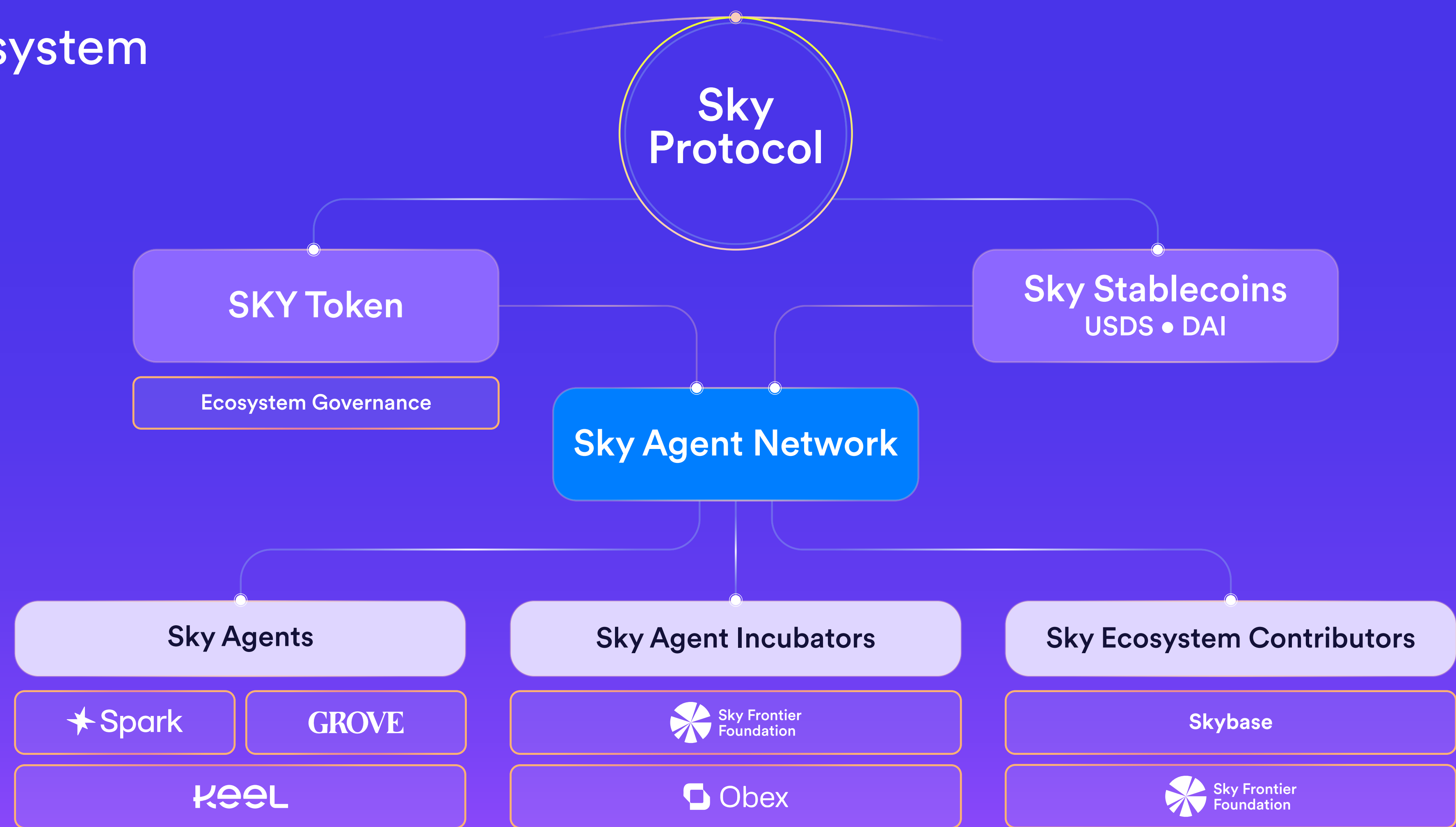




Sky Ecosystem Q1 2026 Quarterly Report

April 2026

Published by  Sky Frontier
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 Sky Capital Allocator on Solana, expanding yield beyond Ethereum.

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

Sky Agents
An independent network of entities who access USDS liquidity and pay fees to Sky Protocol for that access.

Executive Summary

Sky Protocol delivered its strongest quarter on record in Q1 2026, powered by accelerating USDS adoption, an expanding Sky Agent Network, and a growing collateral base.

Summary

- Gross Protocol Revenue: \$123.79M**, up 28.9% YoY from \$96.01M in Q1 2025 and 56.8% QoQ from \$78.97M in Q4 2025. The highest quarterly revenue in protocol history.
- Net Protocol Surplus: \$46.04M**, compared to a net loss of \$13.51M in Q1 2025. Q1 alone reached 92.4% of full-year 2025 Net Protocol Surplus (\$49.85M) in a single quarter.
- Protocol Collateral: \$13.03B**, up 49.1% YoY from \$8.74B, backing every USDS and DAI token in circulation.
- USDS Supply: \$11.70B**, up 67.9% YoY from \$6.97B. sUSDS deposits reached \$6.49B, up 71.7% QoQ, crossing the \$5B milestone in February. sUSDS is now the largest yield-generating stablecoin by supply.

