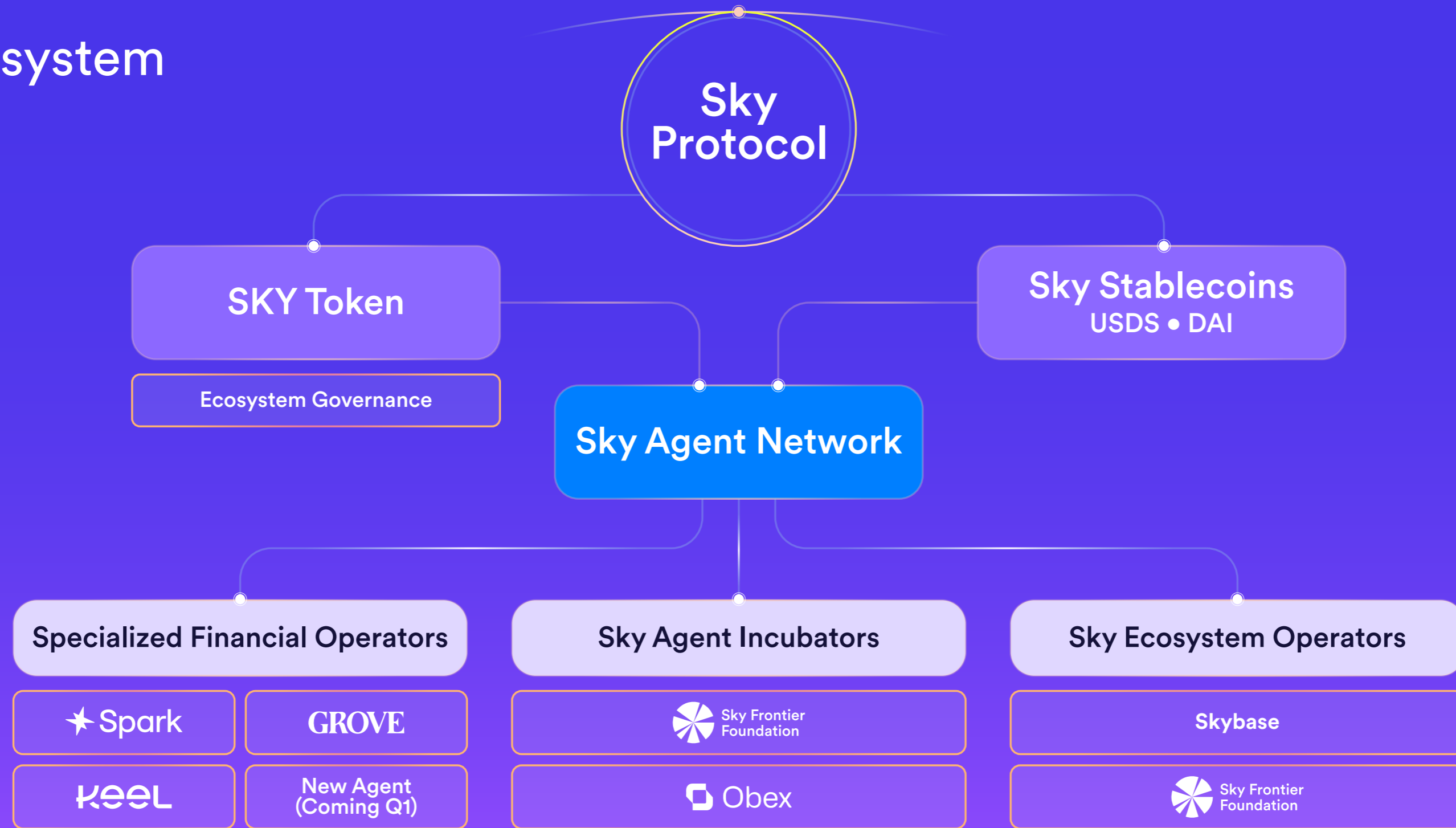




Sky Ecosystem Q4 Update and 2026 Outlook

January 2026

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Foundation



Sky Protocol
The underlying decentralized protocol powering Sky's financial products.

Sky Stablecoins
All of the available stablecoins within the Sky Ecosystem (USDS, and DAI).

Grove
Bridging traditional capital markets to onchain markets.

Obex
Incubator for institutional-grade projects structuring the next generation of yield sources.

Skybase
An independent entity managing the Sky.money website and application.

SKY Token
The native token used for governance and incentives for Sky Ecosystem.

Spark
A lending and liquidity protocol designed to extend Sky capital into onchain credit markets.

Keel
A capital allocator on Solana, expanding yield beyond Ethereum.

