

Lorenzo Protocol Crypto-Economy Design Analysis Report

Evaluating the structure of Institutional-Grade On-Chain Asset Management



Project:
Lorenzo Protocol



Target Website:
lorenzo-protocol.xyz



Data Collection Date:
July 18, 2026



Scope:
crypto-economy design,
value-creation structure,
reward structure, token utility,
on-chain/off-chain balance,
sustainability



Key Keywords:
BTCFi, FAL, OTF, stBTC,
enzoBTC, BANK



Nature of Report:
not investment advice /
excludes price forecasts,
buy, and sell recommendations



TAKEAWAY: Report Preview: Lorenzo is assessed as an advanced CeDeFi asset-management protocol that connects BTC liquidity with tokenized yield products.



Project Overview & Core Product Suite

Lorenzo Protocol's positioning and key assets



Positioning:

Institutional-Grade
On-Chain Asset Management



Category:

BTCFi-based on-chain
asset-management and
tokenized yield-product
infrastructure



Base Token:

BANK /
Main Network:
BNB Smart Chain

Basic Project Information



1. Project: Lorenzo Protocol



2. Target: lorenzo-protocol.xyz



3. Information date: July 18, 2026



4. Lorenzo Chain:
Chain ID 8329 / symbol stBTC



5. GitHub, explorer, and audit
reports are publicly available

Core Product Suite



Starting from BTC liquidity infrastructure, Lorenzo has expanded into a structure that combines tokenized yield products and an asset-management layer.

Key Assets & Roles



BANK:

governance and utility token



stBTC:

Babylon BTC liquid principal claim



YAT:

separated token for yield claims



enzoBTC:

wrapped BTC for DeFi usage

The key shift is the expansion from a simple BTC wrapping and staking-support infrastructure to an asset-management layer with on-chain settlement.



KEY TAKEAWAY: Lorenzo started from BTCFi, but it is evolving into a protocol that combines institutional-grade on-chain asset management with tokenized yield products.



Core Mechanisms: FAL • OTF • Vault

How the Lorenzo architecture works



FAL:
strategy-tokenization
infrastructure



OTF:
on-chain
traded-fund
structure



Vault:
centered on
deposits, settlement,
and LP tokens

Key Components



FAL
infrastructure for
strategy execution,
accounting, and
distribution



OTF
tokenized fund
for bundles of
strategies



Vault
receives deposits
and allocates
capital



LP Token
represents user
ownership



Unit NAV
core unit for
settlement and
pricing



**stBTC / YAT /
enzoBTC**
separation and
utilization of BTC
principal, yield,
and liquidity

Data & Settlement Flow



Deposit



Vault



Strategy Execution



PnL / Yield



NAV Update



Withdraw / Claim



On-chain:
deposits,
LP mint/burn,
settlement
events



Off-chain:
CEX sub-account,
custody,
part of PnL
reporting

Key Formulas & Interpretation



$NAV = \text{Total Assets} - \text{Total Liabilities}$



$\text{Unit NAV} = NAV / \text{Outstanding LP}$



$\text{Deposited LP Amount} = \text{Deposit Amount} / \text{Current Unit NAV}$



$\text{Withdrawal Amount} = \text{Withdrawn LP} \times \text{Settled Unit NAV}$

Lorenzo is closer to a **CeDeFi asset-management** layer with an **on-chain settlement interface** than to a fully on-chain yield engine.



KEY TAKEAWAY:

Lorenzo's structural core is the combination of **off-chain strategy execution** and **on-chain settlement**, packaged in a way that resembles financial products.



Value System & Capital Flow

How Lorenzo creates value



Core Value:
financial productization
of BTC and stable assets



Flow:
deposit → tokenization →
strategy execution →
NAV reflection



Revenue Source:
yield strategies +
performance fees

Three Layers of the Value Proposition ...



1. Turn idle BTC into stBTC, enzoBTC, and vault assets



2. Use FAL to tokenize off-chain, DeFi, and RWA yield strategies



3. Connect governance and incentives through BANK and veBANK

Capital Flow ...



1. User deposit



2. Issue LP tokens or wrapped / staked assets



3. Allocate capital to custody, CEX, and DeFi partners



4. Calculate strategy PnL or staking yield



5. Reflect NAV / yield claims on-chain



6. Connect protocol revenue, reward pools, and BANK incentives

Efficiency View ...



TVL Efficiency

=

$\frac{\text{Annualized Revenue}}{\text{TVL}}$



Fee Take Rate

=

$\frac{\text{Protocol Revenue}}{\text{Gross Strategy Yield}}$



User Net Yield

=

Gross Yield - Fee - Cost



NAV Credibility

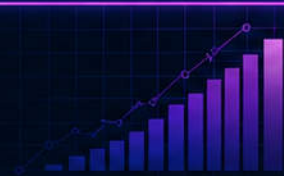
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$\frac{\text{On-chain Verifiable Assets}}{\text{Total NAV}}$

Lorenzo's key question is not high TVL alone, but how sustainably and transparently yield is connected to users' on-chain claims.



KEY TAKEAWAY: Lorenzo is more than a simple bridge; it is tokenized asset-management infrastructure that combines asset movement, strategy packaging, accounting, and settlement.



Reward System Analysis

Participant-specific reward structure and sustainability assessment



Participant Groups:

5



Reward Modes:

Yield + Governance + Boost



Core Issue:

Sustainability

Reward Structure by Participant ...



1. BTC Holders

→ stBTC, YAT, enzoBTC utility and yield



2. Vault Depositors

→ LP tokens, NAV appreciation, withdrawal settlement



3. Trading Team / Manager

→ strategy execution and PnL contribution



4. DeFi Partners

→ customized vaults and product integration



5. BANK Holders

→ voting, gauges, boosted rewards

Reward Mechanisms ...



stBTC / YAT:

separation of principal and yield claims



enzoBTC:

converts BTC liquidity into DeFi yield opportunities



FAL Vault:

yield reflected through unit NAV appreciation



veBANK:

greater influence and rewards with longer lockups

Reward Design Assessment ...