Sky Ecosystem currently has five active Sky Agents (Spark, Grove, Keel, Obex and Skybase) with another five expected to launch during 2026. Separately, Obex, the incubator Agent, launched its first cohort, allocating \$1B into 8 capital allocators to deploy USDS into various yield strategies, expanding Sky Protocol's collateral into mortgages, GPU lending, energy infrastructure financing, and more. Of these eight new allocator agents, River is poised to become the sixth Prime Agent when it launches later in Q2.

From an integration standpoint, multiple major exchanges, including the world's largest exchange, Binance, have announced and/or initiated upgrades on their platform from DAI to USDS, bringing more liquidity and access to Sky Protocol's newest stablecoin. In addition, Skybase's integration with Morpho gave USDC and USDT holders access to various yield sources from Sky Protocol, attracting more than \$200M in deposits within the first month.

NYSE-listed Stablecoin Development Corporation (SDEV) now holds approximately 9.15% of SKY token. SDEV (formerly known as NovaBay Pharmaceuticals) accumulated 2.15B SKY through a \$134M private placement backed by Tether and Framework Ventures, plus subsequent open-market purchases. The majority of the Company's SKY token holdings remain deployed in staking.

On March 14, Sky Governance approved a capital restructuring that marks a pivotal shift in how Sky Protocol allocates Net Protocol Surplus. Rather than directing the majority of earnings to token buybacks and staking rewards, Sky Governance chose to prioritize building a \$150M solvency reserve, reinforcing the protocol's capital buffer for institutional-scale capital.

The message we observed from Sky Governance is that Sky Protocol is building for long-term resilience over short-term distributions. Sky Reserves currently stand at \$50.90M, and as reserves grow toward the target, buyback and distribution rates will scale back up.

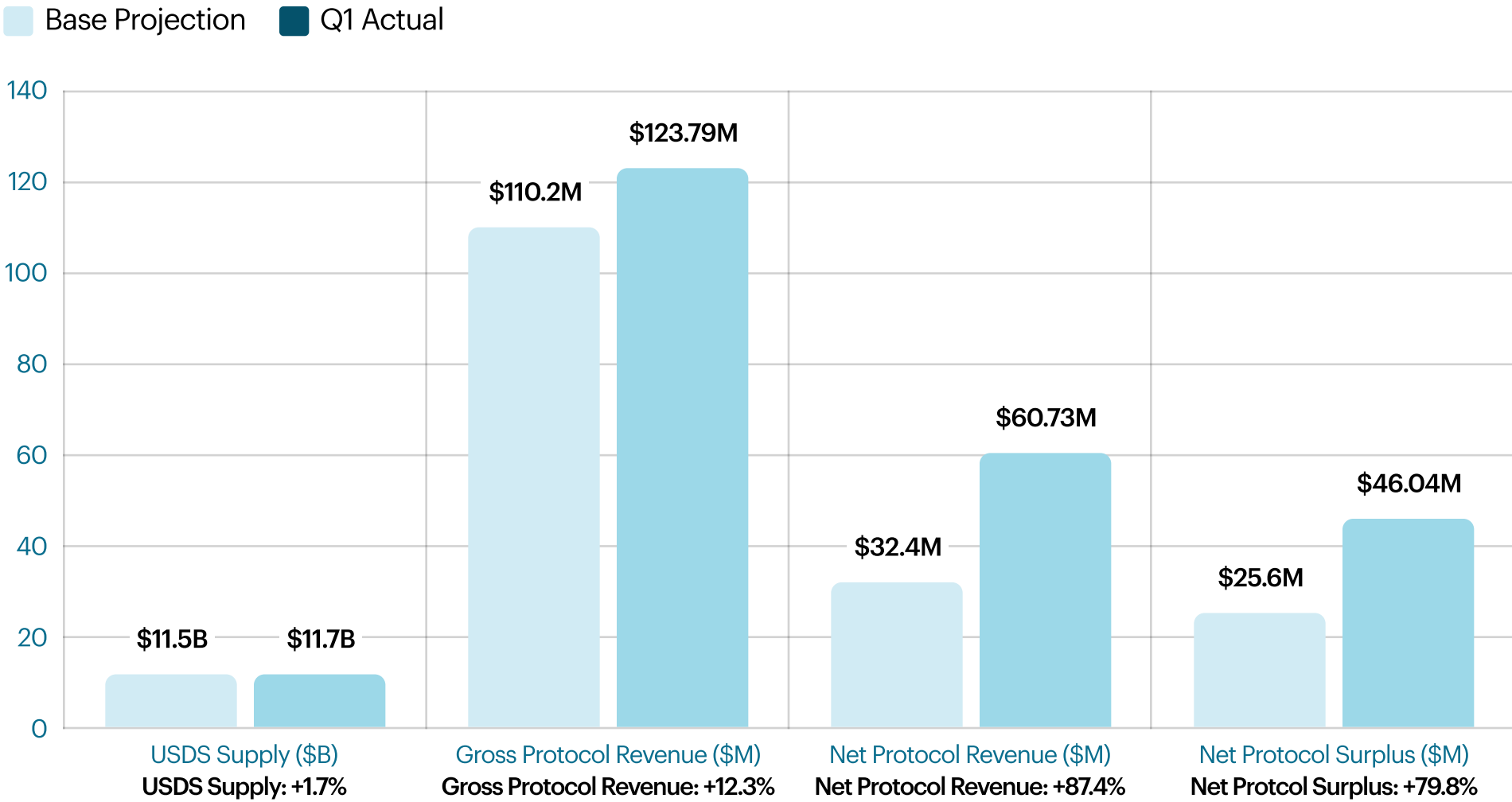
We believe this type of capital discipline is what makes Sky Protocol an infrastructure provider that institutional capital allocators can underwrite and feel confident in.

