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# Why Coinbase Reported a \$667 Million Loss Last Quarter\*

ASC 350-60, Unrealized Crypto Losses, and Why GAAP EPS Is Now Structurally Distorted

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Accounting

## THE SHORT VERSION

Coinbase reported a (\$667M) GAAP net loss in Q4 2025. That number has been quoted in multiple publications without an explanation of what produced it. Understanding ASC 350-60 is not optional for anyone who reads a COIN earnings report going forward. Here's the mechanism.

## ILLUSTRATIVE EXERCISE

This is a **demonstrative modelling exercise**, written to show a method: how the numbers are built, which assumptions carry the answer, and where the disclosure gaps are. It is **not a price target, not a recommendation, and not a view on the security**. Any valuation range shown is an output of the stated assumptions, not a judgement about what the shares are worth. See the [full disclosure](#).

## What ASC 350-60 Changed

Before 2025, U.S. [GAAP](#) required companies holding digital assets to account for them under an indefinite-lived intangible asset model: impair downward when prices fell, but never mark upward when prices rose. The result was asymmetric accounting that systematically understated gains and accumulated a cost basis gap on the balance sheet.

Effective January 1, 2025, Coinbase adopted ASC 350-60 – the FASB's new fair-value accounting standard for digital assets. Under ASC 350-60, digital assets classified as held for investment are measured at fair value each reporting period, with both gains and losses flowing directly through the income statement. Every quarter, Coinbase's corporate crypto holdings are marked to closing price, and the delta from the prior quarter's mark is recognized as income or expense in the [GAAP P&L](#).

The accounting now moves symmetrically. Which means it can swing hard in either direction.

## Unpacking Q4 2025

Two fair-value items drove the (\$667M) GAAP net loss.

The first: a **\$718M** unrealized loss on Coinbase's corporate crypto portfolio. As of December 31, 2025, Coinbase held **15,389 BTC** (approx. **\$1.34B** at year-end market prices of **\$87,000/BTC**) and **151,175 ETH** (approx. **\$297M**). Both declined meaningfully during Q4, producing a **\$718M** markdown that flowed directly to the GAAP income statement. No cash changed hands. No position was sold. The loss is purely the output of fair-value accounting applied to assets Coinbase continues to hold.

The second: a **\$395M** fair-value markdown on Coinbase's equity stake in Circle.

Combined: **\$1,113M** of non-cash accounting entries. The operating business, meanwhile, generated **\$3,193.7M** in Adjusted EBITDA for the full year – a **44.4%** margin on **\$7.2B** in revenue.

## The Permanently Distorted GAAP EPS

This isn't a one-quarter anomaly. As long as Coinbase holds a material corporate crypto portfolio – which management has indicated is a deliberate, ongoing strategic allocation – every quarter's GAAP net income will include a crypto price sensitivity component.

The math is mechanical: a **10%** Bitcoin price decline from one quarter-end to the next produces approximately **\$101M** in additional GAAP expense, entirely independent of the operating business. A **10%** increase produces approximately **\$101M** in GAAP income. GAAP EPS for Coinbase is now structurally a hybrid metric: part operating earnings, part crypto mark-to-market.

Quantitative strategies that filter by GAAP earnings screens will systematically produce misleading signals in both directions. In crypto rally quarters, GAAP EPS overstates operating performance. In crypto downturn quarters, it understates it.

The economically meaningful metric is Adjusted EPS. In FY2025: **\$6.95**. The standard reconciliation excludes unrealized investment gains and losses – the correct treatment. Any analysis of Coinbase's earnings trajectory should use the Adjusted metrics.

## The Corporate Crypto Portfolio: What It Says Strategically

Coinbase's decision to hold **15,389 BTC** and **151,175 ETH** on its corporate balance sheet is deliberate. It's an explicit strategic signal: the company is aligned with the appreciation of the assets its platform is built around. The Bitcoin allocation was disclosed as part of a stated corporate treasury policy. The **ETH** allocation reflects both strategic commitment to the Ethereum ecosystem (which Base is built on) and a long-term view on **ETH** value.

Total crypto portfolio value as of December 31, 2025: approximately **\$1.6B** (**\$1.34B** BTC plus **\$297M** ETH at year-end market prices). Combined with **\$11.3B** in cash and cash equivalents, total liquid resources were approximately **\$12.9B** – balance sheet flexibility that absorbs multiple quarters of paper losses without any operational constraint.

## What to Watch

Track the quarterly change in **BTC** and **ETH** prices from each quarter-end to the next. Applied to **15,389 BTC** and **151,175 ETH**, that delta will tell you whether GAAP earnings will be inflated or deflated before the earnings release. For Q1 2026, the preliminary ASC 350-60 impact can be estimated from public price data alone – no need to wait for the press release.

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