD F 90-22.1—Foreign Bank and Financial Accounts Report as a result of holding shares. Holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of shares.

Taxation of the Disposition of Shares. Subject to the information below, a U.S. Holder that has made a QEF election for the first year of its holding period will recognize capital gain or loss in an amount equal to the difference between

such U.S. Holder's basis in the shares, which is usually the cost of such shares (as adjusted to take into account any QEF inclusion, which increases the basis of such shares, and any distribution, which decreases the basis of such shares) and the amount realized on a sale or other taxable disposition of the shares. If, as anticipated, the shares are publicly traded, a disposition of shares will be considered to occur on the "trade date," regardless of the U.S. Holder's method of accounting. If a QEF election has been made, then subject to the information below, capital gain from the sale, exchange or other disposition of shares held more than one year is long-term capital gain and is eligible for a maximum 15% rate of taxation for non-corporate U.S. Holders.

In the event any of our subsidiaries is treated as a PFIC and a QEF election is not made for such subsidiary, a U.S. Holder may incur liability for a deferred tax (imposed at ordinary rates) and an interest charge in respect of such subsidiary upon a disposition by such U.S. Holder of some or all of our shares, in the same manner as if we had sold or disposed of some or all of the shares of such subsidiary. U.S. Holders should consult with their tax advisors regarding the consequences to them of a sale or other disposition of our shares in a case where we have a subsidiary with respect to which a QEF election is not made.

Medicare Tax

Legislation enacted in 2010 requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% Medicare surtax on all or part of that U.S. Holder's "net investment income", which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the shares, subject to certain limitations and exceptions. This surtax applies to taxable years beginning after December 31, 2012. Prospective investors should consult their own tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the Equity Shares.

Information Reporting and Backup Withholding for U.S. Holders

Dividend payments made within the United States with respect to the shares, and proceeds from the sale, exchange or redemption of shares, may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification or who is otherwise exempt from backup withholding. Generally, a U.S. Holder will provide such certification on IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's tax liability, and a U.S. Holder may obtain a refund of any excess amount withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS.

Information Reporting and Backup Withholding for Non-U. S. Holders

Information reporting to the United States and backup withholding to the IRS generally would not be required for dividends paid on our shares or proceeds received upon the sale, exchange or redemption of our shares to Non-U.S. Holders who hold or sell our shares through the non-U.S. office of a non-U.S. related broker or financial institution. Information reporting and backup withholding may apply if shares are held by a Non-U.S. Holder through a U.S., or U.S.-related, broker or financial institution, or the U.S. office of a non-U.S. broker or financial institution and the Non-U.S. Holder fails to establish an exemption from information reporting and backup withholding by certifying such holder's status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

The IRS may make information reported to you and the IRS available under the provisions of an applicable income tax treaty to the tax authorities in the country in which you reside. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, if any, provided the required information is timely furnished by you to the IRS. You should consult your own tax advisors regarding

the filing of a U.S. tax return for claiming a refund of any such backup withholding. Non-U.S. Holders should consult their tax advisors regarding the application of these rules.

Taxation of Fly and Our Subsidiaries

Although Fly's income is primarily subject to corporate tax in Ireland, part of our income is also subject to taxation in the United States, France and Australia.

Unless otherwise exempted by an applicable income tax treaty, a non-U.S. corporation that is directly or through agents engaged in a trade or business in the United States is generally subject to U.S. federal income taxation, at the graduated tax rates applicable to U.S. corporations, on the portion of such non-U.S. corporation's income that is "effectively connected" with such trade or business. In addition, such a non-U.S. corporation may be subject to the U.S. federal branch profits tax on the portion of its "effectively connected earnings and profits" constituting "dividend equivalent amounts" at a rate of 30%, or at such lower rate as may be specified by an applicable income tax treaty. In addition non-U.S. corporations that earn certain U.S. source income not connected with a U.S. trade or business can be subject to a 30% withholding tax on such gross income unless they are entitled to a reduction or elimination of such tax by an applicable treaty. Furthermore, even if a non-U.S. corporation is not engaged in a U.S. trade of business, certain U.S. source "gross transportation income" (which includes rental income from aircraft that fly to and from the United States) is subject to a 4% gross transportation tax in the United States unless a statutory or treaty exemption applies.

We expect that we and our Irish tax resident subsidiaries will be entitled to claim the benefits of the Irish Treaty. Accordingly, even if we earn income that otherwise would be subject to tax in the United States, such income is expected to be exempt from U.S. tax under the Irish Treaty to the extent that it is: (1) rental income attributable to aircraft used in international traffic; (2) gain from the sale of aircraft used in international traffic; or (3) U.S. source business profits (which includes rental income from, and gains attributable to, aircraft operated in U.S. domestic service) not connected with a U.S. permanent establishment. For this purpose, “international traffic” means transportation except where flights are solely between places within the United States. We also expect that we will not be treated as having a U.S. permanent establishment. Thus we do not believe that we will be subject to taxation in the United States on any of our aircraft rental income or gains from the sale of aircraft.

We had a 15% investment in BBAM LP, a Cayman Islands exempted limited partnership which wholly owned subsidiaries in the United States, Ireland, Bermuda, U.K., Singapore, Japan, Switzerland and the Cayman Islands. The U.S. subsidiaries were classified as disregarded entities and not were subject to entity level taxes for U.S. tax purposes. We received an allocated share of income, deductions and credits from BBAM LP and our share of the U.S. effectively connected income was subject to U.S. federal taxes and, as applicable, state and local taxes.

