Spark

(SPK)

Tokenholder Report

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Q2 2026

Blockworks Advisory

Spark

Spark Tokenholder Report — Q2 2026

Q2 2026 · Prepared by Blockworks Advisory

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SECTION 01

Executive Summary

Market share doubled through a bear market: profitable, distribution-led, and expanding the footprint across Uniswap, BitGo, and Robinhood Earn.

10.4%	$4.88M	$5.03B	$3.3M
LENDING MARKET SHARE	DISTRIBUTION REWARDS	SPARKLEND DEPOSITS	NET INCOME
from 4.3% in Q1	+43% QoQ	+69% QoQ	vs $3.7M in Q1

Q2 2026 looked much like Q1 for the broader lending market: borrowing demand stayed weak, spreads stayed compressed, and revenue contracted across the major venues. Against that backdrop, Spark gained ground. The protocol stayed profitable, more than doubled its share of outstanding loans among the major lending venues (from 4.3% to 10.4%), and kept expanding the distribution footprint of the Spark Liquidity Layer (SLL), the capital-allocation engine at the center of the protocol.

The quarter also validated risk management as a core part of the product. When a mid-April bridge exploit elsewhere in DeFi stressed collateral markets, Spark's oracle killswitch and rate-limit design absorbed the disruption without loss, and over $1B of capital migrated into the protocol in the weeks that followed. The SLL responded by rotating allocation toward its own lending venue, where borrowing demand surged, exactly the counter-cyclical behavior the allocator model is designed to produce.

Key highlights:

- **Lending market share more than doubled:** 4.3% to 10.4% of outstanding loans across the major venues (vs Aave, Morpho, Fluid), while that combined loan book contracted ~30%
- **Total revenue (net of funding costs):** $6.57M (-5.8% QoQ), against Aave's interest income −23% and Ethena's fees −21% over the same period; distribution rewards of $4.88M (+42.9% QoQ) now contribute roughly three-quarters of net revenue
- **Net income:** ~$3.3M (vs ~$3.7M in Q1), with recurring opex steady at $1.1M per month, profitability held through a second consecutive bear-market quarter
- **SLL average allocation:** ~$4.2B (+54% QoQ), rotated toward the highest-demand venues; ~$150M deployed to Uniswap v4 USDS/USDT and USDS/PYUSD pools (June 25), one of the largest AMM liquidity migrations in DeFi
- **SPK buybacks:** $1.31M deployed for 58.3M SPK (~0.6% of total supply, roughly 1.4% to 1.9% of circulating supply), more than double the Q1 pace; USDS in treasury +8.1% to $39.3M

Overall, Q2 saw Spark increase its market share through a bear market while staying profitable in a sector where revenue fell sharply. In addition to this, Spark expanded its distribution footprint through strategic partnerships (Uniswap, BitGo, and the announced Robinhood Earn integration), with the market increasingly recognizing that risk management is part of the product.

SECTION 02

How Spark Works

Spark operates as a DeFi liquidity and lending engine designed to route stablecoin liquidity across the Ethereum ecosystem and adjacent networks. It functions as a super lending protocol that manages multiple DeFi facilities simultaneously, allocating capital across lending markets, liquidity venues, and structured strategies to optimize yield, liquidity depth, and capital efficiency.

At its core, Spark programmatically manages stablecoin liquidity, minting and sourcing capital, routing it across chains, and deploying it into yield-generating opportunities, while maintaining strict risk management.

Operationally, Spark sources capital from Sky's allocation system, routes liquidity cross-chain, and deploys it into DeFi strategies.

As a Prime Agent SubDAO, Spark operates with significant strategic and operational autonomy under the Sky Atlas governance framework. While remaining aligned with the Sky ecosystem, Spark independently manages product development, partnerships, and liquidity strategies to drive USDS adoption and capital efficiency across DeFi.

SECTION 03

Financials

Income Statement

Spark Income Statement

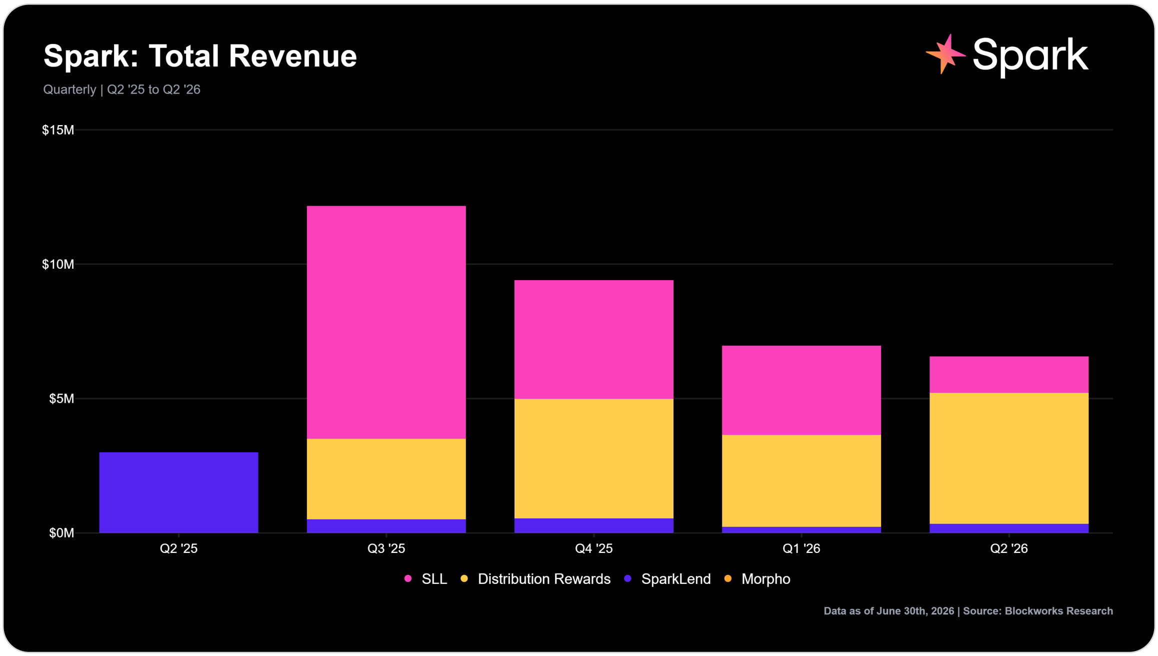
	Q2 2026	Q1 2026	Q4 2025	Q3 2025
Total Revenue	$6.57M	$6.97M	$9.40M	$12.17M
Net Interest Income	$1.68M	$3.55M	$4.95M	$9.17M
Spark Liquidity Layer Income	$35.62M	$27.90M	$39.81M	$48.65M
Spark Liquidity Layer Expense	($34.27M)	($24.57M)	($35.40M)	($39.98M)
Sparklend Interest Income	$11.61M	$10.19M	$17.51M	$20.38M
Sparklend Interest Expense	($11.28M)	($9.96M)	($16.97M)	($19.87M)
Non-Interest Income	$4.88M	$3.42M	$4.45M	$3.00M
Fees	$0.01K	$0.03K	$0.04K	$1.73K
Rewards	$4.88M	$3.42M	$4.45M	$2.99M
SKY Distribution Rewards	$4.88M	$3.42M	$4.45M	$2.99M
Expenses	($3.30M)	($3.30M)	($4.40M)	($1.60M)
Operating Expenses	($3.30M)	($3.30M)	($4.40M)	($1.60M)
Net Income	$3.27M	$3.67M	$5.00M	$10.57M

