



Annual State of Sky Ecosystem

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State of Sky Ecosystem

2025 has been a year of deliberate transformation and acceleration for **Sky Ecosystem**¹, which powers **USDS**², the world's largest decentralized yield-generating stablecoin and third-largest stablecoin overall.

Sky Ecosystem outpaced the global stablecoin market's 50% expansion with a remarkable 86% surge in USDS supply, from \$5.3 billion to \$9.86 billion, while delivering outstanding risk-adjusted returns³ on savings USDS (sUSDS).

During this period, **Sky Protocol**⁴ remained one of the highest-earning protocols in decentralized finance (DeFi) with \$435 million in annualized revenue and \$168 million in annualized protocol profits, while launching the **SKY buyback and staking rewards mechanism**⁵ in February, which bought back \$92.2 million of SKY tokens thus far. Sky Ecosystem also successfully completed the full rebrand and technical migration from MakerDAO to Sky Ecosystem.

Looking to 2026, we believe Sky Ecosystem is now positioned for a true breakout year driven by institutional adoption.

It's important to note that while Sky Ecosystem operates within the broader crypto ecosystem, we have seen from historical performance that the revenue generated and USDS supply growth remain generally uncorrelated with broader crypto price volatility.

From our analysis, demand for proven yield-bearing stablecoins rises in risk-off environments, while lending opportunities expand in risk-on periods offering better yield, giving Sky Ecosystem a resilient growth profile across varying market conditions.

We believe Sky Ecosystem is only at the start of its growth trajectory.

The overall stablecoin market has doubled in two years and is set to accelerate further following the GENIUS Act's passage in July 2025 and supportive statements from political leaders like United States Secretary of the Treasury Scott Bessent, who forecasts a \$3 trillion stablecoin market by 2030 (currently \$309 billion). We believe that Sky Ecosystem is uniquely positioned technically, financially, and from a product perspective to capture and compound an outsized share of this expansion for the long-term benefit of Sky Ecosystem and SKY token holders.

The pages that follow highlight the key 2025 developments and metrics that we believe will position Sky Ecosystem for accelerated growth in 2026. Beginning in January, the Sky Frontier Foundation will publish quarterly updates covering ecosystem performance, financial metrics, and our expectations of Sky Ecosystem.

Who Is Sky Frontier Foundation?

Sky Frontier Foundation (SFF or the Foundation) is an independent foundation, founded in August 2025, supporting the innovation, development and acceleration of Sky Ecosystem – built to accelerate its growth and unlock new frontiers in DeFi and digital finance. SFF incubates some of the new Sky Agents and funds breakthrough technologies; Sky Agents are autonomous and independent systems within the Sky Ecosystem that plug into the decentralized Sky Protocol primitives such as lending, stablecoin generation, or operational oversight.

This report represents the Foundation's analysis of the Sky Ecosystem, based solely on publicly available data on or before December 15, 2025.

All views, opinions, and statements contained herein are those of the Sky Frontier Foundation and do not represent the Sky Ecosystem, its governance participants, or any affiliated parties. We are proud to contribute to the public discussion of Sky Ecosystem and encourage other members of Sky Ecosystem to share their own perspectives. Full disclaimers and legal notices can be found at the end of this document.

Sky Ecosystem 2025 Financials

Milestones 2025

USDS Supply Grew

86%
(\$5.3B to \$9.86B)

Outpacing global stablecoin market's 50% growth

SKY Buybacks

\$92.2M USD

Up 25.713% since Jan 1

Completed the transition from



MKR to SKY

GENIUS act

Signed into law
on July 18, 2025

Annualized
Protocol Revenue

\$435M

Annualized
Operational Expenses

↓61.5%

Annualized
Protocol Profits

↑24.4%

New Sky agents launched

keel

Spark

GROVE

Obex

Understanding Sky Ecosystem Financials

It is worth noting that the aggregated revenue and profits do not accrue to any specific Sky Ecosystem entity, but constitute the revenue and profits of the decentralized Protocol.

Operational expenses declined significantly in 2025 due to protocol upgrade efficiencies and the reallocation of certain research and development costs to external entities such as the Sky Frontier Foundation, which received endowment capital from the Sky Ecosystem.

