

Staked |  kraken



The State of Staking

Q3 | 2022

\$236 BN (15% Q/Q)

Market Cap of Top 35 PoS Assets

\$63BN (+26% Q/Q)

Value of Staked Assets

\$5BN (+30% Q/Q)

Annualized Staking Rewards

24% (+2% Q/Q)

PoS Share of Total Crypto Market Cap

13% (-1.7% Q/Q)

Average Yield

Successful ETH Merge Drives Rebound in PoS Assets Off Q2 Lows

Catalyzed by the Ethereum merge on September 15th, 2022, proof-of-stake (PoS) assets rebounded from their Q2 lows, increasing share versus Bitcoin, stables and the broader crypto market. The market capitalization of the top 35 PoS assets increased 15% Q/Q to \$236BN, while the total crypto market cap was only up 6% to \$979BN. Bitcoin's market cap declined 2.4% Q/Q to \$375BN, while the top 4 stablecoins were down 1.5% to \$144BN. Driven by higher asset prices and a record average stake rate, the value of staked assets increased 26% to \$63BN, firmly back above \$50BN.

In Q3, the average stake rate increased 1.8% to an all-time high of 50.4%. Consequently, the average staking yield decreased 1.7% to 13%. **With the addition of transaction fees (tips) and MEV post-merge, the Ethereum staking yield increased from 4.4% to 7.1%.** As a result of the rebound in asset prices and higher stake rates, annualized staking rewards increased by 30% to back above \$5BN.

\$BNS	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Average Yield	13.0%	14.6%	15.4%	13.9%	11.8%
Average Stake Rate	50.4%	48.6%	49.7%	43.2%	46.1%
Staked Assets	\$ 62.9	\$ 49.4	\$ 170.3	\$ 181.1	\$ 157.3
Annualized Staking Rewards	\$ 5.0	\$ 3.9	\$ 14.9	\$ 14.7	\$ 12.2

Source: The staked asset value is calculated by multiplying the market capitalization and stake rate for each protocol on the last day of the quarter (e.g. 09/30/21 or 12/31/21). Market capitalizations per CoinGecko. Stake rate data per on-chain block explorers.

PoS share of the crypto market cap increased 2%, growing from 22% in Q2 to 24% in Q3. Excluding Bitcoin, PoS market share increased modestly to 39%. Stablecoin share decreased 1% to 15%. **Demand for ETH ahead of the long awaited merge drove Ethereum's outperformance versus the broader PoS index.** Ethereum's share of the PoS market increased another 3% to 68%, its highest share in more than a year.

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
PoS Market Share	24.1%	22.3%	29.5%	30.9%	29.6%
PoS Share Ex-Bitcoin	39.1%	38.3%	49.1%	49.9%	48.3%
ETH Share of PoS	68.3%	64.8%	61.4%	60.7%	59.1%
ETH / BTC Market Cap	43.0%	34.7%	45.5%	49.5%	45.1%

Source: Market capitalizations per CoinGecko on the last day of the quarter (e.g. 09/30/21 or 12/31/21).

In Q3, the top 10 crypto assets by market capitalization remained largely unchanged, with only XRP moving from the #6 ranking to #5. Ethereum #2, Cardano #8 and Solana #9 were the only PoS assets in the top 10. Polygon and Polkadot fell just outside the top 10 at #11 and #12, respectively. PoS secured 23 of the top 100 crypto assets in Q3, the same as in Q1. PoS dominance of the top 10 assets bounced back slightly to 24% in Q3 from 22% in Q2. **Ethereum's market cap ended Q3 at 43% of Bitcoin's market cap, up from a one year low of 35% in Q2.**

ETH Yield Moons to 7.1% Post-Merge While Inflation Drops 99%

On September 15th, 2022 the Ethereum Mainnet successfully merged with the Beacon Chain PoS system. This marked the end of proof-of-work (PoW) for Ethereum, and the full transition to PoS. Post-merge, in addition to earning rewards for block proposals and attestations, validators started earning the transaction fees and MEV previously earned by PoW miners. **In the two weeks post-merge, Staked operated validators generated a staking APR of 7.1%, an increase of over 60% from 4.4%.** This is in-line with estimates from the State of Staking published in Q2 2022.

