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TRADE LENS

Focus on investing.

CRYPTO INSIGHT / No.07

Research connecting digital-asset adoption with business profitability

Stablecoin Interest
Who Earns It, and What Remains?

Circle, Coinbase and the economics of reserves, distribution and rewards

Circle · Revenue less direct costs

$288.8m

Q2 2026 · RLDC

Coinbase · Revenue less USDC rewards

$173.0m

Q2 2026 · Analytical proxy

More USDC does not translate directly into more profit.

Trace the allocation to issuer, distributor and customer rewards.

Circle and Coinbase 10-Qs [1] [2]. Cost boundaries differ; these measures are not directly comparable or net income. Holding USDC does not itself confer reserve interest. [6]

Analysis as of 25 October 2026

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Reserve income · Contract allocation · Rewards · Accounting scope · Rate sensitivity

01 / RESEARCH VIEW

Follow the income retained after distribution

TradeLens view | Issuance scale, distribution channels and customer retention costs divide the same interest pool.

Central conclusion

Interest earned on USDC reserves is the starting point for issuer revenue. Distribution contracts, customer rewards and operating costs determine how much each business retains. **USDC growth alone cannot explain profit growth at Circle or Coinbase.** Holding the token does not itself confer a right to reserve interest. [1] [2] [6]

What changed?

Average USDC increased 25.4% year over year in Q2 2026, but Circle's reserve income rose 5.3%. Lower reserve yields partly offset balance growth. [1]

Why does it matter?

Circle's revenue after direct costs increased, while Coinbase's stablecoin revenue less USDC rewards declined. Growth in the same ecosystem can leave different income outcomes. [1] [2]

Who receives the economics?

The issuer retains income after reserve management and distribution. The distributor monetizes customer balances and access. Customer rewards return part of that distribution income to users.

What should be measured?

Follow average balance × yield, revenue after distribution, rewards and operating costs. Keep contract changes and accounting presentation consistent across periods.

The question is how adoption translates into reserve income and company profit. Transaction flow, period-end circulation and average balances measure different things. Mixing them, or adding revenues at different stages of the same payment chain, can overstate profitability.

Decision rule

Assess additional balances by the income they produce after the cost of acquiring and retaining them. Scale and allocation must be evaluated together.

Comparisons use Q2 2026 and comparable Q2 2025 figures. Coinbase prior-period data follow the recast presentation in its 2026 filing. All financial amounts are in U.S. dollars.

02 / VALUE CHAIN

Customer principal and reserve interest differ

The source of income | Do not add the face value of issued USDC to issuer revenue.

USDC is backed by reserve assets. Circle describes reserves held in cash and liquid assets including short-dated Treasuries and overnight reverse repos. Income earned on these reserves is distinct from the principal supporting the tokens. More principal is not revenue in the same amount. [1] [7]

Stage	Economic role	Measure to examine
Issuance and redemption	Convert between dollars and tokens; maintain reserves	Circulation, redemption conditions and reserve liquidity
Reserve management	Earn interest on average balances	Average invested balance × period yield
Issuer-distributor allocation	Apply issuer retention and distribution/ecosystem terms	Circle distribution costs and Coinbase related revenue
Customer acquisition and retention	Platforms offer rewards and services	USDC reward costs and balances by channel
Profit remaining	Subtract operating costs and taxes after direct costs	Operating income, net income and cash flow

Separate token rights from platform rewards

Circle's USDC terms state that USDC itself does not generate interest or give holders a right to reserve income. Direct redemption with Circle depends on account eligibility and the terms. Rewards paid by an exchange or platform are governed by separate service conditions and cost structures. [6]

The income relationship

Reserve income ≈ **period-average balance × annualized yield × fraction of year**. This describes the economics. Asset mix, daily balances and recognition timing mean that period-end USDC and rounded yields cannot exactly reproduce reported revenue.

Reserve assets, redemption rights and business revenue allocation are separate subjects. Token ownership is not equivalent to owning issuer equity or receiving a platform reward.

03 / CONTRACT ECONOMICS

“Half the reserve interest” misses the sequence

Public contract and filings | Issuer retention, platform balances and ecosystem payments come before the residual split.

Circle pays distribution costs under its collaboration with Coinbase. The disclosed description allocates income to Coinbase based on USDC held on its platform after issuer retention, plus half of the remaining amount associated with the broader ecosystem after approved third-party participant payments. This is not a simple 50/50 split of all gross reserve income from the outset. [1] [3] [4]

Allocation element	Economic meaning	Variable to monitor
Issuer retention	Contractual starting allocation associated with issuance and reserve management	Use disclosed terms; do not invent a fixed percentage
Coinbase platform balances	Allocation linked to balances held or attracted by the distributor	Average balances and share of the ecosystem
Third-party payments	Payments to approved participants affect the allocation	New participants, contract terms and distribution costs
Residual ecosystem amount	Split after the preceding arrangements	Identify the base to which “half” applies

The observed expense

Circle incurred **$324.6m** of Coinbase-related distribution costs in Q2 2026, approximately 79.1% of its $410.414m distribution and transaction costs. Coinbase is a major counterparty, but not the recipient of every direct-cost dollar. [1]

The issuer has an incentive to expand distribution; the distributor has an incentive to retain customer balances. Higher distribution payments can reduce the issuer’s retained percentage even as circulation grows. Changes in the issuer’s own platform and other channels can also alter the result. Contract terms and balance composition work together.