Sky Ecosystem governs the decentralized Sky Protocol, which allows users to mint USDS and generates revenue primarily from the capital backing that stablecoin.

The difference between what it earns (the "base rate") and what it pays to sUSDS holders (the "savings rate") is considered "net protocol revenue". Protocol profits represent the net protocol revenue after subtracting all operating expenses, such as security, oracle, and governance-related costs.

Revenue is generated through the Sky Protocol from a diversified set of sources, including use of the Protocol for collateralized lending, digital asset-backed lending, U.S. Treasuries, private credit and delta-neutral strategies. Emerging opportunities such as use of the Protocol for infrastructure and renewable energy financing are expected to be included in 2026.

Capital held in the Sky Ecosystem is allocated through the Protocol in a decentralized, highly innovative and competitive Sky Ecosystem Agent network, consisting of governance-approved operators such as Spark, Grove and Keel.

These Sky Agents compete to deliver the highest risk-adjusted returns, while efficiently sharing the economies of scale of the entire Sky Ecosystem. A larger and higher-performing Agent network could directly translate into stronger yields and greater revenue per dollar of USDS issued.

Sky Ecosystem by the numbers

Metric	As of Dec 15
USDS Supply	\$9.86B
Annualized Protocol Gross Revenue	\$435M
Annualized Protocol Net Revenue	\$211.6M
Annualized Protocol Profits	\$168M
Sky Buybacks	\$92.2M

In 2025, stablecoin supply increased, while expenses decreased

Metric	Jan 1, 2025	Dec 15, 2025	Jan 1, 2025
End-of-Period USDS Supply	\$5.3B	\$9.86B	+86%
Annualized Operational Expenses	\$113.4M	\$43.6M	-61.5%
Annualized Operational Profits	\$135M	\$168M	+24.4%

Growth Drivers in 2026

The stablecoin industry has reached a clear inflection point and is poised for substantial growth in 2026 and beyond. This acceleration is driven by maturing infrastructure, the regulatory clarity delivered by the GENIUS Act’s passage in July 2025, and strong political support, including United States Secretary of the Treasury Scott Bessent’s public forecast that the stablecoin market could reach **\$3 trillion by 2030**.

We believe that Sky Ecosystem is uniquely positioned to capture an outsized share of this expansion for several key reasons:

- I. Historically, holders of sUSDS consistently have received one of the highest risk-adjusted yields of any major yield-bearing stablecoin.
- II. An eight-year proven track record has made USDS the largest of any decentralized yield-bearing stablecoin and the third-largest stablecoin overall.
- III. The Sky Protocol is strongly backed with \$32 million in capital reserves as of December 15 and generates annualized protocol revenue of \$435 million and annualized protocol profits of \$168 million.
- IV. Four Sky Agents were successfully launched in 2025, with plans to introduce approximately four more in 2026, each competitively incentivized to maximize risk-adjusted returns and drive USDS issuance and protocol revenue.
- V. Sky Ecosystem’s revenue and USDS supply growth has historically been fundamentally independent of crypto price volatility and market conditions.

These advantages, already demonstrated in 2025, provide the foundation for the significant growth we anticipate for Sky Ecosystem in the year ahead.

Special note on the GENIUS Act, passed in July 2025:

The GENIUS Act, signed into law on July 18, 2025, establishes a federal regulatory framework for centralized payment stablecoins—those issued by banks or nonbanks for settlement and redemption at a fixed value, backed 1:1 by high-quality reserves like U.S. dollars, Treasuries, or repos. It emphasizes transparency through monthly reserve disclosures, audited financials for large issuers, and strict anti-money laundering rules, while carving out compliant stablecoins from securities laws.

This legislation does not apply to Sky Ecosystem’s decentralized model or USDS, which operates as a yield-bearing algorithmic stablecoin focused on capital formation rather than payments. Instead, the Act directionally aligns with the verifiable collateralization, transparency, and user safeguards that have characterized Sky Ecosystem since its inception. We believe Sky Ecosystem complements centralized stablecoins by enabling decentralized savings and yield generation. To be clear, U.S. citizens and institutions may freely hold USDS, sUSDS, stUSDS, and SKY, regardless of the GENIUS Act. USDS is not a payment stablecoin as defined under the Act.