Sky Frontier Foundation (SFF)
An independent foundation supporting the innovation, development, and acceleration of Sky Ecosystem.

Specialized Financial Operators
Capital allocators and credit underwriters.

Executive Summary

2025 marked a definitive turning point for Sky Ecosystem. **USDS¹ supply surged 74% to \$9.2 billion in 2025, outpacing the global stablecoin market's 50% growth²** and cementing its status as the world's third-largest stablecoin and largest yield-generating stablecoin. This expansion, alongside the Maker upgrade to Sky and the introduction of the **Sky Agent Network**, solidified Sky Protocol's foundation, establishing USDS as a premier source for risk-adjusted return on USD capital.

Financially, Sky Protocol demonstrated resilience and adaptability throughout this transition. **Gross Protocol Revenue grew 10% YoY to \$338 million**, validated by robust demand for the core product. While bottom-line figures reflected a strategic governance decision to prioritize user stickiness and liquidity over short-term profit retention, the protocol's cost structure has been radically optimized. **Operational expenses fell 63% YoY, dropping to \$8.8 million in Q4**, proving the efficiency of the ecosystem strategy to migrate expansion costs to the Sky Agent Network.

2025 also marked a significant acceleration of Sky Protocol's diversified yield strategy. Through the activation of the Sky Agent Network, comprising specialized financial operators including Spark, Grove, Obex, and Keel, Sky Ecosystem leaned further into diverse real-world income streams ranging from private credit to structured finance. Simultaneously, the liquidity moat was fortified, with the **Peg Stability Module (PSM) holding over \$4 billion in instant redemption capacity**, offering institutional allocators zero-slippage execution at scale.

In 2026, the focus within Sky Ecosystem has shifted from stabilization to aggressive scale. Backed by a favorable macroeconomic environment of falling rates and widening credit spreads, our analysis suggests Sky is poised to capture significant growth and market share. Key catalysts in Q1 2026 are likely to include the integration of USDT liquidity, the potential launch of a new Sky Agent providing highly efficient structured credit solutions backed by stablecoin liquidity, and expanded marketing and business development initiatives by independent third parties. Based on Sky Frontier Foundation (SFF)'s model³, **we project USDS supply to grow by 124% YoY to \$20.6 billion in 2026**, with an estimated **Gross Protocol Revenue growth of 81% YoY to \$611.5 million and Protocol Profits to grow 198% YoY to \$157.8 million**.

Based on these metrics, the SFF believes that Sky Protocol is entering the new year not just as a DeFi leader, but as a leading destination to generate yield on dollars. By combining deep liquidity with diversified real-world economic output, the ecosystem offers what we believe is a highly competitive risk-adjusted return on USD capital. This is likely to present a massive opportunity as stablecoins take center stage across both political and financial landscapes, and we believe that Sky Protocol is now fully positioned to capitalize on it.

¹ Throughout this report, references to yield on USDS refer to the yield generated when USDS is supplied to the Sky Savings Rate. sUSDS is simply the label used by the protocol to represent USDS while it is generating yield.

² Source: DeFiLlama. Reflects global stablecoin market capitalization growth from January 1, 2025 to December 31, 2025.

³ Source: Sky Frontier Foundation Forecast Model (January 2026). The complete methodology and data sources are open-source and available for review [here](#).

Sky Protocol Q4 and Full Year 2025 Financials

Protocol Financials (\$M)	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	FY '24	FY '25
Gross Protocol Revenue	94	95	84	83	76*	307	338
Net Protocol Revenue	44	2.6	40	52	26	155	120
Protocol Profits	20	-14**	20	30	17	86	53

Source: Info.sky.money; data as of December 31, 2025.

*Q4 revenue figures appear artificially lower as not all revenue settlements were executed in November or December 2025. This accrued revenue will be recognized in January 2026, representing a strict accounting variance rather than a contraction in protocol fundamentals.

Q1 2025 profitability reflected legacy constraints on Sky Savings Rate (SSR) adjustments. Previously, rate changes required formal governance votes, causing a lag in lowering payouts to match revenue. The protocol has since transitioned to a **Stability Parameter Bounded External Access Module (SP-BEAM), enabling daily adjustments to ensure real-time alignment between revenue and expenses.