Yield Composition

Consensus Layer

Validator Rewards (blocks, attestations, sync committe): **4.4%**

+

Execution Layer

Transaction fees ("tips"): **2.0%**

+

MEV (maximum extractable value): **0.7%**

=

Staking Yield: 7.1%

Bear market inactivity is materially depressing the transaction fees and MEV earned by ETH stakers. Ethereum averaged 540 ETH in daily transaction fees during Q3, which would have resulted in a 1.4% APR for stakers. This was lower than the 2% APR from fees generated during the two weeks post-merge, and 60% lower than the 3.2% APR generated in Q1 2022. **If activity returns to Q1 2022 levels, stakers could earn an ETH staking yield as high as 9%.**

(IMPLIED)	09/15 - 09/30	Q3 2022	Q2 2022	Q1 2022
APR via Transaction Fees	2.0%	1.3%	2.4%	3.2%

Source: *Etherscan and internal Staked validator data.*

Pre-merge, ~ 14,600 new ETH were issued per day, resulting in an annual inflation rate of ~ 4.5%. Post-merge, only 1,600 ETH are issued each day for staking rewards, lowering the inflation rate by 90% to 0.5%. **This is equal to a "triple halvening" in Bitcoin terms.**

As a result of EIP-1559, which burns the base fees paid for transactions, the Ethereum inflation rate is poised to decrease even lower. Based on activity in the past 30 days, Ethereum is on pace to issue 603,000 new ETH in the next year, while burning 564,000 ETH from EIP-1559. **This would result in an inflation rate of a mere .03%, a further decrease of ~ 95%.** Were the average gwei price for a transaction to increase from the current 15 gwei to 16 gwei, Ethereum issuance would be deflationary.