SKY Token Economics & Governance Updates

The Sky Protocol is community-governed through use of the SKY token. Holders who stake SKY actively participate in securing and directing the Protocol, and the system is designed so that the vast majority of Protocol profits programmatically benefit the stakers of the SKY token.

Specifically, staked SKY provides three core functions and associated benefits:

The ability to contribute to decentralized governance of all Protocol parameters, risk controls, capital allocation, and the multi-billion-dollar treasury.

Under current Protocol parameters, as determined through decentralized governance, approximately 75-100% of Protocol profits are allocated to stakers of the SKY token through programmatic, open-market buybacks that are redistributed as additional yield to staked SKY.

The ability to use governance-participating (staked) SKY as collateral for borrowing USDS while continuing to earn staking rewards, effectively lowering borrowing costs without sacrificing governance abilities or yield.

The following numbers show the extent of the SKY buyback and staking rewards mechanism since its launch in late February 2025 up to December 15, 2025.

SKY buybacks & staking rewards are increasing significantly

Metric	Jan 1, 2025	Dec 15, 2025	% Change
Total SKY Buybacks in USD	\$367,500	\$92.2M	25,713%
Total SKY Buybacks	5.97M SKY	1.48B SKY	24,690%

Metric	Dec 15, 2025
Total SKY Distributed to SKY Stakers	232.9M SKY
SKY Buybacks in USD Annualized	\$102.2M
SKY Distributed to SKY Stakers Annualized	2.03B SKY

Since launching in early 2025, the SKY Buyback program has already repurchased over 6.3% of the total 23.46 billion token supply, while current annualized buybacks of approximately \$102.2 million represent 7.63% of Sky's total market capitalization.

In addition to the above buybacks, there were two governance-approved decisions in the last 13 months which further support long-term SKY economics heading into 2026:

- I. Total SKY supply is now capped at 23.46 billion tokens **(approved November 2024)**.
- II. Approximately 14% of the original MKR supply remains unclaimed after the migration to SKY. Through the established quarterly redemption-and-burn process, all SKY tokens backing unclaimed MKR will be burnt at the rate of 2% per quarter over the next ~24 years.

From our perspective, the combination of rapidly growing staking rewards, a hard supply cap, and ongoing structural deflation creates attractive compounding economics for participants who stake SKY and help govern the Protocol.

The SKY buyback and rewards mechanism launched in February 2025, so no data exists for January 1 and percentage changes are not shown for the bottom columns in the table.

2026 Product Development & Capital Deployment Outlook

From our analysis, the initiatives planned within the Sky Ecosystem for 2026 are expected to strengthen the core competitive moat that simultaneously delivers superior yields to sUSDS holders, higher net revenue margins, and therefore substantially greater value to Sky Ecosystem and SKY token holders.

Based on public community proposals and other public statements made by Sky Ecosystem members, we see three focused initiatives that will drive this outcome:

- I. **Agent Network Expansion:** There are plans to introduce approximately four more Sky Agents in 2026, each competitively incentivized to maximize risk-adjusted returns and drive USDS issuance and protocol revenue. In addition, **Grove** is expected to launch its token in H1, with additional high-conviction Sky Agents following in H2, which we expect to expand lending capacity, optimize risk-adjusted yields, and directly lift both USDS demand and protocol revenue.
- II. **Operational Leverage:** The Foundation understands that security and oracle costs are anticipated to decline from 21% to approximately 11% of net revenue as fixed expenses are absorbed across a much larger base, translating directly into wider margins and higher protocol profits.
- III. **Resilient Base Rate:** The Foundation estimates that gross yields on deployed capital may remain in the 4.2–4.3% range throughout 2026, which would preserve a 60–70 basis point spread over the consensus estimates of 3.7% (H1 average) and 3.5% (H2 average) SOFR.

We believe these advancements reinforce a simple but powerful loop:

Better yields attract more USDS supply, higher margins generate more protocol profits, and the overwhelming majority of that is programmatically allocated back to holders of the SKY token through the SKY buyback and staking rewards mechanism.