The Sky Frontier Foundation published its 2026 financial forecasts for Sky Protocol earlier this year and Q1 results exceeded those forecasts across every key metric:

From our understanding, this outperformance in USDS growth was driven by growing institutional demand for risk-adjusted yield onchain. Feedback across the Sky Agent Network indicates that allocators are conducting more rigorous due diligence than ever before. Sky Protocol continues to meet this demand by providing robust protocol security and transparent smart contract infrastructure while maintaining competitive returns.

Sky Frontier Foundation's 2026 outlook remains firmly intact. Q1 results validated the thesis: institutional demand for USDS is accelerating, the Sky Agent Network is expanding into diversified collateral sources, and the protocol's capital discipline is attracting allocators that drive long-term growth. These growth metrics indicate that the target of 10 agents by the end of 2026 remains on track and the capital restructuring positions Sky Protocol to enter the next phase of growth with a stronger foundation than any comparable protocol in the market.

Q1 2026 Performance vs SFF Base Projection



Source: Sky Frontier Foundation Forecast Model; Sky Ecosystem Financial Dashboard. Data as of March 31, 2026.

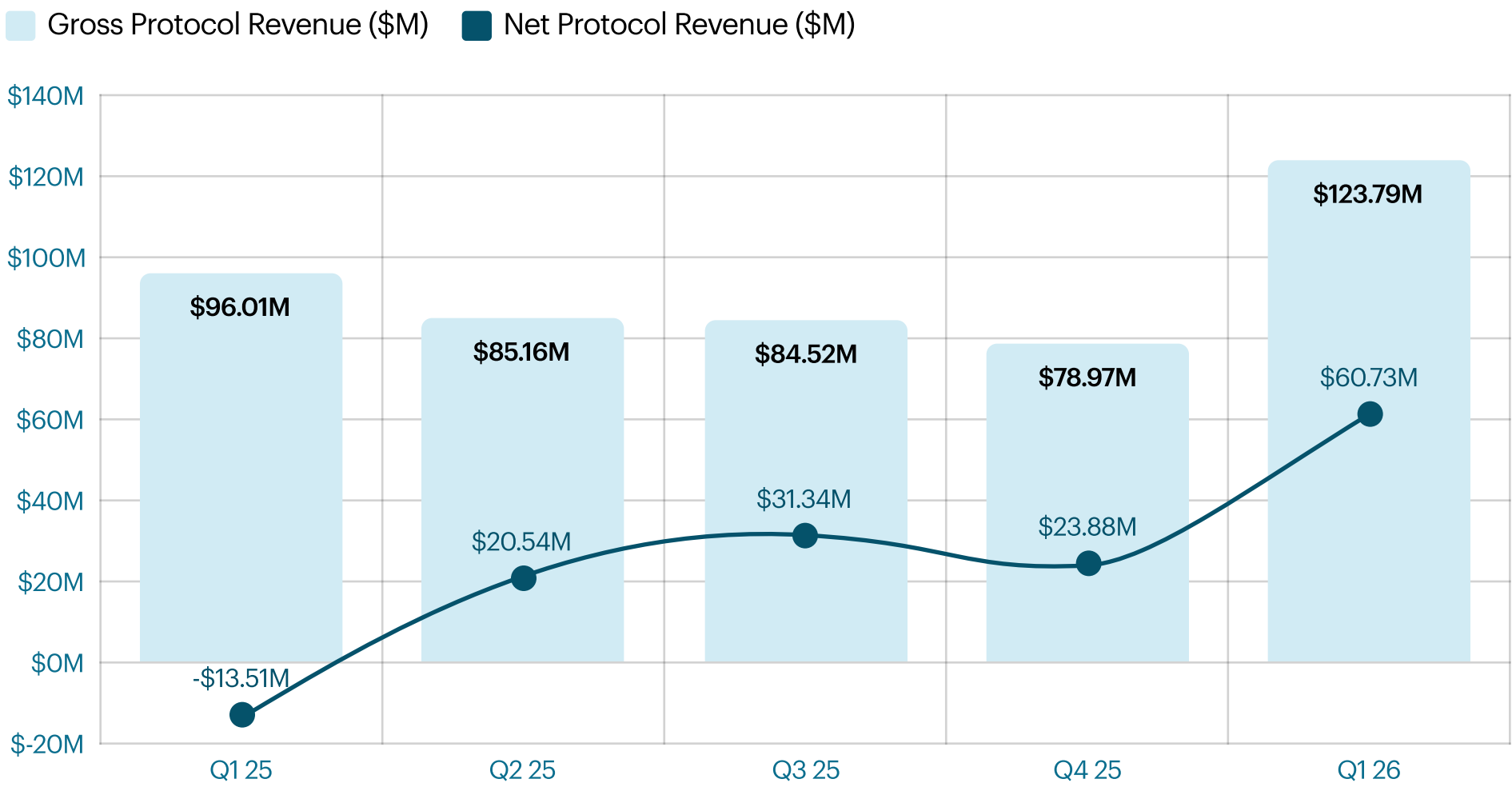
Protocol Financials: Revenue & Surplus

Q1 2026 broke every revenue record in protocol history. Gross Protocol Revenue reached \$123.79M, ending three consecutive quarters of declining revenue and surpassing the prior peak of \$96.01M set in Q1 2025. The protocol swung from a \$13.51M loss a year ago to \$46.04M in Net Protocol Surplus, nearly matching the \$49.85M generated across all of 2025 in a single quarter.

Net Protocol Revenue margin expanded to 49.06%, up from 30.24% in Q4 2025.

Net Protocol Surplus of \$46.04M marks the fourth consecutive positive quarter. Trailing twelve-month Net Protocol Surplus stands at \$109.40M since Q2 2025.

Sky Protocol Quarterly Revenue, Q1 2025 – Q1 2026



Note: Full quarterly and monthly P&L tables are available in the Appendix.
Source: Sky Ecosystem Financial Dashboard; data as of March 31, 2026.