Data as of June 30th, 2026 | Source: Blockworks Research

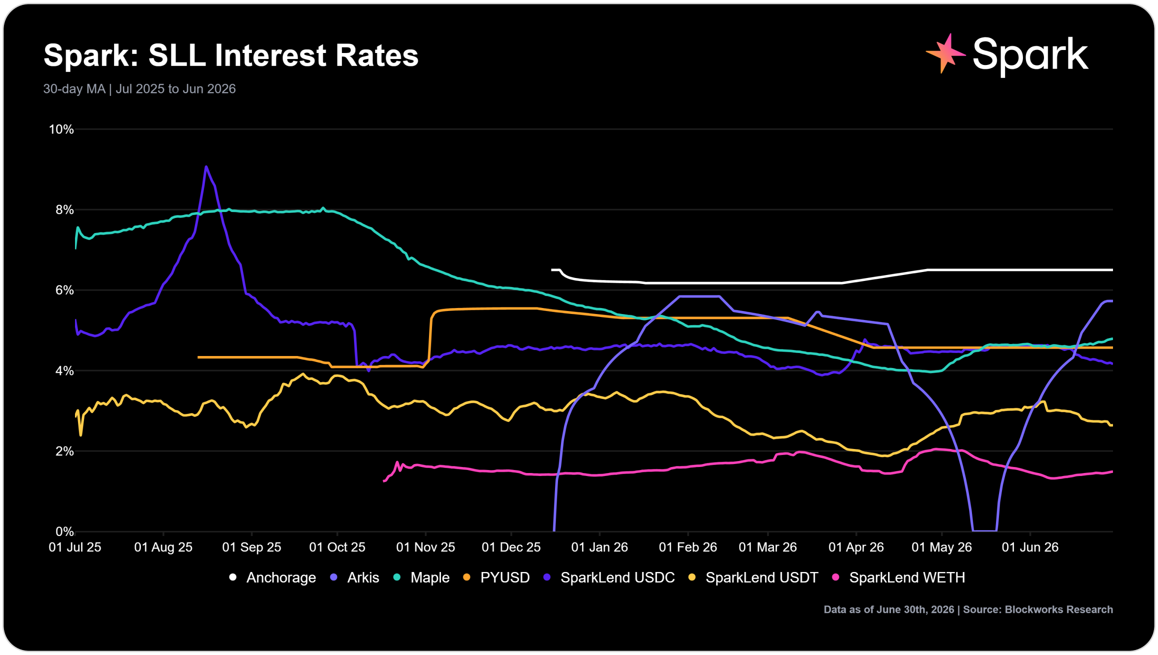
Spark: Income Statement (Average Figures), Source: [Blockworks]

Compared to Q1 2026, Spark's Q2 results reflect stabilization at a lower revenue base with a further shift in composition. Total revenue declined 5.8% QoQ ($6.97M to $6.57M), as continued compression in Liquidity Layer net yields was largely offset by growth in distribution rewards.

Distribution rewards reached $4.88M during the quarter (+42.9% QoQ from $3.42M), extending their lead as the protocol's primary net return contributor and now representing roughly 74% of net revenue. SLL net interest income fell to $1.35M (-59% QoQ from $3.33M), reflecting tighter spreads across the venue set and rate declines at the largest allocations. The SparkLend reserve-factor contribution rose to $0.33M (+48% QoQ from $0.22M) as the effective reserve factor widened from ~2.2% to ~2.9%, and the Morpho line remained at zero while the curator-model overhaul continues.

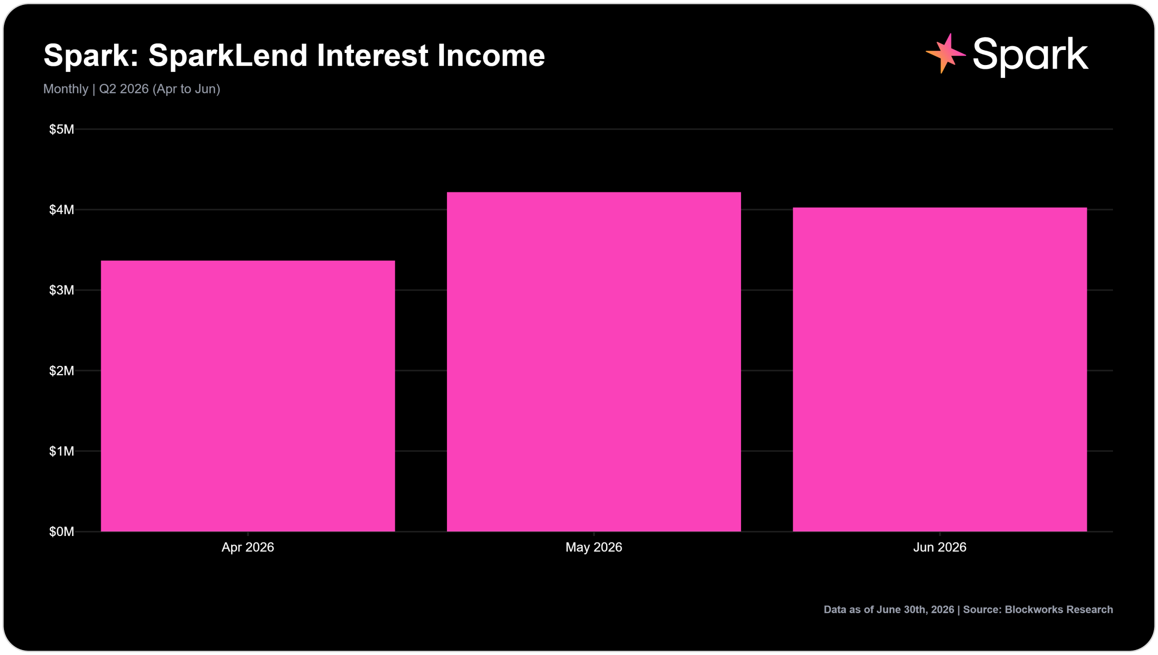


Spark: Total Revenue, Source: [Blockworks]

