

Audit Committee Charter

Fly Leasing Limited

As of: March 5, 2014

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Audit Committee Charter

1. Background

This Audit Committee Charter was originally adopted on November 6, 2007 and has been amended and restated as of March 5, 2014.

This Charter is intended as a component of the robust governance framework within which the Board of Directors (the “Board”) of Fly Leasing Limited (the “Company”), assisted by its committees, directs the affairs of the Company. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Company’s Memorandum of Association and Bye-laws, it is not intended to establish by its own force any legally binding obligations.

2. Objectives

The Audit Committee (the “Committee”) shall assist the Board in fulfilling its responsibility to oversee management regarding: (i) the conduct and integrity of the Company’s financial reporting to any governmental or regulatory body, shareholders, other users of Company financial reports and the public; (ii) the Company’s systems of internal control over financial reporting and disclosure controls and procedures; (iii) the qualifications, engagement, compensation and independence of the registered public accounting firm that shall audit the Company’s annual financial statements (the “independent auditor”) and any other registered public accounting firm engaged to prepare or issue an audit report or to perform other audit, review or attest services for the Company, their conduct of the annual audit of the Company’s financial statements, and their engagement to provide any other services; (iv) the performance of the Company’s internal audit function and independent auditors; (v) the Company’s legal and regulatory compliance; (vi) the application of the Company’s codes of business conduct and ethics as established by management and the Board; and (vii) policies related to risk assessment and risk management.

In discharging its role, the Committee is empowered to inquire into any matter it considers appropriate to carry out its responsibilities, with access to all books, records, facilities and personnel of the Company. In addition to retaining the Company’s independent auditor (subject to shareholder approval) and any other accounting firm retained to prepare or issue any other audit report or to perform any other audit, review or attest services the Committee determines is necessary or appropriate in connection with the conduct of the Company’s business and affairs, the Committee has the power to retain outside counsel, other auditors or other advisers to assist it in carrying out its activities. The Company shall provide adequate resources to support the Committee’s activities, including compensation of the Company’s independent auditor and any counsel, other auditors and other advisers retained by the Committee. The Committee shall have the sole authority to retain (subject to shareholder approval), compensate, direct, oversee and terminate the Company’s independent auditor and any counsel, other auditors and other advisers hired to assist the Committee, who shall be accountable

ultimately to the Committee.

3. Committee Membership

The Committee shall consist of at least three members of the Board, each of whom the Board has selected and determined to be “independent” for purposes of audit committee membership in accordance with (a) the applicable listing standards of the New York Stock Exchange, as in effect and interpreted by the Board in its business judgment, including as set forth in the Company’s Board Governance Document, (b) the rules of the Securities and Exchange Commission (“SEC”) and (c) any other applicable legal requirements.

All members of the Committee shall meet the financial literacy requirements of the New York Stock Exchange and at least one member shall be an “audit committee financial expert” as such term is defined under applicable SEC rules. No member of the Committee may serve on the audit committee of more than three public companies, including the Company, unless the Board has determined that such simultaneous service would not impair the ability of such member to effectively serve on the Committee. Such determination shall be disclosed on the Company’s website or in the Company’s Annual Report on Form 20-F to be filed with the SEC.

The Board may appoint or replace Committee members to or from the Committee by resolution. Members of the Committee may withdraw from membership by written notice to the Chairman of the Board. Members shall continue to be members for as long as they remain directors or until their earlier resignation or removal from the Committee. Any member may be removed by the Board, with or without cause, at any time. The chairman (the “Chairman”) of the Committee shall be appointed from among the Committee members by, and serve at the pleasure of, the Board, shall preside at meetings of the Committee and shall have authority to convene meetings, set agendas for meetings, and determine the Committee’s information needs, except as otherwise provided by action of the Committee. In the absence of the Chairman at a duly convened meeting, the Committee shall select a temporary substitute from among its members to serve as chair of the meeting.

4. Committee Meetings

The Committee shall meet on a regularly-scheduled basis at least four times per year and additionally as circumstances dictate. The Committee shall meet periodically with management, internal auditors (or other personnel responsible for the internal audit function), as well as the independent auditor, in separate executive sessions to provide the opportunity for full and frank discussion without members of senior management present.

The Committee shall establish its own schedule of meetings. Meetings of the Committee may be held telephonically or by other similar means, and decisions may be made by written resolutions. A quorum of the Committee will comprise two of its members, although all members of the Committee are expected to attend (either in

person or telephonically or other similar means) and participate. The affirmative vote of a majority of members present at a meeting at which a quorum is present shall constitute the action of the Committee. Each member of the Committee will have one vote. The Chairman will not have a casting vote. If there is a tied vote, the motion will lapse.