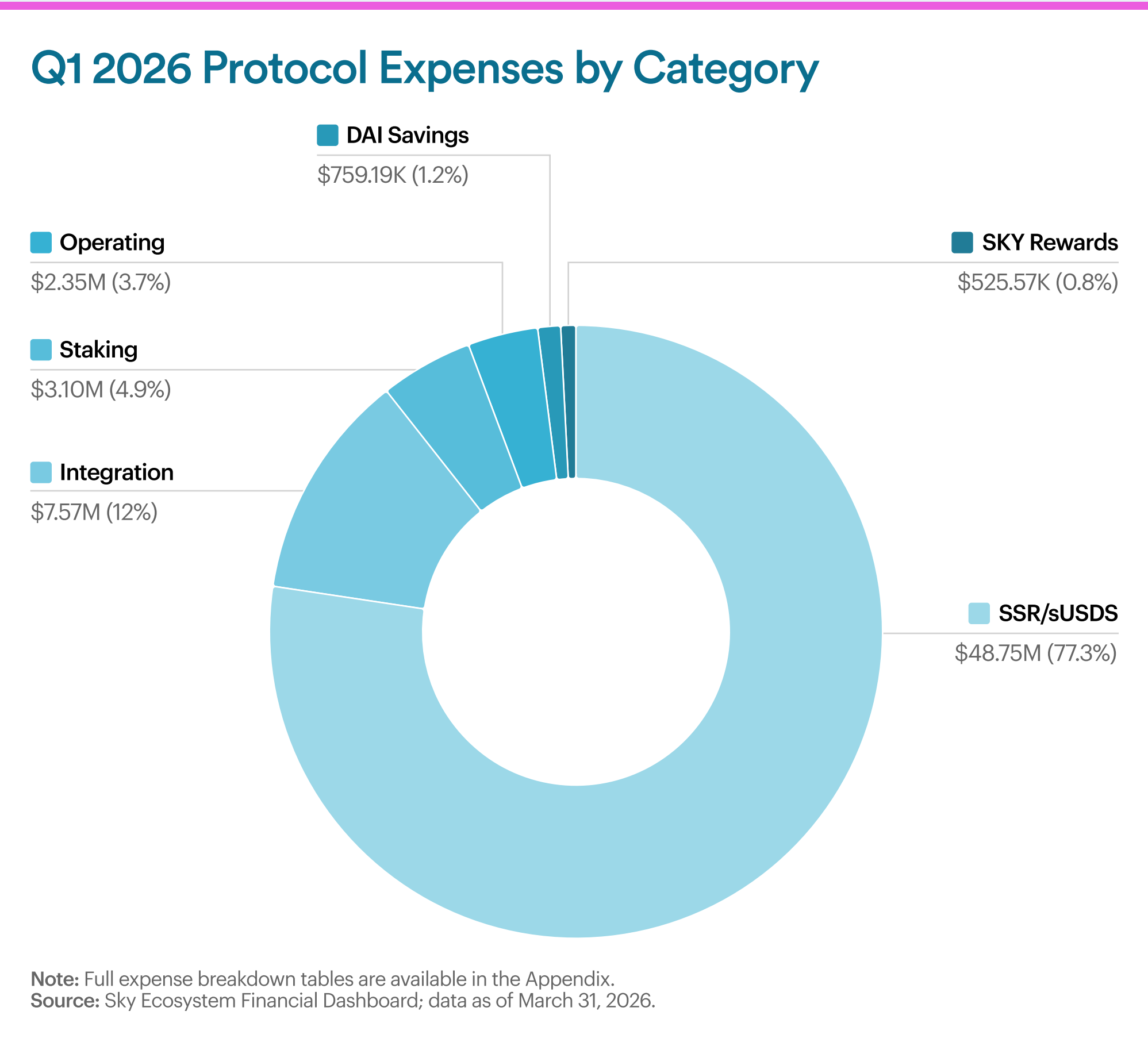
Protocol Financials: Expenses

Total expenses in Q1 2026 were \$63.06M, up 14.5% from \$55.09M in Q4 2025 as growing deposits required higher yield payments. That said, Sky Protocol is becoming more efficient. As a percentage of Gross Protocol Revenue, total expenses declined from 69.76% in Q4 to 50.94% in Q1. Importantly, the majority of expenses are savings rate distributions, including the rate paid on USDS deposits, not operational overhead. In Q1, cost of capital (SSR, staking yield, DAI savings, SKY rewards, and Integration Boost) represented 96.3% of total expenses, while controllable operating costs were just \$2.35M.

The Sky Savings Rate remains the dominant cost. At 3.75% APY at quarter end, SSR yield payments to sUSDS depositors represented \$48.75M, or 77.3% of total expenses. As sUSDS deposits grew 71.7% during the quarter, the absolute dollar cost rose accordingly.

Operating Expenses on the P&L fell to \$2.35M in Q1 2026. However, this figure is not directly comparable to the \$17.08M reported in Q1 2025. Beginning in Q4 2025, governance funding for the Sky Core Council and Aligned Delegates was reclassified from Operating Expenses to a new line item, Operating Expense (Buffers). This reclassification, not a reduction in actual spending, accounts for the majority of the