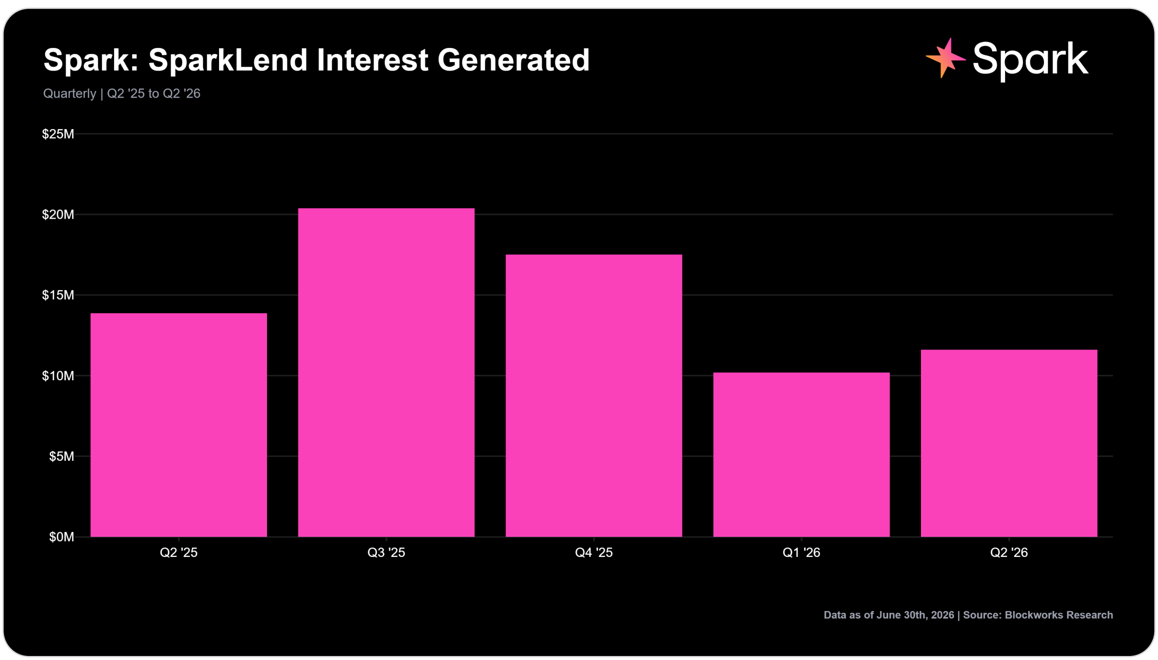


Spark: SLL Interest Rates, Source: [Blockworks]

SparkLend gross interest generated reached $11.61M (+13.9% QoQ from $10.19M), the first quarterly increase since Q3 2025, on rebuilt borrow balances; monthly interest income ran $3.37M (Apr), $4.22M (May), and $4.03M (Jun). At the venue level, quarter-end 30-day average rates put Anchorage at ~6.5%, Arkis at ~5.7%, Maple at ~4.8%, PYUSD at ~4.6%, and SparkLend USDC at ~4.2%, with SparkLend USDT (~2.6%) and WETH (~1.5%) at the lower end.

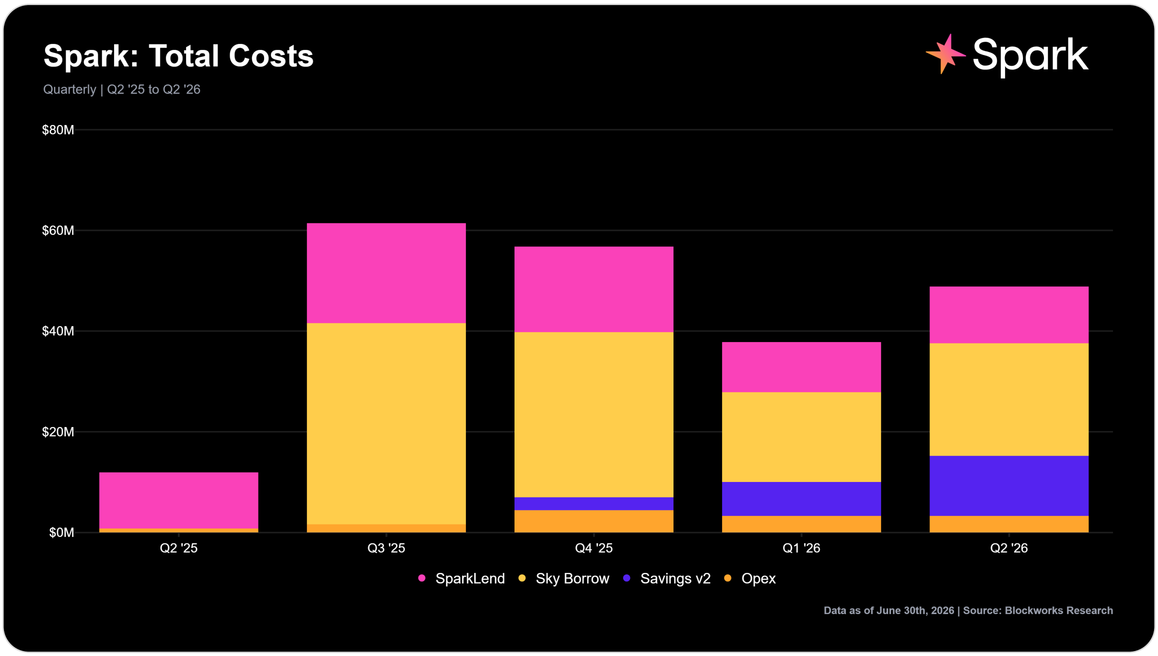


Spark: SparkLend Interest Income, Source: [Blockworks]

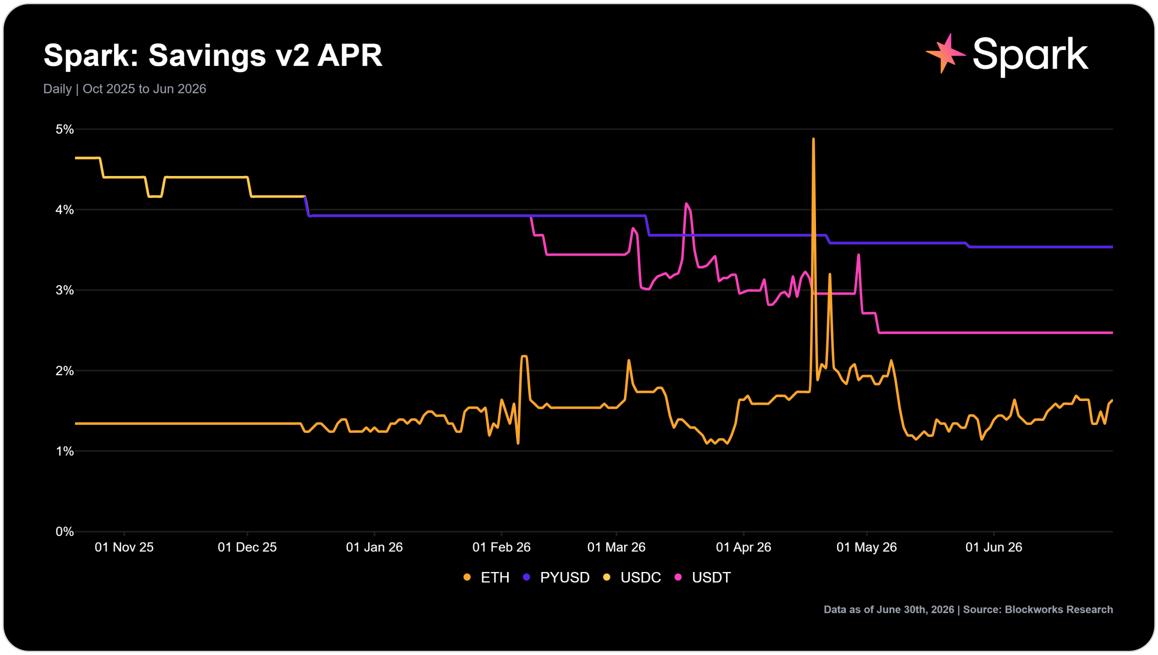


Spark: SparkLend Interest Generated, Source: [Blockworks]

Total costs rose 29.1% QoQ ($37.83M to $48.85M), driven by the balance-sheet re-expansion: interest paid to SparkLend depositors was $11.28M, Sky borrow costs $22.35M, and Savings v2 reward costs $11.92M. Funding costs (Sky borrow plus Savings v2) rose 39.5% QoQ to $34.27M, with Savings v2's share of the funding stack rising from 27% to 35%, continuing the deliberate diversification of the liability base. Savings v2 rates remained conservative through the quarter, ending at roughly 3.5% for USDC and PYUSD, 2.5% for USDT, and 1.5% for ETH.