Source: <https://ultrasound.money/>

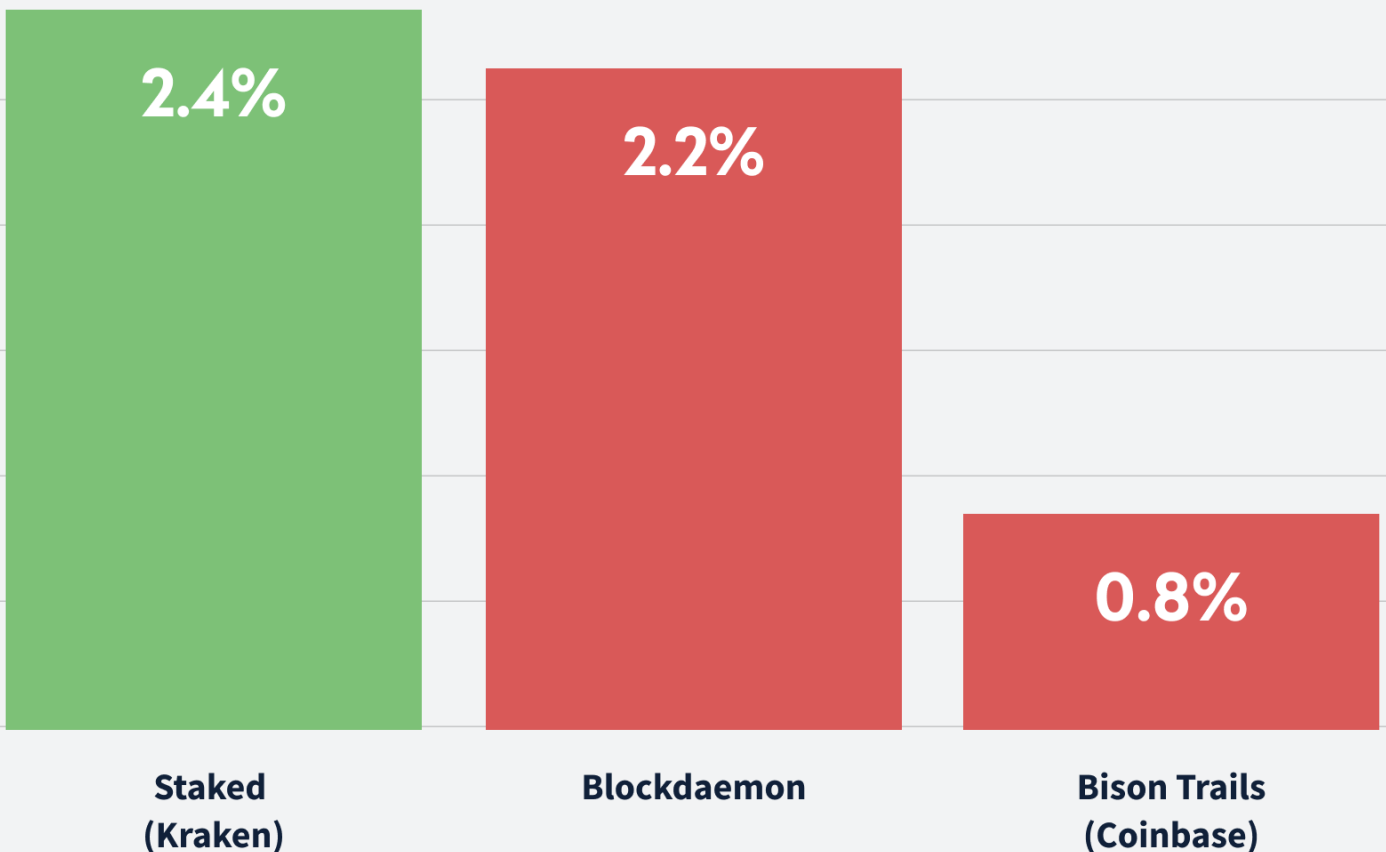
Staked Delivers Higher Yields Than Competition

Staked generates 10% - 200% more yield than our competitors on transaction fees + MEV for ETH staking. Our laser focus on yield allows Staked to consistently earn more rewards for our customers.

- ✓ Our outperformance is attributable to extensive research by Staked's dedicated MEV team and rapid implementation of MEV software immediately post merge.
- ✓ We expect the performance gap to widen as activity on Ethereum increases and more MEV opportunities surface.

Execution Layer (Txn Fees + MEV) APRs by Provider

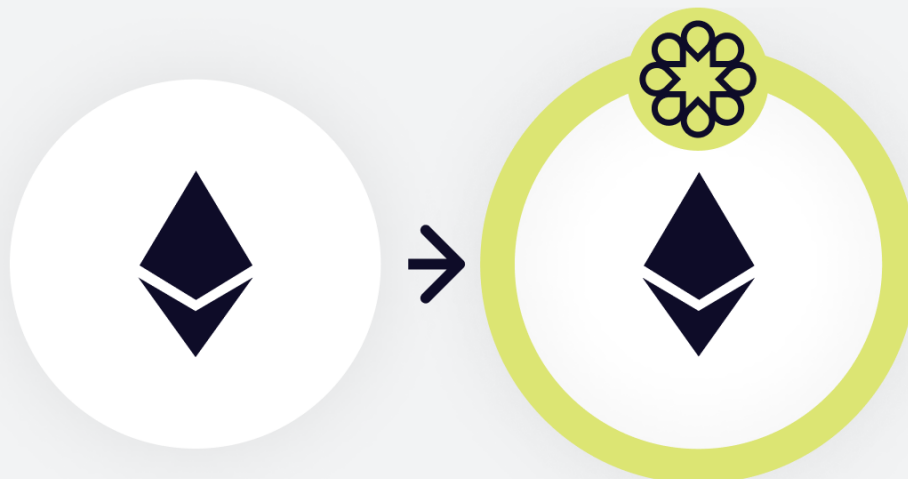
Source: On-Chain Data for 20,000 Kraken Validators