State Of Sky Ecosystem 2025 Summary

Decentralized finance is maturing rapidly and bridging the gap with traditional finance. Stablecoins now exceed \$309 billion in supply globally and facilitate over \$1 trillion in monthly onchain transactions, while DeFi protocols generated more than \$10 billion in revenue in 2025. These figures indicate that DeFi and stablecoins have reached an inflection point of scale and utility.

In our view, Sky Ecosystem has spent the past several years methodically upgrading the Sky Protocol infrastructure, product suite, branding, and token economics to prepare for this moment. USDS has achieved clear product-market fit as the largest decentralized stablecoin delivering the best risk-adjusted yield. In a 2026 environment of expected lower rates, sUSDS is positioned to maintain a 60–70 bps spread over consensus SOFR (3.5–3.7%), which we believe will drive meaningful USDS supply growth.

As a result, Sky Protocol revenue and profits may well accelerate, translating into significantly larger distributions to staked SKY holders in 2026 via the buyback and staking rewards mechanism. We believe Sky Ecosystem remains poised to lead the next wave of DeFi and stablecoin adoption throughout 2026.

To track progress, the Sky Frontier Foundation has committed to publishing quarterly updates using public data and information as well as providing our own expectations and models throughout 2026 to keep the community and institutional observers informed as this growth unfolds.

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Foundation**

Report Date: December 2025

Next Report: January 2026
(Q4 2025 Earnings)

Media & Analyst Inquiries

For additional data, interviews, or clarification on any aspect of this report, members of the press and research community are invited to contact the Sky Frontier Foundation at:

press@skyfrontier.co

About This Report

This is the inaugural comprehensive ecosystem report for Sky Ecosystem, published by the Sky Frontier Foundation. It represents one of the first times this level of detailed financial and operational transparency has been produced about a fully decentralized protocol, delivering a level of transparency and strategic foresight to the community that sets Sky Ecosystem apart.

With this report, we are establishing a regular cadence of transparency: annual updates followed by quarterly protocol update reports beginning in January 2026. The aim is to lead by example, elevate disclosure standards across decentralized finance, and provide the clarity that institutions and market participants expect as the industry matures.

We are proud to contribute to the public discussion of Sky Ecosystem and encourage other members of Sky Ecosystem to share their own perspectives.

Key Terms:

¹ Sky Ecosystem: This is the broader system built around the protocol. It encompasses the global and decentralized community of users, developers, stakers, Agents and governance participants who actively direct the protocol via the SKY token (voting on parameters, risk controls, treasury allocation, etc.). It includes decentralized governance, community forums, third-party tools, integrations, and supporting entities.

² USDS: In this report, USDS is used as shorthand for the full family of Sky stablecoins, encompassing DAI, USDS, and sUSDS. Savings USDS (sUSDS) is the only stablecoin of the three that generates the yield mentioned within this report.

³ Risk-adjusted returns: Sky Ecosystem uses risk management methods adapted from traditional finance, as approved by the governance based on the input from specialized third-party teams and companies. A large portion of the collateral is low risk assets such as tokenized T-bills, or stablecoins such as USDC backed by t-bills, for all high quality crypto asset exposure, such as BTC and ETH, the risk management framework enforces a high degree of overcollateralization, and for tokenized assets such as JAAA, the risk management framework enforces credit enhancement with junior risk capital. For more information regarding the risk frameworks used by Sky and their independent assessment, refer to the S&P Global analysis [here](#).

⁴ Sky Protocol: This is the core decentralized infrastructure, a set of smart contracts and onchain mechanisms that power the issuance of USDS, manage collateral, deploy capital through Agents (like Spark, Grove, and Keel), handle risk parameters, and programmatically allocate profits (e.g., via buybacks and staking rewards). It's the technical "engine" running on Ethereum among other blockchains.

⁵ SKY buyback and staking rewards mechanism: The SKY buyback and staking rewards mechanism is a core feature of the Sky Protocol that programmatically uses protocol profits to repurchase SKY tokens on the open market. Typically, at least 75% of profits are allocated to buybacks unless needed to bolster capital reserves, with such decisions made through decentralized governance in the Sky Ecosystem. In 2025, the majority of repurchased tokens were sent to a non-accessible address and effectively removed from circulation. Going forward, the ecosystem plans to distribute 100% of buybacks as additional yield to SKY stakers, though this remains subject to change via decentralized governance.

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