Following each meeting the Chairman will report to the Board on any matter that should be brought to the Board's attention, and on any recommendation of the Committee that requires Board approval or action. As necessary or desirable, the Chairman may invite members of management, other personnel and representatives of the external financial auditors or other external advisors, to be present at meetings of the Committee.

The Committee shall otherwise establish its own rules of procedure.

5. Key Responsibilities

The Committee's role is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the independent auditor is responsible for auditing those financial statements. The Committee recognizes that Company management and the independent auditor have more time, knowledge and detailed information about the Company than do Committee members. Consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditor's work.

The following responsibilities are set forth as a guide to fulfilling the Committee's purposes, with the understanding that the Committee's activities may diverge as appropriate given the circumstances. The Committee is authorized to carry out these activities and other actions reasonably related to the Committee's purposes or assigned by the Board from time to time.

The Committee may form, and delegate any of its responsibilities to, a subcommittee so long as such subcommittee is solely comprised of one or more members of the Committee.

To fulfill its purposes, the Committee shall:

A. Oversee the Engagement of the Independent Auditor

1. appoint (subject to such approval of the shareholders), evaluate, compensate, oversee the work of, and if appropriate terminate the appointment of, the independent auditor, who shall report directly to the Committee;
2. discuss with management and the independent auditor, in connection with the annual engagement of the independent auditor, any discussion or correspondence between management and the independent auditor concerning significant issues pertaining to the

application of accounting principles or auditing standards to the Company; review and approve the terms of the engagement of the independent auditor and the scope and expected timing of the annual audit; approve any audit-related and permitted non-audit services (including the fees and material terms thereof) to be provided by the independent auditor; and, in connection with approval of any permissible tax services and services related to internal control over financial reporting, discuss with the independent auditor the potential effects of such services on the independence of the auditor;

3. (i) on an annual basis, review a formal written statement from the independent auditor delineating all relationships between the independent auditor and the Company, consistent with Public Company Accounting Oversight Board (“PCAOB”) Rule 3526, “Communications with Audit Committees Concerning Independence,” and discuss with the independent auditor any relationships or services that may impact the objectivity and independence of the independent auditor and take appropriate action in response to the independent auditor’s statement of its relationships with the Company to satisfy itself of the independent auditor’s independence; and (ii) set clear hiring policies for employees or former employees of the independent auditor;
4. at least annually, obtain and review a report by the independent auditor describing: (i) the firm’s internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any review, inquiry or investigation by governmental or professional authorities (including the PCAOB), within the preceding five years, regarding one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and (iii) all relationships between the independent auditor and the Company;
5. at least annually, evaluate the qualifications, independence and performance of the independent auditors and the lead audit partner and present conclusions to the full Board after taking into account the opinions of management and, if so determined by the Committee, recommend that the Board take additional action to satisfy itself of the qualifications, independence and performance of the independent auditors and the lead audit partner;
6. at least annually, take such steps as may be required by law with respect to the regular rotation of the lead audit partner, and further consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm itself;

B. Oversee Internal Controls and Risk Management

7. review and discuss with management and the independent auditor the Company's financial risk exposures and assess the policies and processes management has implemented to monitor and control such exposures, and assist the Board in fulfilling its oversight responsibilities regarding the Company's policies and processes with respect to risk assessment and risk management, including any significant non-financial risk exposures;
8. review and monitor risks related to interest rates, concentration limits and credit risk;
9. establish and oversee procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and any other aspects of the Company's internal control over financial reporting, and the confidential, anonymous submission of concerns regarding questionable accounting, financial reporting or auditing matters;
10. oversee management's design and maintenance of the Company's internal control over financial reporting and disclosure controls and procedures, including reviewing and discussing with management and the independent auditor (i) management's certification in the Company's periodic SEC reports concerning the Company's disclosure controls and procedures and any reports by management or the independent auditor of a material weakness or significant deficiency in internal control over financial reporting, (ii) the actions taken to remedy any such material weakness or significant deficiency and any changes in circumstances that have, or are reasonably likely to have, a material effect on internal control over financial reporting, (iii) management's annual assessment of the adequacy of the Company's internal control over financial reporting, (iv) the independent auditor's annual attestation report regarding the Company's internal control over financial reporting, and (v) any identified act of fraud, whether or not material, that involves any individuals who have a significant role in the Company's internal control over financial reporting or disclosure controls and procedures;

C. Oversee Financial Reporting and Auditing

11. review and discuss with management and the independent auditor: (i) the critical accounting policies and practices used by the Company, the accounting treatment to be applied in respect of significant new transactions or other significant events not in the ordinary course of the Company's business, any significant changes in management's selection or application of accounting principles, and major issues as to the adequacy of the Company's

internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting treatments within generally accepted accounting principles for material items that have been discussed by the independent auditor with management, including the ramifications of the use of such treatments and the treatment preferred by the independent auditor; (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements; and (iv) the type and presentation of information to be included in earnings press releases.