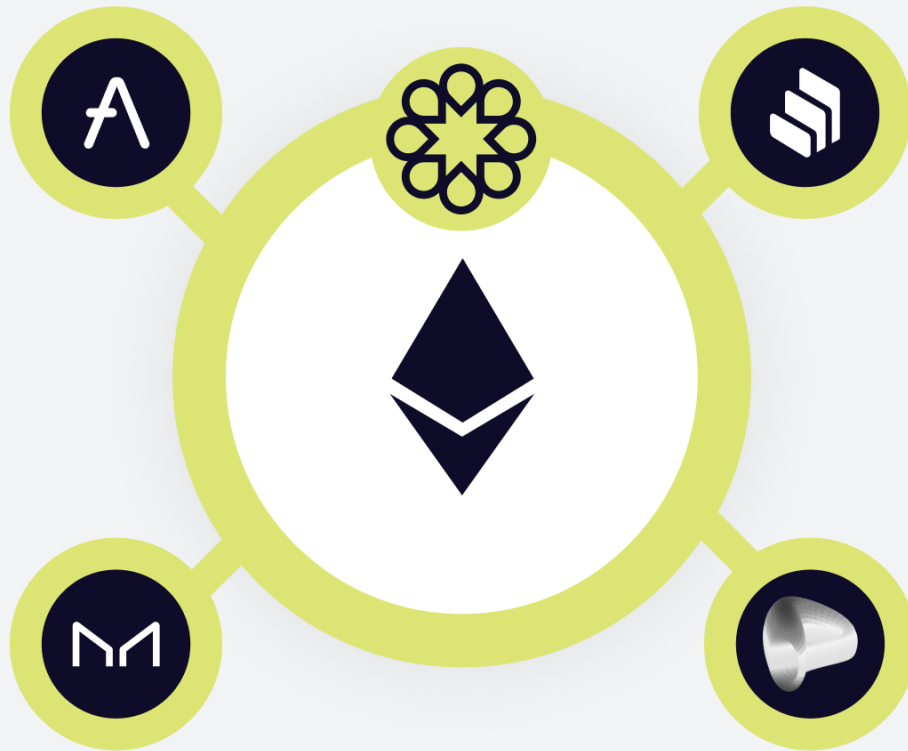
Industry Leaders Join Forces to Launch Liquid Staking Protocol

Liquid staking has experienced rapid adoption. In 2022, liquid staking on Ethereum grew to over 30% of staked ETH. **Kraken, Coinbase and Figment will be launching the Liquid Collective staking protocol in early November 2022 with support for ETH staking followed by expansion to additional chains in 2023.**

The Liquid Collective staking protocol provides two primary benefits: **Liquidity and dual yield streams.**



Liquidity: After ETH is deposited into the Liquid Collective protocol, LsETH is issued. The LsETH token can be sold or transferred on the open market for liquidity (subject to market demand). This is contrast to native ETH staking where the lock-up period for staked ETH is still undetermined two years after the launch of ETH staking. For example, ETH staked in December 2020 still can't be unstaked or withdrawn.



Dual Yield Streams: In addition to earning the ETH staking yield (currently at ~ 7%), the LsETH token can be used as collateral in DeFi (exact protocols TBD) and the broader crypto ecosystem to earn a second yield stream. The ability to earn two yield streams on a single asset provides a high degree of capital efficiency.

Regulatory compliance is the Liquid Collective staking protocol's primary differentiator. Unlike alternative liquid staking solutions, **Liquid Collective adheres to the strictest regulatory, compliance and legal standards**, paving the way for institutional participation. KYC/AML approvals are required for all participants to interface directly with the protocol to perform issuance and withdrawal operations.