TradeLens interpretation

Customer access and the ability to retain contractual economics matter alongside issuance scale. Track renewals and amendments together with actual quarterly expenses.

The public exhibit redacts some terms. Undisclosed coefficients are not estimated as a definitive formula. Duration and renewal clauses are distinguished from an actual amendment announcement. [4]

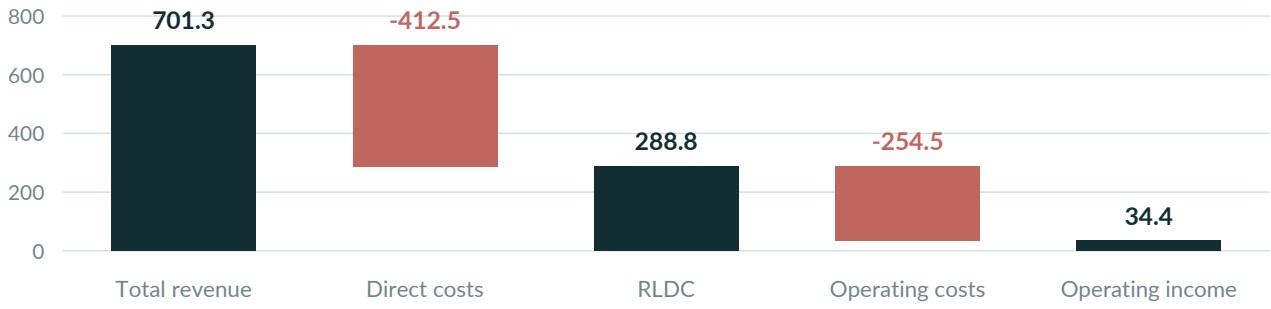
04 / CIRCLE PROFIT BRIDGE

From reserve revenue to operating income

Circle Q2 2026 | Revenue after direct costs is an intermediate measure, not operating profit.

Total revenue to operating income

$m · GAAP filing and TradeLens calculations [1]



Stage	Q2 2026	Interpretation
Reserve income	667.733	95.2% of total; still the main revenue source
Other revenue	33.582	Included in total revenue of 701.315
Revenue less direct costs (RLDC)	288.845	701.315 - 412.470
Operating income	34.359	RLDC - operating expenses of 254.486
Net income from continuing operations	48.214	After other income and income taxes

Amounts in $m. Direct costs of 412.470 comprise distribution and transaction costs of 410.414 plus other costs of 2.056. RLDC deducts these direct costs from revenue and reserve income; it is not net income. [1]

RLDC margin was 41.2%, but operating margin was 4.9%. Compensation, technology, administration and other operating expenses are still deducted after distribution. Other revenue represented 4.8% of the total; this quarter does not establish that dependence on reserve interest has been resolved.

Decompose the improvement

The prior-year operating loss included substantial IPO-related stock compensation. Rather than treating the entire move into profit as recurring business improvement, **separate changes in reserve income, distribution costs and ongoing operating expenses**. [1]

05 / CIRCLE GROWTH QUALITY

Balance growth and channel mix both matter

Comparable periods | Distinguish average balances, period-end balances and weighted-average shares.

Circle metric	Q2 2025	Q2 2026	Meaning
Average USDC · $bn	61.039	76.524	Up 25.4%
Period-end USDC · $bn	61.333	73.269	A point-in-time balance, not a period average
Annualized reserve yield	4.1%	3.5%	Company describes a 66bp decline
Reserve income · $m	634.274	667.733	Up 5.3%
RLDC · $m	251.136	288.845	Up 15.0%
RLDC / total revenue	38.2%	41.2%	Up about 3.0 percentage points
Circle on-platform daily weighted-average share	7.4%	19.5%	Not a ratio of period-end balances

Source: [1]. Growth and margins are calculated from unrounded financial amounts, then rounded. Displayed yields are rounded; 4.1% and 3.5% are consistent with the company's 66bp change. The platform share uses the company's daily weighted-average definition.

Yield affects revenue; channel mix affects retained income

A lower yield slows reserve-income growth even when average circulation rises. Distribution contracts also make the location of balances relevant to costs. Circle attributes lower Coinbase-related expenses to a decline in Coinbase's share of total average on-platform balances. [1]

Coinbase-related costs fell from $332.3m to $324.6m, while total distribution and transaction costs rose from $406.472m to $410.414m. Costs from other channels mean that a reduction in one major contract does not establish a decline in total distribution spending. [1]

TradeLens interpretation

RLDC improvement depends on where balances accumulate as well as how much they grow. A higher own-platform share may deliver less final profit if customer acquisition, rewards or operating expenses rise elsewhere.