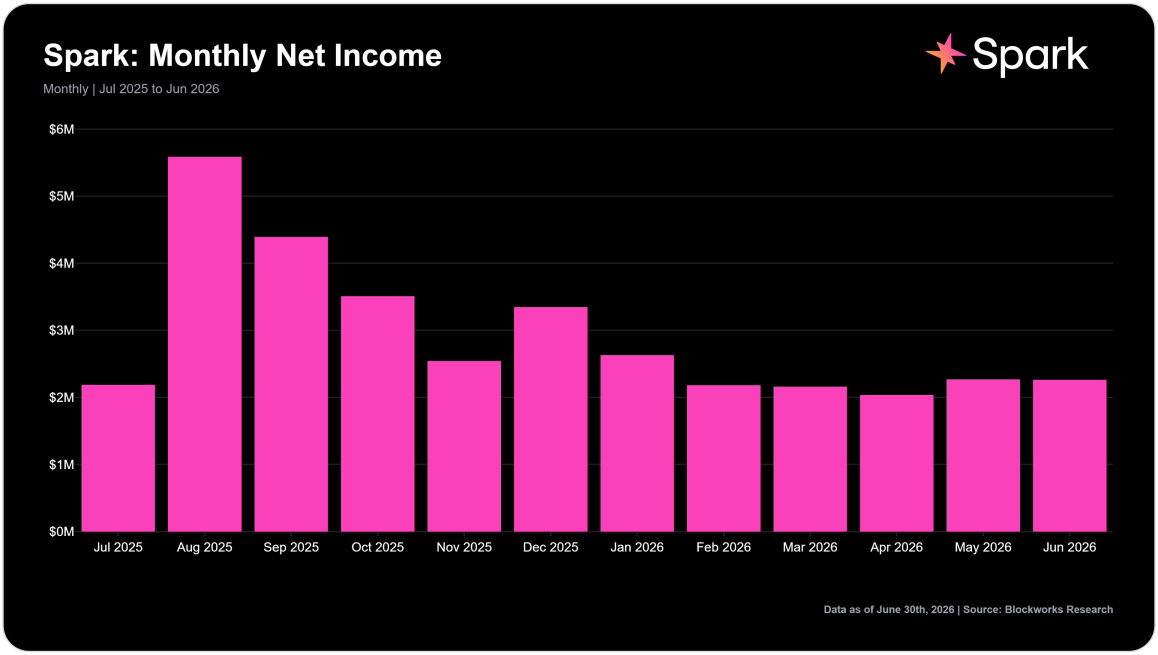


Spark: Total Costs, Source: [Blockworks]

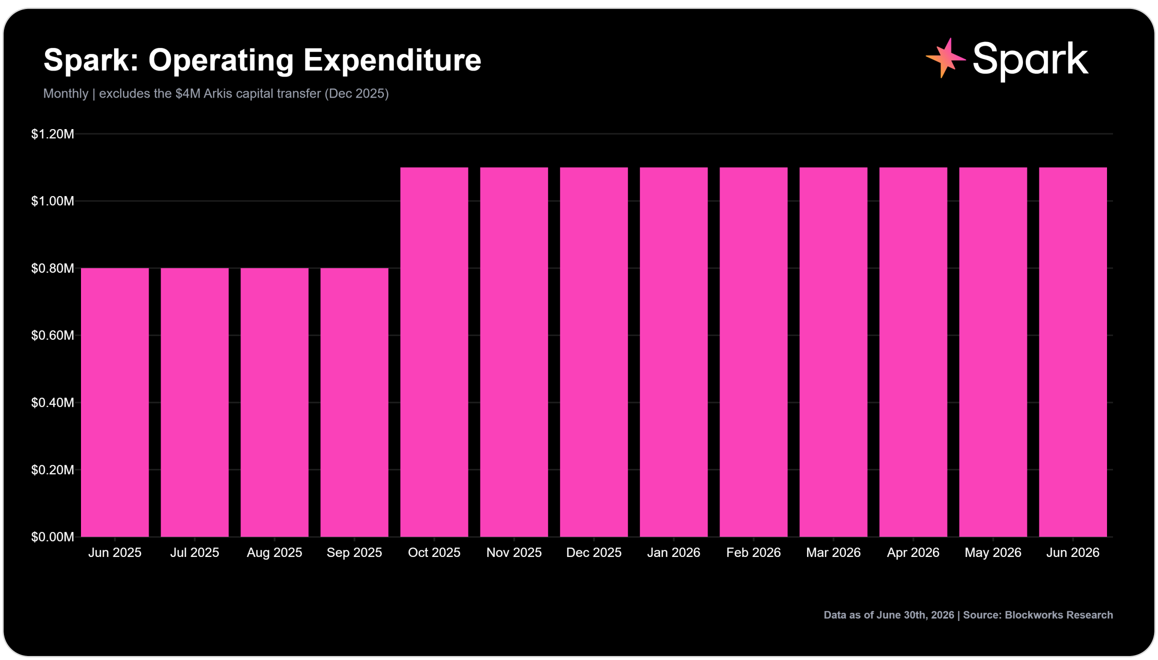


Spark: Savings v2 APR, Source: [Blockworks]

Recurring operating expenditure remained stable at $1.1M per month ($3.3M for the quarter), indicating controlled and predictable underlying operating costs. Monthly net revenue after funding costs ran $2.03M (Apr), $2.27M (May), and $2.26M (Jun); after recurring opex, quarterly net income was approximately $3.3M, down about 11% from Q1's ~$3.7M, a far shallower decline than the Q4-to-Q1 step-down as the revenue mix stabilized.



Spark: Monthly Net Income, Source: [Blockworks]



Spark: Operating Expenditure, Source: [Blockworks]

Balance Sheet

SparkLend balances rebuilt decisively over the quarter, tracing a clean recovery from the Q1 trough:

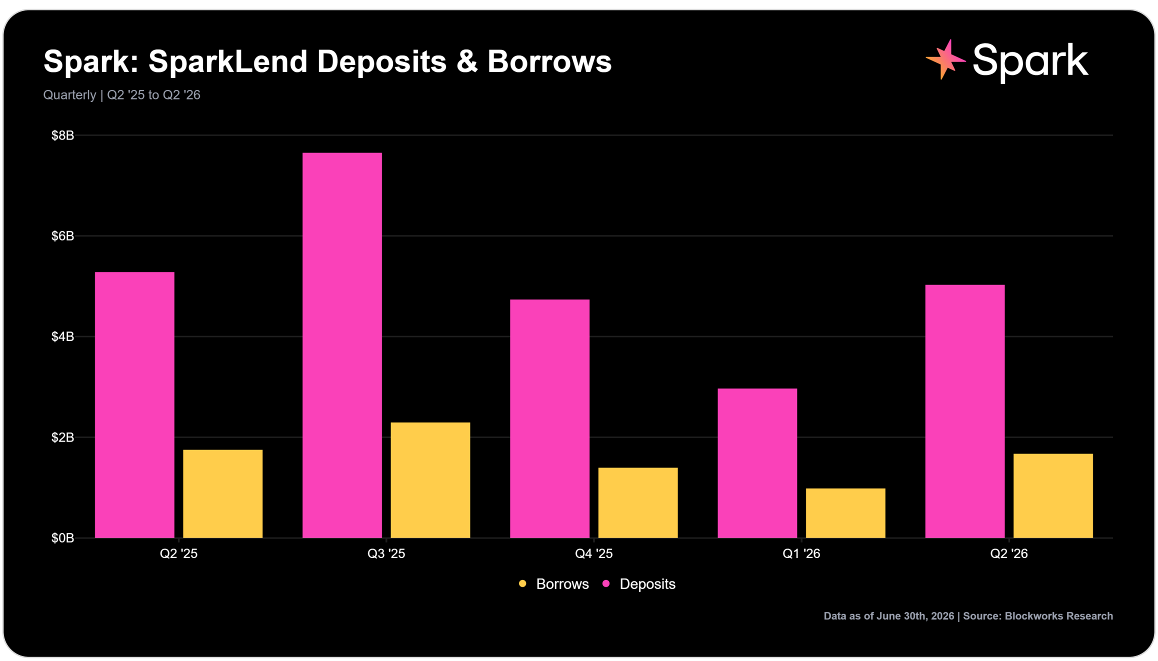
Spark Balance Sheet

	Q2 2026	Q1 2026	Q4 2025	Q3 2025
Total Assets	$3.42B	$3.70B	$2.81B	$3.12B
Spark Liquidity Layer Assets	$3.36B	$3.64B	$2.75B	$3.04B
Treasury	$55.49M	$61.45M	$51.72M	$76.84M
Arkis Investment	$4.00M	$4.00M	$4.00M	$0.00M
Total Liabilities	($3.36B)	($3.64B)	($2.75B)	($3.04B)
Sky and Savings v2 Borrows	($3.36B)	($3.64B)	($2.75B)	($3.04B)
Total Equity	$59.49M	$65.45M	$55.72M	$76.84M

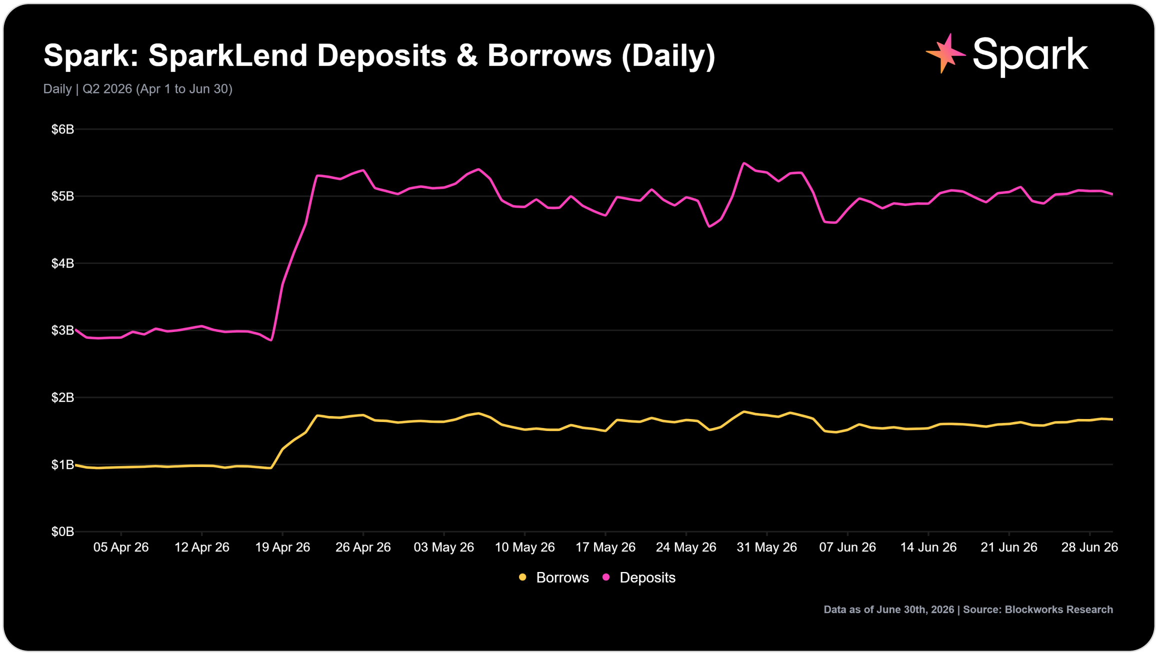
Data as of June 30th, 2026 | Source: Blockworks Research

Spark: Balance Sheet, Source: [Blockworks]

The April 18 trough coincided with the rsETH bridge exploit, after which over $1B migrated into Spark, the primary driver of the subsequent deposit surge into late May.



Spark: SparkLend Deposits & Borrows, Source: [Blockworks]



Spark: SparkLend Deposits & Borrows (Daily), Source: [Blockworks]

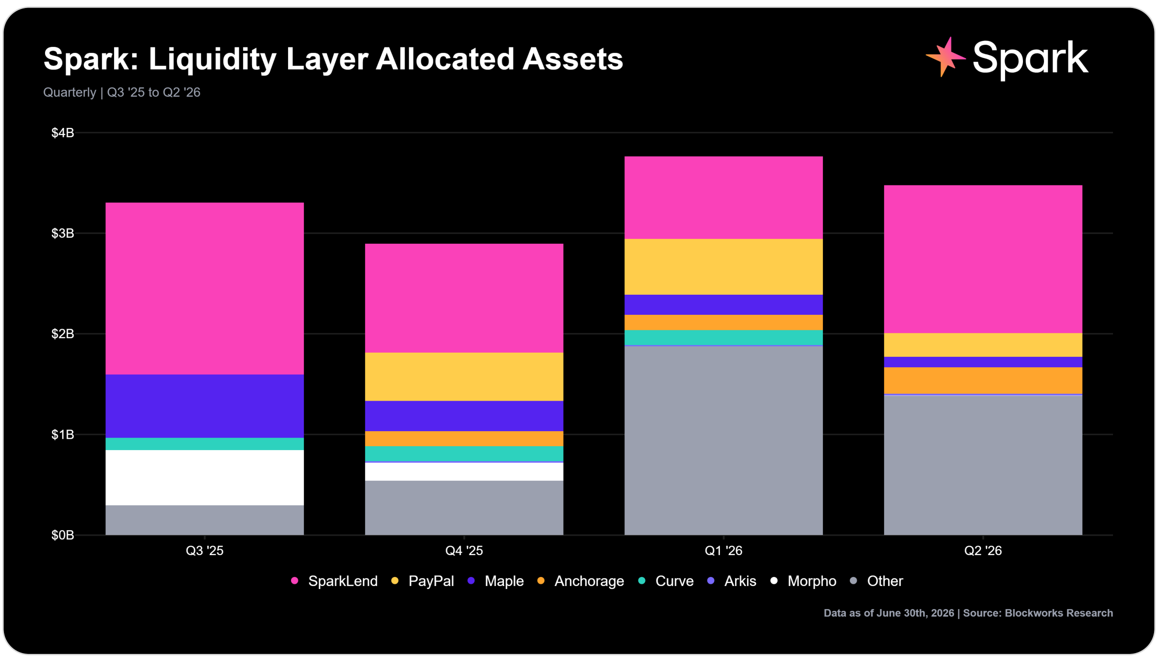
Allocated Assets Breakdown

SLL-allocated assets sat at $3.36B at Q2-end, down from $3.64B at Q1-end. Note that we also count idle balances and protocol owned liquidity (POL) towards this figure, including idle balances held in the SLL ALM proxy address and idle SparkLend deposits.The defining move in the mix was a decisive rotation toward SparkLend, whose share of the allocated book roughly doubled from ~22% to 42% ($0.82B to ~$1.47B), a direct reflection of the surge in borrowing demand on SparkLend relative to last quarter. PayPal's share roughly halved (from ~15% to ~7%, ~$0.56B to ~$0.24B), Curve was wound down to zero (from ~$0.15B), and Maple was trimmed to ~$0.11B. Institutional channels continued to build in absolute terms, with Anchorage rising to ~$0.26B (from ~$0.15B) and Arkis roughly doubling from a small base. The remaining balance sits in reserve and RWA positions. The pattern is the allocator model working as designed: capital followed demand into the venue where spreads were widening rather than sitting in incentivized but lower-yielding channels.