Sky Protocol Financial Performance Overview: The financial results for the fourth quarter and full year 2025 reflect completion of the final stages of a deliberate and comprehensive protocol transformation. For the full year 2025, **Gross Protocol Revenue grew 10% YoY to \$338 million, fueled by a 74% YoY expansion in USDS supply, validating the market's demand for a resilient, yield-generating stablecoin.**

While top-line growth remained strong, Net Protocol Revenue and Protocol Profits saw YoY declines of 22.4% and 38.9% respectively, driven by four primary factors:

- **Macro-Yield Environment:** The softening of global interest rates and reduced market volatility throughout 2025 naturally compressed the available yield on real-world and crypto-native assets.
- **Strategic Capital Rotation:** Onchain data reveals a significant migration of user capital from Sky's non-yield generating stablecoins to the yield-generating stablecoins. While this rotation increased Sky Savings Rate (SSR) expenses, particularly in Q4 2025, it should drive long-term liquidity and strengthen the stickiness of the user base.
- **Transformation Costs:** The past year included substantial one-off expenditures attributed to the upgrade of Maker to Sky Ecosystem alongside technical investments required to launch the Sky Agent Network. Protocol documentation indicates these foundational outlays are now complete and are not expected to recur in 2026, marking the end of this heavy investment cycle.
- **Accounting Settlement Cycle:** November and December revenues for 2025 will be recognized in Q1 2026 due to a seasonal lag in the Sky Protocol settlement cycle. This timing variance resulted in artificially compressed Q4 revenue figures, but in our opinion, does not reflect a contraction in underlying fundamentals.

A key highlight of 2025 was the achievement of critical **operational milestones. Operational expenses have decreased 63% YoY, falling to just \$8.8 million in Q4.** This is a direct result of Sky Ecosystem’s strategy to streamline the core protocol and migrate expansion costs to the independent Sky Agent Network.

Looking ahead, while we expect SSR expenses to naturally correlate with USDS supply growth, the protocol’s core cost structure is now far more efficient. As new Agents are approved and deployed, SFF expects them to contribute additional yield sources, strengthening the protocol's ability to deliver competitive returns. This expanding network reflects the ecosystem's evolution from a single-strategy protocol to a diversified yield engine.

Protocol Expenses (\$M)	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	FY '24	FY '25
Operational Expenses	24	17	20	21	8.8	69	67
Sky Savings Rate (SSR)	40	85	38	27	45	141	194
Sky Rewards for Supplying USDS	9.8	7.9	6.5	4.3	2.0	11	21
stUSDS Staking	-	-	-	-	2.6	-	2.6
Total Expenses	75	110	65	52	59	221	285

Source: Info.sky.money; data as of December 31, 2025.

Product Development & Capital Deployment

Protocol Metrics	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25
USDS Supply (\$B)	5.3	7.9	7.1	7.8	9.2
USDS Unique Holders	509,171	519,524	532,008	551,089	581,990
End of Quarter Sky Savings Rate (%)	12.5	4.5	4.5	4.75	4
Total Value Locked in Sky Protocol (\$B)	11.1	10.1	10.7	12.5	11.9

Source: Info.sky.money; data as of December 31, 2025.

USDS Growth & Market Dominance: In 2025, Sky Ecosystem successfully decoupled from the broader market growth curve. **While the total global stablecoin market expanded by roughly 50% YoY, USDS supply surged by 74% to \$9.2 billion,** cementing its position as the third-largest stablecoin globally and the largest yield-generating stablecoin.

We attribute this structural outperformance to two core pillars: superior liquidity dynamics and the generation of resilient, diversified yield.

- Liquidity Moat:** With over \$4 billion in the Peg Stability Module (PSM) currently available for instant redemptions, Sky Protocol offers large capital allocators the ability to swap between USDC and yield-generating USDS with zero slippage. The SFF believes that this deep liquidity appears to have been a primary driver of institutional adoption, positioning sUSDS as one of the most capital-efficient yield-generating stablecoins for large-scale operations.
- Innovation Yield:** The resilience of the Sky Savings Rate (SSR) is driven by the successful deployment of the Sky Agent Network, utilizing specialized capital allocators that bring diversified yield from public, private, and crypto markets to USDS.

2025 was a landmark year for Sky Agent activation, with the following highlights:

Spark

Spark: As the flagship lending Agent, Spark launched its SPK token in Q3 and has already accrued \$3.16 billion in Total Value Locked (TVL) to Sky Protocol⁴. In addition, Spark recently announced its integration of OTC crypto loans, strategically tapping into a \$33 billion market⁵.

Obex

Obex: Launched in Q3 with \$2.5 billion in capital capacity⁷, Obex acts as the incubator for institutional-grade stablecoin projects. It is currently structuring the next generation of yield sources, ensuring Sky is not reliant on any single market sector.

GROVE

Grove: Focused on onchain credit infrastructure, Grove launched in Q2 and rapidly scaled to \$1.97 billion in TVL⁶. A recent highlight was the execution of one of the first tokenized CLOs (Collateralized Loan Obligation) with Galaxy Digital, providing \$50 million at SOFR+570bps, showcasing the demand for hybrid TradFi/DeFi credit products.