headline decline. The combined total of Operating Expenses (\$2.35M) and Buffers (\$14.69M) was \$17.04M in Q1 2026, compared to \$17.08M in Q1 2025 on the old basis. The protocol's controllable overhead (security, oracles, smart contract execution, contributor costs) has remained stable at approximately \$2-3M per quarter since the reclassification took effect.

Integration Expenses of \$7.57M reflect Integration Boost payments to third-party protocols for integrating USDS and sUSDS.



Protocol Financials: Balance Sheet

Sky Frontier Foundation is introducing balance sheet reporting to give readers full visibility into what backs every USDS and DAI in circulation. Protocol Collateral represents the asset portfolio backing the stablecoins. Protocol Obligations represent every stablecoin minted, each one a redeemable claim against that collateral. Protocol Surplus is the excess of Protocol Collateral over Protocol Obligations.

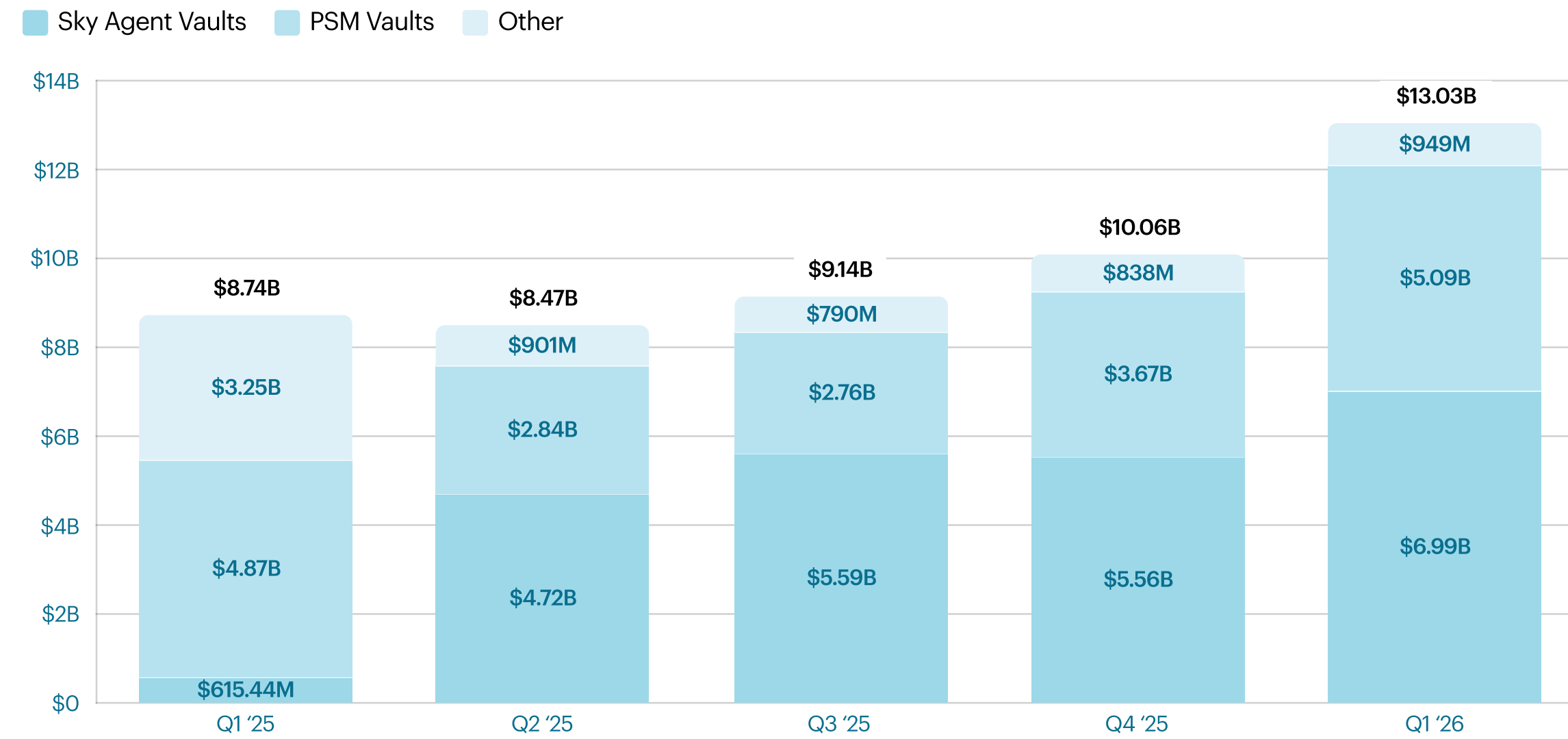
Q1 saw the balance sheet expand by \$2.97B in a single quarter, reaching \$13.03B in total Protocol Collateral. The growth was concentrated in two categories: Sky Agent Vaults, where capital deployed through Spark, Grove, and Obex grew to \$6.99B, and PSM Vaults, where stablecoin reserves surged to \$5.09B as new capital entered through the Peg Stability Module (PSM).