The three external channels are worth understanding individually, because each gives Spark a different kind of exposure:

- Anchorage is crypto-overcollateralized institutional lending, structurally similar to how Maple manages its book, but supporting higher LTVs and higher rates than pool-based venues like Aave or Morpho can offer. It has been the highest-yielding book in the SLL (~6.5% at quarter-end against ~2.6% to 4.2% on SparkLend stablecoin markets), and it is a meaningful lever for growing institutional demand.
- PYUSD yield reflects Spark's role as a distribution partner for the token: Spark provides the liquidity that makes PYUSD usable at scale, and is compensated for that distribution.
- Arkis is a margin-lending platform spanning CeFi and DeFi, through which Spark lends to institutions running cross-venue strategies such as delta-neutral trades (detailed under the Arkis investment section below).

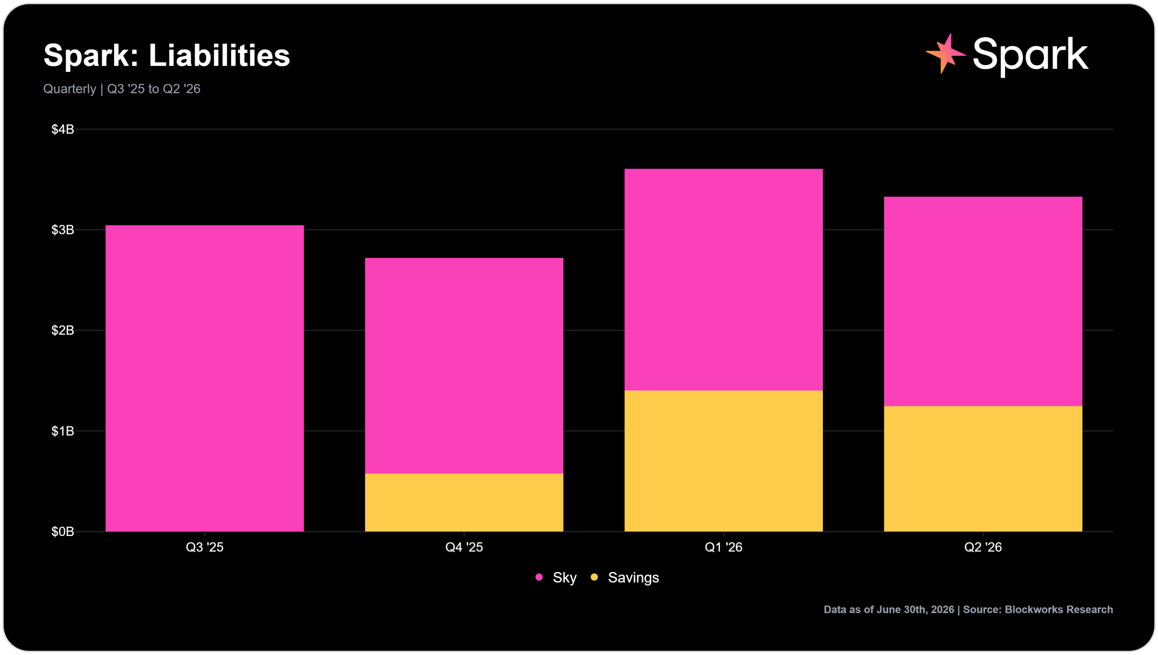
Taken together, the three show Spark becoming an important liquidity-routing layer, both within DeFi and for institutions entering DeFi, while the flagship SparkLend venue simultaneously gained market share.



Spark: Liquidity Layer Allocated Assets, Source: Blockworks

Total Liabilities (Sky vs Savings)

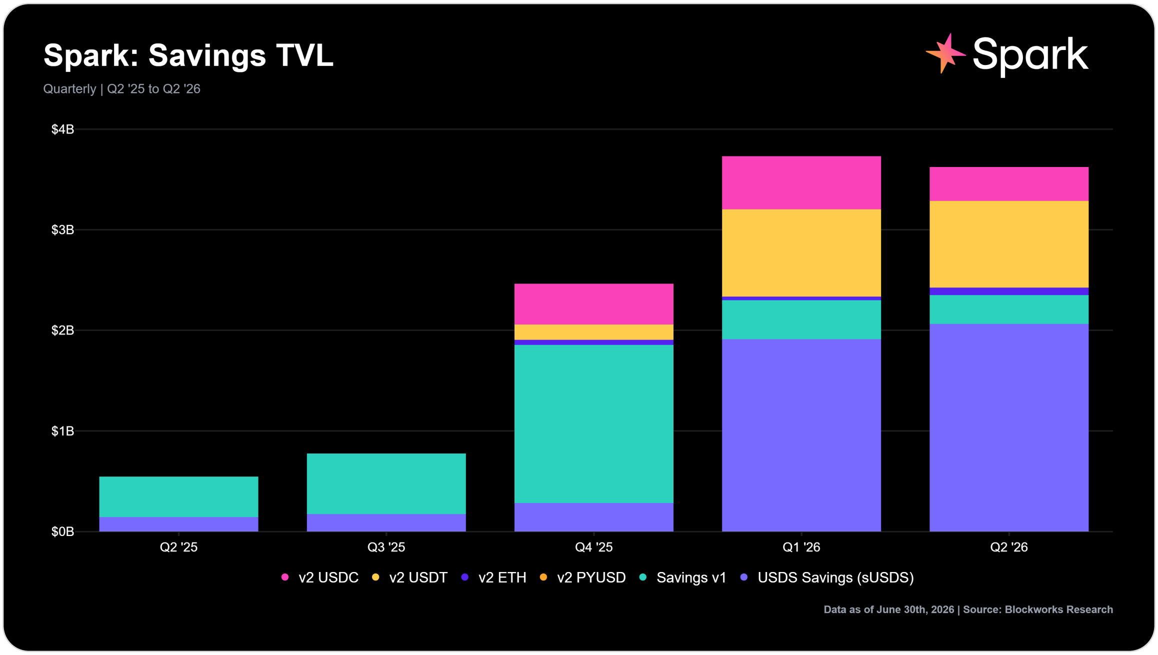
Total liabilities declined from ~$3.64B at Q1-end to ~$3.36B at quarter-end (-8%), with Sky borrow at ~$2.08B (from ~$2.21B) and Savings v2 at ~$1.25B (from ~$1.40B). The funding mix held steady at roughly 39% Savings v2, preserving the diversification achieved over the prior two quarters: Sky loans are USDS-denominated, while Savings v2 spreads the funding base across USDC, USDT, PYUSD, and ETH sleeves.