KEEL

Keel: Launched in Q4, Keel serves as the capital engine on Solana, marking a strategic expansion to capture yield beyond Ethereum.

Capital Deployment Strategy: Throughout 2025, Sky Ecosystem accelerated the execution of its strategic framework, significantly expanding the scope of its existing crypto-native yield sources to include sustainable, real-world economic outputs. From our perspective, this operational scaling was designed to diversify the protocol's revenue base and yield offering while reducing correlation to single-sector volatility.

We understand that the Sky Agent Network is focusing on structuring credit opportunities across five high-conviction verticals:

- **Public Credit:** Accessing liquid fixed-income markets to efficiently deploy surplus liquidity.
- **Crypto Capital Markets:** Providing institutional liquidity solutions, including OTC lending and market-maker financing.
- **AI Compute:** Structuring credit for GPUs, data centers, and AI capital expenditure.
- **Energy Infrastructure:** Financing renewable energy generation, grid expansion, and sustainable power storage.
- **TradFi Structured Credit:** Tokenizing established debt instruments like CLOs and private credit portfolios.

By systematically expanding into these uncorrelated sectors, we can see that Sky Ecosystem is not merely chasing yield, but engineering a robust economic engine. This strategy aims to decouple USDS returns from crypto-market volatility, evolving the stablecoin into a diversified economic unit capable of delivering sustainable value across any market cycle.

⁴ Source: info.sky.money. Data reflects Spark Collateral as of January 23, 2026.

⁵ Source: Sam MacPherson (@hexonaut), founder of Spark Protocol.

Market sizing analysis published January, 2026.

⁶ Source: info.sky.money. Data reflects Grove Collateral as of January 23, 2026.

⁷ Source: Framework Ventures & Sky Ecosystem official announcement, "Obex Raises \$37 Million to incubate Institutional-Grade Stablecoin Projects," November 18, 2025.

SKY Token Economics & Governance Updates

Protocol Buybacks & Rewards	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	FY '24	FY '25
SKY Buybacks in USD (\$M)	0.37	22.6	40.2	14.6	19.4	0.37	96.8
SKY Buybacks in SKY (M)	5.9	398	619	190	347	5.9	1,554
SKY Distributed to SKY Stakers (M)	-	-	-	-	324	-	324

Source: Info.sky.money; data as of December 31, 2025.

SKY Buybacks & Distributions: In Q4 2025, Sky governance continued to vote in favor of utilizing the protocol’s cash flow primarily for capital return. The protocol executed **\$19.4 million in SKY buybacks during the quarter through programmatic protocol mechanisms, bringing the full-year total to \$96.8 million. Additionally, Q4 marked the distribution of 324 million SKY tokens** via the aforementioned buybacks directly to stakers. This allocation strategy reflects the current governance consensus to prioritize immediate distribution to participants.

Strategic Capital Allocation Outlook: The protocol’s capital allocation strategy remains dynamic and subject to ongoing governance review. While 2025 activity heavily favored buybacks and distributions, future governance votes may shift this focus. Should market conditions or valuation metrics change, the protocol retains the flexibility to redirect surplus capital toward other areas like fueling ecosystem growth or directly enhancing USDS yields, rather than concentrating heavily on token buybacks.

Sky Supply Metrics	Q3 '25	Q4 '25
Total SKY Supply (B)	23.46	23.46
Total SKY Circulating Supply (B)	23.41	22.94
Total SKY Staked (B)	13.51	13.84
% SKY Circulating Supply Staked	57.7%	60.3%

Source: Info.sky.money; data as of December 31, 2025.

The supply metrics highlight a structural tightening of the available SKY supply, driven by two simultaneous forces:

- **Circulating Supply Contraction:** The total circulating supply of SKY decreased from 23.41 billion in Q3 to **22.94 billion in Q4**. This contraction is attributed to the governance-mandated burn of non-upgraded MKR tokens, a structural deflationary mechanism that systematically removes **2% of the legacy non-upgraded supply each quarter**.
- **Staking Strength:** Simultaneously, the percentage of circulating supply locked in staking contracts increased to **60.3% (13.84 billion SKY)**, up from 57.7% in the previous quarter. This accumulation is driven by the protocol’s **~16.14% APY** reward rate, derived directly from protocol profits which are used for SKY buybacks and distributed to SKY stakers. It appears that this competitive yield has successfully motivated a significant portion of holders to

Collectively, these mechanisms have significantly reduced liquid float of SKY. By simultaneously burning legacy supply and incentivizing lockups, the protocol has aligned holder behavior with ecosystem stability. This structural tightening suggests the economy is functioning as designed, directing value accrual to those most committed to the protocol's long-term success.