On the Protocol Obligations side, sUSDS grew 71.7% from \$3.78B to \$6.49B, reflecting the market's appetite for the Sky Savings Rate. It surpassed \$5B in February and is now the single largest obligation on the balance sheet. USDS Staking (stUSDS) grew 76.8% to \$201.62M. DAI Savings continued its gradual decline, falling 6.7% to \$249.93M as deposits migrated to sUSDS. Cash Balance grew to \$95.09M from \$40.89M at year end, reflecting the protocol's operating cash position. Circulating USDS was \$1.53B at quarter end.

Protocol Surplus held steady at \$63.47M, roughly flat from \$64.42M at year end, even as the balance sheet expanded by \$2.97B during the quarter. The stability reflects a deliberate choice from Sky Governance to strengthen the protocol's capital foundation, prioritizing building reserves over near-term distributions to position Sky Protocol for institutional-scale capital inflows.

Under the current framework, 22% of Net Protocol Revenue funds operations. Of the remaining 78%, the majority is being directed to reserves while buyback and staking reward rates remain reduced. This is the transitional phase and it continues until Sky Reserves reach \$125M (currently \$50.90M). As reserves grow, buyback and distribution rates scale back up to their full allocations of 25% each, with 50% continuing to fund reserves.

Protocol Collateral Composition, Q1 2025 – Q1 2026



Source: Sky Ecosystem Financial Dashboard; data as of March 31, 2026.

Product Development & Capital Deployment

Sky Protocol Key Metrics, Q1 2025 – Q1 2026

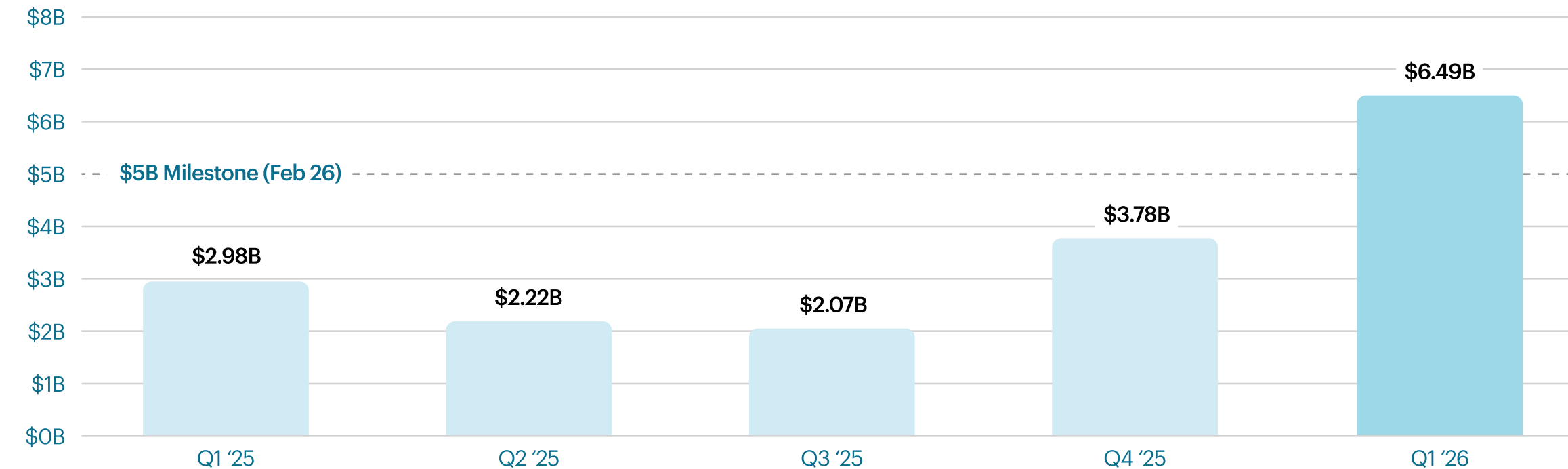
Protocol Metrics	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26
USDS Supply (\$B)	7.9	7.1	7.8	9.2	11.70
Unique Holders	519,524	532,008	551,089	581,990	680,170
End of Quarter SSR (%)	4.5	4.5	4.75	4	3.75
TVL (\$B)	10.1	10.7	12.5	11.9	12.46