The regulatory compliant focus offers a safer option for institutional crypto participants who are conscious of the **existential risks associated with potentially pooling funds with sanctioned entities that could occur with alternative liquid staking protocols**. For regulated entities who have been unwilling to participate in liquid staking up to this point due to regulatory concerns, Liquid Collective now provides a solution.

For more information about the Liquid Collective staking protocol or to schedule time with a Staked representative, please contact sales@staked.us.

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Top 35 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP	YIELD	STAKE RATE
Ethereum	ETH	161,267,455,734	7.1%	12.3%
Cardano	ADA	14,806,691,717	4.6%	73.7%
Solana	SOL	12,066,578,262	5.9%	76.9%
Polkadot	DOT	7,428,715,005	14.8%	51.9%
Polygon	MATIC	5,676,055,386	5.4%	32.5%
TRON	TRX	5,625,024,811	4.1%	41.5%
Avalanche	AVAX	5,129,624,506	8.9%	64.7%
Cosmos	ATOM	3,745,666,230	18.9%	66.3%
NEAR	NEAR	2,819,346,182	10.1%	48.0%
Crypto.com	CRO	2,819,343,733	9.8%	19.9%
Algorand	ALGO	2,457,728,431	8.3%	28.5%
Flow	FLOW	1,757,158,512	9.3%	52.9%
Tezos	XTZ	1,298,378,864	6.0%	74.4%
Elrond	EGLD	1,101,393,824	9.1%	58.6%
The Graph	GRT	734,311,197	9.8%	30.0%
Helium	HNT	648,636,815	6.5%	37.5%
Radix	XRD	600,371,866	11.5%	89.4%
Fantom	FTM	578,616,689	13.9%	50.6%
Oasis	ROSE	503,157,993	24.9%	44.1%
Thorchain	RUNE	476,222,496	13.0%	16.3%
Dash	DASH	462,248,961	6.4%	33.9%
Stacks	STX	439,376,277	7.5%	36.6%
Kava	KAVA	433,840,023	24.0%	41.6%
Mina	MINA	411,870,353	23.4%	83.9%
Kusama	KSM	386,772,403	9.4%	55.4%

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Top 35 Staking Chains by Market Cap

PROJECT	TICKER	MARKET CAP	YIELD	STAKE RATE
Celo	CELO	374,301,099	4.6%	47.7%
Decred	DCR	369,683,319	8.2%	65.0%
Oasis	ROSE	312,481,632	9.4%	67.3%
Harmony	ONE	249,151,956	10.2%	43.1%
Juno	JUNO	238,613,159	58.7%	65.0%
Livepeer	LPT	236,563,874	19.9%	52.0%
ICON	ICON	216,805,316	12.0%	43.2%
Secret	SCRT	174,911,239	22.5%	65.2%
Audius	AUDIO	174,177,746	24.5%	23.4%
Skale	SKL	145,441,864	11.6%	71.4%
Total		236,166,717,474		
Average		6,747,620,499	13.0%	50.4%
Median		578,616,689	9.8%	50.6%

About Staked

Staked is the leading non-custodial staking service provider. Staked offers staking services for 45+ proof-of-stake blockchains with billions of delegated assets. The leading investors, exchanges and wallets trust Staked to reliably and securely deliver the optimal staking rewards. Kraken acquired Staked in December 2021.

For more information about Staked, please visit: <http://staked.us>

To schedule time with a Staked representative, please contact sales@staked.us

**Staking on certain blockchains entails slashing risk, which can result in loss of staked tokens. Investing in crypto assets is high risk and not suitable for every consumer. The value of crypto assets may go down or up. As many crypto products and markets are unregulated, you may not be protected by government compensation and/or regulatory protection schemes. You should be prepared to lose all your money if things go wrong.*