2026 Sky Ecosystem Outlook

Protocol Financials	Q1 '26 (estimates)	FY '26 (estimates)
USDS Supply (\$B)	11.5	20.6
Gross Protocol Revenue (\$M)	110.2	611.5
Net Protocol Revenue (\$M)	32.4	199.8
Protocol Profits (\$M)	25.6	157.8

Source: Sky Frontier Foundation proprietary modeling.
The full financial model and assumptions are available [here](#).

Financial Projections: Based on current SFF modeling, and assuming continued growth in stablecoin demand, successful implementation of governance-approved initiatives, and stable macroeconomic conditions, 2026 is projected to be a year of aggressive scale for Sky Ecosystem. We believe there is a reasonable basis for USDS supply to grow by **124% YoY**, reaching **\$20.6 billion** by year-end. We also expect this expansion to drive substantial top-line and bottom-line growth, with **Gross Protocol Revenue projected to grow 81% YoY to \$611.5 million and Protocol Profits to grow 198% YoY to \$157.8 million in 2026.**

We understand that Sky Ecosystem’s primary focus for 2026 has shifted from protocol re-engineering to aggressive market expansion. Analysis of ecosystem activity highlights three core engines for this growth:

- **Marketing & Business Development:** Marketing and business development activity across the ecosystem has accelerated in early 2026, with independent participants pursuing partnerships and awareness initiatives to drive USDS growth across institutional finance, fintech, and DeFi.
- **Expansion of the Sky Agent Network:** The ecosystem has expressed the intention of launching additional Sky Agents, potentially up to **10 new Sky Agents** by the end of 2026. This expansion is likely to begin in Q1 with a new Agent providing highly efficient structured credit solutions backed by stablecoin liquidity. Furthermore, the expected launch of **Grove’s** governance token in 2026 is anticipated to deepen liquidity through enhanced rewards. Supporting this broader expansion, we believe **Obex** is positioned to play a critical role by utilizing its \$2.5 billion capital capacity to incubate and seed additional upcoming Agents.
- **USDT Liquidity Integration (Q1 2026):** A proposed system improvement under governance discussion involves a substantial increase in USDT (Tether) liquidity allocation. Opening the protocol to the market's largest stablecoin could expand the protocol’s addressable market, allowing Sky to capture a significant share of Tether-native capital and replicate its USDC success on a broader scale.

2026 Sky Ecosystem Outlook

Macroeconomic Thesis: The SFF's outlook for Sky Protocol is bolstered by a constructive macroeconomic setup. We anticipate that continued global interest rate cuts in 2026 could provide dual tailwinds:

- **Reduced Costs:** Lower rates could decrease the cost of capital for borrowers, stimulating demand for leverage.
- **Widening Spreads:** As the risk-free rate falls, the credit spread that Sky Agents can capture on private market lending may widen, allowing the protocol to maintain attractive yields for USDS holders even as headline rates decline.

We believe that 2025 served as a year of foundational transformation for Sky Ecosystem, characterized by the successful introduction of the Sky Agent Network and the rigorous streamlining of protocol expenses. By decoupling expansion costs via independent Sky Agents and creating a diverse engine of real-world yield, the protocol has established a highly efficient operational base.

Moving into 2026, our analysis indicates the focus is likely to transition to pure execution and expansion. With a dedicated growth engine for partnerships and a diversified yield pipeline, **we believe Sky Protocol is primed to capitalize on the rising prominence of stablecoins across global policy and capital markets.** As the ecosystem expands USDS liquidity to drive institutional adoption, we believe it is poised to become the premier destination to generate yield on dollars, offering what our research suggests is the one of the market's most attractive risk-adjusted returns on USD capital.

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:

insights@skyeco.com

About This Report

This report is published by the Sky Frontier Foundation. It represents a continuation of our commitment to detailed financial and operational transparency regarding the fully decentralized protocol, delivering strategic foresight to the community that sets Sky Ecosystem apart.

Through this report, we maintain our established cadence of transparency: providing annual and quarterly protocol updates. 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.

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 growth and unlock new frontiers in DeFi and digital finance, SFF incubates new Sky Agents and funds breakthrough technologies. Sky Agents are autonomous and independent systems within Sky Ecosystem that manage operational oversight or plug into decentralized Sky Protocol primitives such as lending and stablecoin generation.

This report represents the Foundation's analysis of Sky Ecosystem, based solely on publicly available data through January 23, 2026.

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