Source: Sky Ecosystem Financial Dashboard; data as of March 31, 2026.

Total stablecoin supply (USDS + DAI combined) reached \$11.70B at the end of March, up 67.9% year-over-year from \$6.97B. The growth was led by sUSDS, which crossed the \$5B milestone in February and ended the quarter at \$6.49B, making it the largest yield-generating stablecoin by supply. The acceleration reflects growing institutional demand for transparent, decentralized savings infrastructure, according to various Sky Agents.

As allocators conduct increasingly rigorous due diligence, Sky Protocol stands out as a protocol whose infrastructural approach has been battle-tested for a decade, has never suffered a smart contract exploit, holds an S&P credit rating, and is backed by diversified collateral managed through the Sky Agent Network.

sUSDS Deposits, Q1 2025 – Q1 2026



Source: Sky Ecosystem Financial Dashboard; data as of March 31, 2026.

PSM reserves grew 38.7% to \$5.09B, reflecting the primary onramp for new capital: institutions convert USDC to USDS at a 1:1 ratio through PSM with zero fees and no slippage. Multiple major exchanges announced or initiated DAI-to-USDS upgrades including Binance, Bitget, Gate, HTX, KuCoin, and MEXC, expanding USDS accessibility through centralized platforms.

During Q1, Obex Incubator launched its first cohort, providing access to \$1B in USDS across eight capital allocators: Better, Securitize, Centrifuge, USD.ai, Daylight, River, and TVL Capital. This represents the most significant single deployment in protocol history and further diversifies Sky Protocol's revenue sources into mortgages, GPU financing, energy infrastructure and more.

The accessibility agent Skybase's integration with Morpho expanded significantly during Q1. Building on the USDS Risk Capital Vault launched in January, Skybase added USDC and USDT Risk Capital Vaults in late February alongside stUSDS borrowing markets, then the USDT Savings Vault and USDS Flagship Vault in early March. By quarter end, the five-vault suite had attracted more than \$200M in deposits.

SKY Token Economics & Governance

The protocol executed 319M SKY (\$41.29M) in programmatic, open-market buybacks during Q1, with daily execution running at 3-5M SKY per day through January and February. That pace changed sharply on March 14, when Sky Governance approved a capital restructuring that reduced the buyback allocation from 75% to 7.5% of Net Protocol Surplus.

The restructuring reflects a deliberate strategic shift by Sky Governance. As Sky Protocol scales toward institutional adoption, Sky Governance determined that building a robust capital buffer takes priority over near-term token distributions. Sky Governance has set a \$150M solvency reserve target, with Sky Reserves currently at \$50.90M. The thesis is that a stronger reserve base strengthens the protocol's ability to absorb stress events, which in turn increases confidence for large-scale capital allocators evaluating USDS as a destination for institutional capital.

The plan is structured in three stages. In the current stage, the majority of Net Protocol Surplus flows into Sky Reserves while buybacks remain reduced. It's important to note that SKY token distributions to SKY stakers remained the same, as they have been funded through Sky Reserves rather than programmatic buybacks. As reserves grow toward the \$150M target, buyback and distribution rates scale up to their full allocations: 50% to Sky Reserves, 25% to SKY buybacks, and 25% to staking rewards.

Total SKY staked grew to 16.18B, with \$1.20B in value locked at quarter end. This represents 68.9% of circulating SKY, earning 10.51% APY as of March 31.

Stablecoin Development Corporation (SDEV), formerly NovaBay Pharmaceuticals, has emerged as one of the top holders of SKY token and the first publicly traded company to accumulate SKY, purchasing 9.15% of total SKY supply, the majority of which is actively staked.

Forward Outlook

2026 is off to an impressive start for Sky Ecosystem, with every metric in Q1 outperformed from Sky Frontier Foundation's 2026 forecast. The forecasted model for the rest of the year remains unchanged.

In an increasingly uncertain macro environment, institutional demand for transparent, decentralized savings infrastructure continues to grow. The capital restructuring approved in March signals that Sky Governance is prioritizing protocol resilience over short-term distributions and based on recent accumulation rates, Sky Frontier Foundation estimates reserves could approach approximately \$75M by the end of Q2 2026.