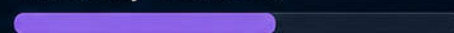
Reward Layering



High



Verifiability of Real Yield



Medium



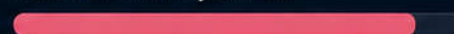
Incentive Sustainability



Medium



Need for Risk Adjustment



High

Lorenzo's reward design is broad and sophisticated, but long-term sustainability improves only if **protocol revenue** grows faster than token incentives.



KEY TAKEAWAY: The reward architecture is broad, but the quality of user returns depends heavily on off-chain strategy performance and verification systems.



BANK Tokenomics Analysis

Structure and limits of a governance-utility token



Token:
BANK



Total Supply:
2.1B



Network:
BNB Smart Chain

Basic Information



1. Nature: Native governance & utility token



2. Initial circulation: 20.25%



3. Vesting completed over 60 months



4. Exchange: listed on Binance Spot



5. Holders have no direct dividend or profit claim

Core Utilities



1. Staking



2. Governance voting



3. User engagement rewards



4. veBANK lock and boosted rewards

BANK is a broad coordination token, but value accrual depends not on direct cash flows but on access rights, governance, and incentive design.

Token Design Assessment



Utility Breadth



High



Direct Value Accrual



Low



Dilution Management



Medium



Governance Alignment



Above Medium



Circulation Dilution = Newly Released / Existing Circulating Supply



Reward Sustainability = Reward Funding / Incentive Value



Effective Reward Rate = User Rewards - Dilution Cost - Lock-up Opportunity Cost



KEY TAKEAWAY: BANK is a highly usable governance-utility token, but it should be understood as a design centered on indirect utility rather than direct profit accrual.



On-chain / Off-chain Balance

Dissecting Lorenzo's hybrid CeDeFi structure



On-chain Strength:
tokenization, settlement,
verification pathways



Off-chain Dependence:
Custody · CEX · Manager



Conclusion:
not fully DeFi,
but a hybrid model

On-chain Components ...



1. BANK, enzoBTC, and Vault contracts



2. Lorenzo Chain Explorer



3. stBTC mint-verification module



4. LP token mint / burn



5. NAV update events and audit materials

Off-chain Components ...



1. Custody institution



2. Staking agent



3. CEX sub-account



4. Trading manager and API permissions



5. Off-chain PnL reporting and
settlement adjustments

Product-by-Product Balance ...



stBTC: The verification path is on-chain,
but agent and custody remain important



enzoBTC: The token is on-chain,
but the underlying custody and
bridge require trust



FAL / OTF Vault: ownership and
settlement are on-chain, while strategy
execution can be off-chain



BANK Governance: voting can be
on-chain, but actual execution
transparency requires further verification

Lorenzo's core trade-off is that it gains product variety and yield execution capability while giving up part of trust minimization and permissionlessness.



KEY TAKEAWAY: Lorenzo is an institutional CeDeFi protocol built on a hybrid structure of **on-chain claims** + **off-chain yield execution** + **on-chain settlement**.



Sustainability & Key Risks

Lorenzo Protocol's long-term operating conditions and limits



Growth Drivers:
BTC liquidity +
institutional yield
strategies +
tokenized fund
infrastructure



Key Conditions:
Real Yield,
NAV credibility,
risk diversification



Risk Nature:
CeDeFi
operational risk

Conditions for Sustainability ...



1. Real yield must replace token incentives



2. NAV reporting and verifiability must be strengthened



3. Custody, CEX, and manager exposure should be diversified



4. BANK utility must connect to real usage

Five Key Risks ...



1. Custody and counterparty risk



2. NAV oracle / reporting risk



3. Liquidity mismatch and withdrawal settlement risk



4. Governance capture risk



5. Regulatory and permissioned-operating risk

Evaluation Framework ...



Economic Sustainability **Above Medium**



Governance Transparency **Medium**



Risk Diversification **Below Medium**



Operational Complexity **High**

Lorenzo's sustainability depends less on product sophistication itself and more on how transparently and diversely it manages off-chain risk.



KEY TAKEAWAY: Lorenzo's long-term competitiveness will be determined not by APY itself, but by the **quality of real yield, NAV verifiability, and management of custody and governance risks.**



Final Assessment & Key Conclusion

Lorenzo Protocol Crypto-Economy Design Analysis Report



Assessment Summary:
Advanced BTCFi +
tokenized asset-
management structure



Nature:
CeDeFi Hybrid



Analysis Date:
2026.07.18

Key Strengths



1. Financial productization
of BTC liquidity



2. Product scalability
based on FAL and OTF



3. Multi-layer yield structure
through stBTC, enzoBTC,
and sUSD1+



4. On-chain settlement and
tokenized accounting interface

Key Limitations



1. A significant share of yield
generation depends on
off-chain execution



2. Trust risk in custody, CEX,
and managers



3. Limits to NAV reporting
and verifiability



4. BANK holders have no
direct claim on profits



5. Presence of regulatory and
permissioned operating elements

Overall Assessment



Value Proposition



High



Scalability



High



On-chain Purity



Medium



Operational Risk



High

Lorenzo is closer to an institutional **CeDeFi** asset-
management layer that combines **on-chain** claims with
off-chain yield execution than to fully decentralized **DeFi**.



KEY TAKEAWAY: Strong product design is a clear advantage,
but the real evaluation depends less on APY and more on
NAV verifiability, custody transparency, and governance execution.