12. review and discuss with management and the independent auditor: (i) any significant findings during the year, including the status of previous audit recommendations; (ii) any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise) and any other audit problems or difficulties encountered (and management's response) in the course of audit work, including any matters the independent auditor is required in accordance with applicable auditing standards to bring to the attention of the Committee; (iii) any significant difficulties encountered in the course of audit work, including any restrictions on the scope of the independent auditor's activities or on access to required information, and any significant disagreements with management; (iv) any material changes required in the scope of the audit plan; (v) any special audit steps adopted by the independent auditor or the internal audit function in light of any material weakness in the Company's internal control over financial reporting; (vi) the coordination of audit efforts in order to monitor completeness of coverage, reduction of redundant efforts, and the effective use of audit resources; and (vii) the responsibilities, budget and staffing of the Company's internal audit function;
13. review and resolve any disagreements between management and the independent auditor concerning financial reporting, or relating to any audit report or other audit, review or attest services provided by the independent auditor;
14. review and discuss with the independent auditor: (i) any material communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and (ii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company or any other material written

communications between the accounting firm and management, such as any management letter or schedule of unadjusted differences;

15. review the Company's financial statements, including: (i) prior to public release, review and discuss with management and the independent auditor the Company's annual and periodic financial statements to be filed or submitted with the SEC (including the Company's disclosures under "Operating and Financial Review and Prospects"); (ii) with respect to the independent auditor's annual audit report and attestation report with respect to internal control over financial reporting, prior to release of the annual audited financial statements, meet with the independent auditor without any management member present to discuss the adequacy of the preparation of the Company's audited financial statements (including accounting policies, accounting estimates and financial statement disclosures), the Company's system of internal control over financial reporting and the audit procedures applied by the independent auditor; (iii) meet separately, periodically, with management and other personnel regarding such matters; and (iv) recommend to the Board whether to include the audited annual financial statements in the Company's Annual Report on Form 20-F to be filed with the SEC;
16. receive and consider, in connection with the Company's financial statements, the Chief Executive Officer's and Chief Financial Officer's letters of representation to the independent auditor;
17. discuss with management and the independent auditor, as appropriate, earnings press releases and review financial information and earnings guidance (including the dissemination of financial information not involving the presentation of financial measures in accordance with generally accepted accounting principles) provided to analysts and to rating agencies;

D. Oversee Legal and Ethical Compliance

18. review periodically: (i) legal and regulatory matters that may have a material impact on the Company's financial statements and (ii) the scope and effectiveness of the Company's legal and regulatory compliance policies and programs;
19. review with management, at least annually, compliance with, the adequacy of and any requests for waivers under, the Company's codes of business conduct and ethics and procedures concerning trading in Company securities and use in trading of proprietary or confidential information;
20. review and address conflicts of interest of directors and executive

officers;

E. Related-Party Transactions

21. review all relationships and transactions to which the Company or any of its subsidiaries is a party in which the Company's directors and executive officers or their immediate family members, and other related persons are participants with material interests, considering, in the course of such review, (i) the nature of the related person's interest in the transaction; (ii) the material terms of the transaction, including, without limitation, the amount and type of transaction; (iii) the importance of the transaction to the related person; (iv) the importance of the transaction to the Company and its subsidiaries; (v) whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company and its subsidiaries; and (vi) any other matters the Committee deems appropriate. Any member of the Audit Committee who is a related person with respect to a transaction under review will not be permitted to participate in the deliberations or vote respecting approval or ratification of the transaction. However, such director may be counted in determining the presence of a quorum at a meeting of the committee that considers the transaction;

F. Report and Self-Evaluate

22. conduct an annual self-evaluation of the performance of the Committee, including its effectiveness and compliance with this Charter;
23. review and reassess the adequacy of this Charter periodically, and recommend to the Board amendments as the Committee deems appropriate;
24. report regularly to the Board on Committee findings and recommendations, including on any issues that arise with respect to the quality or integrity of the Company's financial statements, the performance and independence of the independent auditor and the performance of the internal audit function, the Company's compliance with legal or regulatory requirements and its codes of business conduct and ethics, approvals and ratifications of related-person transactions, and any other matters the Committee deems appropriate or the Board requests, and maintain minutes or other records of Committee meetings and activities;

G. Other Responsibilities

25. perform other activities related to this Charter as requested by the Board; and

26. institute and oversee special investigations as needed.