The Sky Core Council has initiated exploration of a new product for Sky Protocol, with fixed-term, fixed-rate USDS denominated stablecoins as a mechanism to drive USDS demand, with an initial \$5M subsidy pool to bootstrap early adoption. From the current approach, predictable yield products could support longer-duration collateral strategies within the Sky Agent Network while expanding the savings options available to USDS holders.

Moving into Q2, with the Sky Agent Network scaling, adoption of USDS gaining traction and the protocol's capital foundation strengthening quarter over quarter, we see Sky Ecosystem entering its strongest position since inception. Research continues to suggest that Sky Protocol offers one of the market's most attractive risk-adjusted returns on USD capital.

Submit a Question for the Q1 Insights Call

Sky Frontier Foundation is hosting a call on May 12 to answer questions on the Q1 2026 results. Submissions close May 10.

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Appendix

Full Quarterly P&L 2025 to 2026

ACCOUNT	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26
✓ Gross Protocol Revenue	\$96.01M	\$85.16M	\$84.52M	\$78.97M	\$123.79M
➤ Stability Fee Revenues	\$96.01M 100%	\$85.14M 100%	\$76.22M 90.2%	\$74.94M 94.9%	\$123M 99.4%
➤ Rewards	—	\$23.48K 0%	\$8.3M 9.8%	\$4.04M 5.1%	\$788.3K 0.6%
✓ Expense	\$109.52M	\$64.61M	\$53.18M	\$55.09M	\$63.06M
➤ Integration Expenses	\$14.89M 13.6%	\$3.88M 6%	\$2.02M 3.8%	\$6.37M 12.2%	\$7.57M 12%
➤ Operating Expenses	\$17.08M 15.6%	\$20.26M 31.4%	\$21.11M 39.7%	\$2.85M 5.2%	\$2.35M 3.7%
➤ Direct Expenses	\$77.55M 70.8%	\$40.48M 62.6%	\$30.05M 56.5%	\$45.52M 82.6%	\$53.14M 84.3%
Net Protocol Revenue	-\$13.51M	\$20.54M	\$31.34M	\$23.88M	\$60.73M
✓ Operating Expenses	—	—	—	\$12.41M	\$14.69M
➤ Buffers	—	—	—	\$12.41M 100%	\$14.69M 100%
Net Protocol Surplus	-\$13.51M	\$20.54M	\$31.34M	\$11.48M	\$46.04M

Monthly P&L — Q1 2026

ACCOUNT	JAN '26	FEB '26	MAR '26
✓ Gross Protocol Revenue	\$26.02M	\$52.05M	\$45.72M
➤ Stability Fee Revenues	\$25.23M 97%	\$52.05M 100%	\$45.72M 100%
➤ Rewards	\$788.3K 0%	—	—
✓ Expense	\$16.6M	\$19.71M	\$26.76M
➤ Direct Expenses	\$16.44M 99.1%	\$15.94M 80.9%	\$20.75M 77.6%
➤ Integration Expenses	\$135.48K 0.8%	\$3.59M 18.2%	\$3.85M 14.4%
➤ Operating Expenses	\$20.75K 0.1%	\$176.62K 0.9%	\$2.15M 8%
Net Protocol Revenue	\$9.42M	\$32.34M	\$18.97M
✓ Operating Expenses	—	\$6.96M	\$7.72M
➤ Buffers	—	\$6.96M 100%	\$7.72M 100%
Net Protocol Surplus	\$9.42M	\$25.38M	\$11.25M

Full Balance Sheet

ACCOUNT	Q1 '26
▼ Protocol Collateral	\$13.03B
> Buffers	\$24.48M
> Primes Vaults	\$6.99B
> Sky Capital Buffer	\$146M
> Crypto Vaults	\$674.75M
PSM Vaults	\$5.09B
RWA Vaults	\$103.74M
▼ Protocol Obligations	\$12.96B
Cash Balance	\$95.09M
Circulating DAI	\$4.4B
DAI Savings	\$249.93M
USDS Savings (sUSDS)	\$6.49B
USDS Staking (stUSDS)	\$201.62M
Circulating USDS	\$1.53B
Protocol Surplus	\$63.47M

Financial Dashboard Links

[P&L, Balance Sheet, Settlement Cycles](#)

[Stablecoin Supply](#)

[Collateral Backing](#)

[Expenses](#)

[Buyback Activity](#)

[Staking Data](#)

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.

The Sky Frontier Foundation is 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. SFF supports research, education, and ecosystem development within the Sky ecosystem. 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 March 31, 2026.

All views, opinions, and statements contained herein are those of the Sky Frontier Foundation and do not represent 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 the community to share their own perspectives. Full disclaimers and legal notices can be found below.

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This report contains forward-looking statements – for example, discussions of future plans, operational planning assumptions, or anticipated outcomes of DAO-governed protocol mechanisms – which reflect the Foundation’s current expectations and beliefs about future events. These statements are inherently uncertain and not guarantees of future performance. Actual results and events could differ materially from those anticipated, due to various risks and factors outside the Foundation’s control (including market volatility, regulatory changes, and decisions made through decentralized governance).

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