Spark: Liabilities, Source: [Blockworks]

Savings TVL

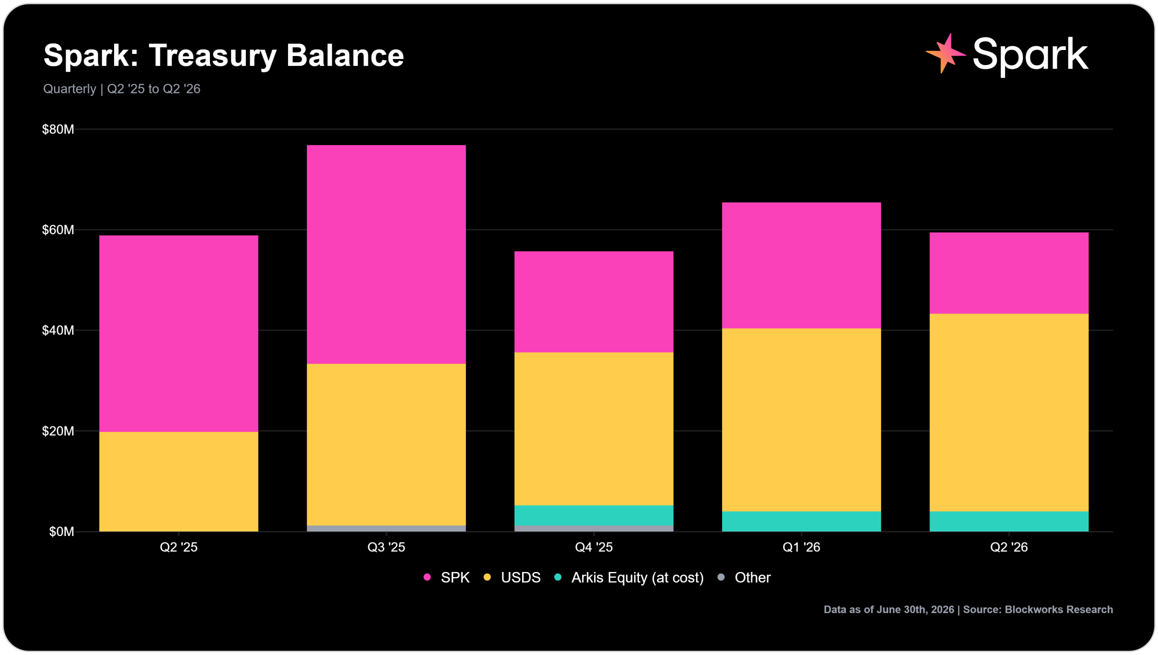
Savings TVL across Spark's savings products ended the quarter at ~$3.62B, essentially flat versus ~$3.73B at Q1-end after peaking above $4.2B at the end of May. Composition at quarter-end: USDS Savings (sUSDS) ~$2.06B (up from ~$1.91B), Savings v2 ~$1.27B (USDT ~$0.86B remaining the largest v2 sleeve, plus USDC ~$0.34B and smaller ETH and PYUSD sleeves), and legacy Savings v1 ~$0.29B continuing to wind down.



Spark: Savings TVL, Source: [Blockworks]

Treasury

Treasury assets ended the quarter at ~$59.5M, down from ~$65.5M at Q1-end. This includes the $4M Arkis equity investment carried at cost on the balance sheet alongside liquid holdings (~$55.5M at quarter-end, from ~$61.5M). Treasury USDS balance grew 8.1% to $39.3M (from $36.4M), keeping the treasury above its ~$35M operating-reserve target and leaving the surplus-funded buyback program active. The treasury tells the quarter's story in miniature: in a bear market where lending revenue contracted sharply across the sector, Spark both remained profitable and funded an accelerating buyback program entirely from operating surplus, while still growing its spendable reserves. Spark enters Q3 with a solid buffer and runway.



Spark: Treasury Balance, Source: [Blockworks]

Arkis Investment

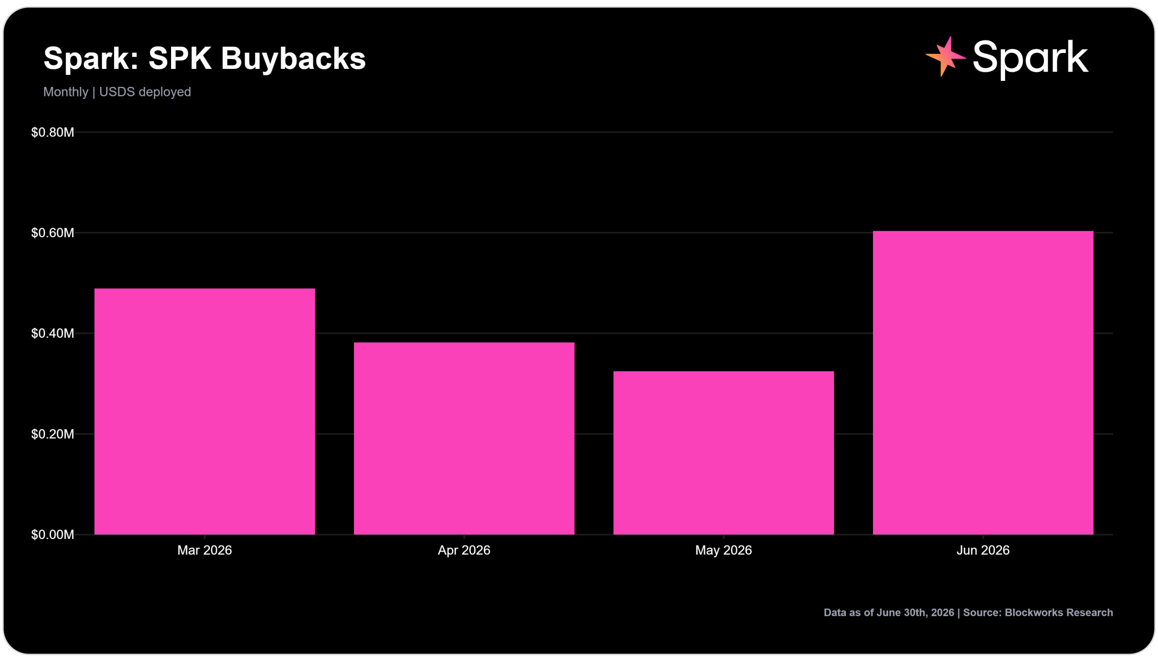
Spark holds a strategic investment in Arkis, a prime brokerage for digital assets, made in Q4 2025 ($4M invested at a $45M valuation, carried at cost). Arkis is, in practice, a platform for margin lending across CeFi and DeFi: through it, Spark lends to institutions running strategies such as delta-neutral trades across different venues. The strategic value is access: through Arkis, Spark gets exposure to a variety of strategies that would not otherwise be available onchain without building an in-house trading team, the route other protocols have had to take. A recent governance proposal broadened the set of assets Spark can lend against through the channel, in each case with conservative haircuts and defined risk limits. The SLL allocation to Arkis remains small (~$20M range) but roughly doubled over the quarter and is positioned to scale as the funding environment evolves.