In 2011, we made a 57.41% investment in Fly-Z/C Aircraft Holdings LP, a US partnership incorporated in Delaware. The partnership wholly owns an Irish company, Fly-Z/C Aircraft Limited. Fly-Z/C Aircraft Holdings LP and Fly-Z/C Aircraft Limited are not expected to have a deemed U.S. trade or business subject to tax on effectively connected income or a U.S. permanent establishment subject to tax on business profits under Article 7. Fly-Z/C Aircraft Limited is expected to be a qualified resident under the U.S. and Ireland tax treaty.

Effectively connected taxable income means the taxable income of the partnership which is effectively connected (or treated as effectively connected) with the conduct of a trade or business in the United States.

No assurances can be given, however, that we will continue to qualify each year for the benefits of the Irish Treaty or that we will not in the future be treated as maintaining a permanent establishment in the United States or having income that is effectively connected with the conduct of a trade or business in the United States. In order for us and our subsidiaries to be eligible for the benefits of the Irish Treaty for a particular fiscal year, we must each satisfy the requirements of Article 23 (Limitation on Benefits) of the Irish Treaty for that fiscal year. We will be eligible for the benefits of the Irish Treaty if the principal class of our shares is substantially and regularly traded on one or more recognized stock exchanges. Our shares will be considered substantially and regularly traded on one or more recognized stock exchanges in a fiscal year if: (1) trades in such shares are effected on such stock exchanges in more than de minimis quantities during every quarter; and (2) the aggregate number of shares traded on such stock exchanges during the previous fiscal year is at least 6% of the average number of shares outstanding during that taxable year. We satisfied this requirement for each of the years since our inception. If our shares cease to be treated as regularly traded, then we may no longer be eligible for the benefits of the Irish Treaty. Our subsidiaries that are Irish tax-resident will be eligible for benefits under the Irish Treaty if we hold, directly or indirectly, 50% or more of the vote and value of the subsidiary and we meet the regularly traded test described above.

If we or any subsidiary were not entitled to the benefits of the Irish Treaty, any income that we or that subsidiary earns that is treated as effectively connected with a trade or business in the United States, either directly or through agents, would be subject to tax in the United States at a rate of 35%. In addition, we or that subsidiary would be subject to the U.S. federal branch profits tax at a rate of 30% on its effectively connected earnings and profits, considered distributed from the U.S. business. In addition, if we did not qualify for Irish Treaty benefits, certain U.S. source rental income not connected with a U.S. trade or business could be subject to withholding tax of 30% and certain U.S. source gross transportation income could be subject to a 4% gross transportation tax if an exemption did not apply.

Irish Tax Considerations

The following discussion reflects the material Irish tax consequences applicable to both Irish and Non-Irish Holders (as defined below) of the acquisition, ownership and disposition of our shares. This discussion is based on Irish tax law, statutes, treaties, regulations, rulings and decisions all as of the date of this Annual Report. Taxation laws are subject to change, from time to time, and no representation is or can be made as to whether such laws will change, to what impact, if any, such changes will have on the summary contained in this Annual Report. Proposed amendments may not be enacted as proposed, and legislative or judicial changes, as well as changes in administrative practice, may modify or change statements expressed herein.

This summary is of a general nature only. It does not constitute legal or tax advice nor does it discuss all aspects of Irish taxation that may be relevant to any particular holder of our shares. The Irish tax treatment of a holder of our shares may vary depending upon such holder's particular situation, and holders or prospective purchasers of our shares are advised to consult their own tax advisors as to the Irish or other tax consequences of the purchase, ownership and disposition of our shares.

For the purposes of this summary of Irish tax considerations:

An "Irish Holder" is a holder of our shares that (1) beneficially owns our shares by virtue of holding the related ADSs evidenced by the relevant American Depositary Receipt or ADR; (2) in the case of individual holders, is resident or ordinarily resident in Ireland under Irish taxation laws; and (3) in the case of a holder that is a company, is resident in Ireland under Irish taxation laws and is not also a resident of any other country under any double taxation agreement entered into by Ireland.

A "Non-Irish Holder" is a holder of our shares that (1) beneficially owns our shares by virtue of holding the related ADSs evidenced by the relevant ADR, and (2) is not an Irish Holder and has never been an Irish Holder.

A "US Holder" is a holder of our shares that: (1) beneficially owns our shares by virtue of holding the related ADSs evidenced by the relevant ADR; (2) is a resident of the United States for the purposes of the Ireland/United States Double Taxation Convention; (3) in the case of an individual holder, is not also resident or ordinarily resident in Ireland for Irish tax purposes; (4) in the case of a corporate holder, is not resident in Ireland for Irish tax purposes and is not ultimately controlled by persons resident in Ireland; and (5) is not engaged in any trade or business and does not perform independent personal services through a permanent establishment or fixed base in Ireland.

"Relevant Territory" is defined as a country with which Ireland has a double tax treaty, (which includes the United States), or a member state of the European Union other than Ireland.

Irish Dividend Withholding Tax

Dividends that we pay on our shares generally are subject to a 20% dividend withholding tax, or DWT. DWT may not apply where an exemption is permitted by legislation or treaty and where all necessary documentation has been submitted to the ADS depository prior to the payment of the dividend.

Irish Holders. Individual Irish Holders are subject to DWT on any dividend payments that we make. Corporate Irish Holders will generally be entitled to claim an exemption from DWT by delivering a declaration to us in the form prescribed by the Irish Revenue Commissioners.

Non-Irish Holders. Shareholders who are individuals resident in a Relevant Territory and who are not resident or ordinarily resident in Ireland may receive dividends free from DWT where the shareholder has provided the ADS depository with the relevant declaration and residency certificate required by Irish legislation. Corporate shareholders that are not resident