Token Financials

SPK has a fixed genesis supply of 10 billion tokens, distributed as 65% to Sky Farming (over ten years), 23% to ecosystem development and airdrops, and 12% to the core team under multi-year vesting. As of quarter-end, SPK traded around $0.017 to $0.019, for a market capitalization in the low-$50M range and a fully diluted valuation near $170M.

Spark maintains a disciplined treasury-management policy analogous to how public companies allocate excess cash. Under the buyback program (activated in early 2026 and funded by treasury surplus above the ~$35M target), up to 25% of the monthly excess is directed to open-market SPK repurchases, accelerating to 100% of the excess above 200% of target; purchases execute via time-weighted orders, and repurchased tokens are held in treasury rather than burned.

Buybacks accelerated through Q2: $1.31M of USDS was deployed to repurchase 58.3M SPK ($0.38M in April, $0.33M in May, and $0.60M in June), more than double the Q1 pace, supported by the Q2 governance spell's 326,945 USDS buyback allocation to the Spark Operations Multisig. The Q2 repurchases equal ~0.58% of the 10B total supply (the FDV basis) and roughly 1.4% to 1.9% of circulating supply depending on the circulating-supply methodology. Cumulative repurchases since program start reached ~$1.8M for ~80.9M SPK (average price ~$0.022) through quarter-end, ~0.81% of total supply.



Spark: SPK Buybacks, Source: Blockworks

Product Updates

The quarter's product cadence reinforced Spark's strategic positioning as a liquidity enabler for stablecoin issuers and distributors. Spark already plays this role for PayPal's PYUSD; in Q2 it extended it to onchain FX with the Uniswap v4 stable pools, opened a custody pathway for institutions through BitGo, and announced it will be among the initial protocols available through Robinhood Earn (USDG), each one widening the surface through which third-party platforms distribute yield built on Spark's infrastructure.

- **Uniswap v4 DualPool deployment.** Spark deployed its DualPool hook on Uniswap v4 and migrated ~$150M of Spark Liquidity Layer liquidity into USDS/USDT and USDS/PYUSD pools, described by Spark as one of the largest AMM liquidity migrations in DeFi. The deployment positions USDS as a quoting asset for an onchain stablecoin FX layer built with Uniswap and Sky, and extends the SLL from lending venues into market-making infrastructure.
- **BitGo custody integration.** Spark Savings became available through BitGo institutional wallets (USDT, USDC, USDS), creating a direct pathway from qualified custody into Spark's onchain credit markets and extending the institutional distribution set alongside Galaxy, Nexo, OKX, Binance Wallet, and Zerion.
- **Institutional lending execution.** Building on the Anchorage Digital tri-party partnership announced January 15 (initial deployment: $150M USDC lent against $222M of BTC collateral across three institutional counterparties, settled via Anchorage's Atlas infrastructure), the Anchorage allocation grew ~70% over the quarter at the highest yield tier in the SLL book.
- **Spark Prime progress.** Spark Prime, the CeDeFi margin-lending framework launched February 11 with Edge Capital, M1, and Hardcore Labs as initial partners ($15M initial allocation), entered its announced Q2/Q3 upgrade cycle: contract upgrades, off-exchange settlement, a liquidation fallback, and a high-yield vault.
- **Arkis roll-out.** The Arkis integration gives Spark exposure to funding-rate strategies; the allocation roughly doubled over the quarter from a small base.
- **Risk-ratings integration.** Independent, daily-updated Credora risk grades on Spark Savings vaults (live since early March) continue to add TradFi-style transparency to onchain yields, and are surfaced through the new BitGo pathway as well.
- **Savings Liquidity Intents.** The intent-based large-withdrawal capability introduced in Q1, allowing withdrawals exceeding the standard Target Liquidity buffer in a single transaction via the SLL, continues to support flexible liquidity management; Spark's May security publication notes large withdrawals typically fill in under a minute.
- **Multi-asset Savings.** Spark Savings V2 continues to support USDC, USDT, ETH, and PYUSD sleeves; the USDT vault crossed the $1B milestone in early May (per protocol disclosure) and remained the largest v2 sleeve at ~$0.86B at quarter-end.

SECTION 04

Governance Updates

Spark's Q2 governance activity centered on treasury management, capital return, and risk-parameter maintenance:

- **Q2 spell.** A Sky executive proposal implemented several Spark changes: transferring 1.1M USDS to the Spark Foundation and 100K USDS to the Spark Assets Foundation for Q2 grants; directing 326,945 USDS to the Spark Operations Multisig for SPK buybacks; offboarding Aave Avalanche USDC and Aave Core USDT positions; replacing the Spark Blue Chip USDT Morpho Vault with a new vault (100M USDT deposit cap); and adjusting LBTC and WBTC SparkLend supply caps.
- **Treasury / buyback parameters.** Governance (SAEP-09 and follow-ons) lowered the threshold for using excess reserves to repurchase SPK and removed the SKY-to-SPK staking pool.
- **Security framework and loss-absorption waterfall.** Spark published a consolidated security framework in May, formalizing a five-layer loss-absorption waterfall (Prime Agent risk capital, the Sky surplus buffer, a Genesis Capital Backstop, the SKY token backstop, and a final system-resolution layer). The new Genesis Capital Backstop layer, aggregating backstop capital from Spark, Grove, Keel, Skybase, and other Genesis Agents, entered the Sky Atlas Edit Weekly Cycle the week of April 20 and was not yet active at quarter-end. The framework also scheduled the full removal of BTC e-mode exposure for June 8 and announced three forthcoming risk programs: a Continuous Collateral Risk Review, a Graduated Oracle Design, and a Risk Steward Framework for bounded, faster parameter updates.
- **Risk controls.** Spark continued to extend the SparkLend risk framework established in Q1: oracle-based kill switches (loan freezes on >5% peg deviation), expanded asset coverage (weETH, rETH, cbBTC, WBTC, LBTC), upgraded Cap Automators (v1.1 with authorization controls), and multisig-curator governance of Morpho vaults with 10-day timelocks and guardian oversight. The framework was stress-tested in-quarter by the April rsETH market disruption, which the oracle and rate-limit design absorbed without loss to the protocol.

SECTION 05

Closing Summary and Outlook

The Q2 story reduces to three claims, each with data behind it. First, Spark increased market share through a bear market: its share of major-venue outstanding loans more than doubled to 10.4% while the sector's loan book contracted ~30% and Aave's interest income fell 23%. Second, it stayed profitable while doing so: net income held near $3.3M, recurring costs stayed flat, and the buyback program more than doubled its pace, funded entirely from operating surplus. Third, it kept expanding its distribution footprint through strategic partnerships: the Uniswap v4 stable pools, the BitGo custody pathway, and the announced Robinhood Earn (USDG) integration each extend Spark's positioning as the liquidity engine behind other platforms' stablecoin products, the role it already plays for PayPal's PYUSD. Underneath all three runs the quarter's structural lesson: the April stress episode showed the market treating Spark's risk management as a product feature, with capital under pressure migrating toward the venue with the most conservative controls.

The principal watch-items into Q3 are the durability of the post-April deposit migration, whether distribution rewards can continue to scale as SLL spreads stay tight, and the concentration of the revenue base in the distribution engine while lending yields remain compressed. The Robinhood Earn integration's timing and scale will be covered in the Q3 report. If lending demand recovers, Spark's higher market share converts directly into operating leverage; in the meantime, the distribution business is carrying the franchise. Spark exits the quarter as one of the more resilient lending protocols in DeFi, with the numbers to show for it.

APPENDIX

Disclosures

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