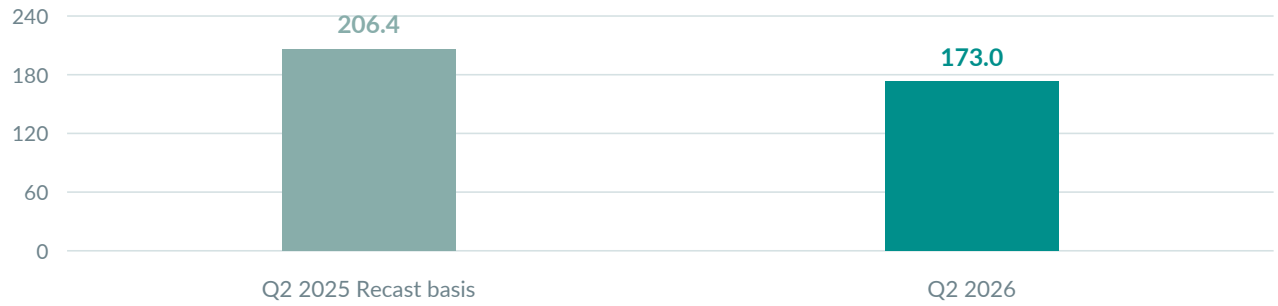
06 / COINBASE CUSTOMER ECONOMICS

Deduct the cost of rewarding customers

Coinbase Q2 2026 | Customer balances generate income and retention costs.

Stablecoin revenue less USDC rewards

$m · Analytical proxy, not segment profit [2]



Measure · $m unless stated	Q2 2025	Q2 2026
Stablecoin revenue	308.914	292.147
USDC rewards	102.521	119.108
Revenue less USDC rewards	206.393	173.039
Rewards / stablecoin revenue	33.2%	40.8%

Source: [2]. USDC rewards are included in sales and marketing expense. The subtraction is a TradeLens analytical proxy, not a company-reported segment profit or net-income measure. It excludes technology, compliance and other costs, as well as income on corporate balances.

On the same presentation basis, revenue declined 5.4%, while rewards increased 16.2%. Revenue less rewards fell 16.2%. Coinbase says lower rates reduced revenue, partly offset by higher customer balances. Rewards rose with customer balances, partly offset by a lower reward rate. [2]

Record balances do not imply record retained income

Coinbase reported a record average of approximately $20bn of USDC in its products in Q2. This metric includes corporate balances. **Balance growth, revenue growth and income after customer rewards require separate tests.** [5]

07 / ACCOUNTING BOUNDARIES

Match the accounting scope before the numbers

Comparability | Account for the 2026 presentation change and payments between companies.

Use recast prior-year revenue

Beginning in 2026, Coinbase reclassified income on its corporate payment-stablecoin balances from stablecoin revenue to **Corporate interest and other income**. It also recast approximately $23.6m for Q2 2025. This report uses the resulting $308.914m of prior-year stablecoin revenue. [2]

Amount	Scope	Inference to avoid
Circle cost to Coinbase $324.600m	Coinbase-related distribution cost under Circle's contracts	Assuming it must equal one Coinbase revenue line
Coinbase stablecoin revenue $292.147m	2026 presentation; corporate-balance income shown separately	Calling the whole difference missing revenue or a contract change
Coinbase corporate interest and other income $65.767m	Also includes interest on other corporate funds	Attributing the entire line to Circle payments
Average USDC of about $20bn	Customer and corporate balances in Coinbase products	Treating all of it as reward-eligible customer balances

Circle costs: [1]. Coinbase presentation and revenue: [2], Note 5 and MD&A.; Platform-balance scope: [5], footnote 5. A detailed reconciliation of the entire $32.453m difference between companies is not provided.

Adding both revenues can count the same interest twice

When Circle recognizes reserve income and pays a portion to a distributor, one company's expense becomes another's revenue. Adding both gross revenue lines and calling the result ecosystem profit double counts the same flow. Separate each contractual stage and identify any newly generated revenue from external customers.

TradeLens interpretation

A difference in scope must be addressed before interpreting a difference in numbers. Align pre- and post-reclassification figures, customer and corporate balances, and revenue versus direct and operating costs.

08 / RATE SENSITIVITY

Lower rates reduce income and distribution costs

Circle's disclosed sensitivity | A fixed-balance, 12-month model is not an actual business forecast.

Rate change	Reserve-income change	Distribution-cost change	Difference
+100bp	+737	+360	+377
-100bp	-737	-360	-377

Amounts in $m over 12 months. The final column is calculated from Circle's sensitivity in [1]. Assumptions: 30 June 2026 balances, June average yield of 3.49%, a change from 1 July maintained for a year, and constant asset mix. Not a quarterly or net-income forecast.

Treating the $737m revenue reduction for a 100bp decline as an equal fall in Circle's final profit ignores linked costs. The same model reduces distribution and transaction costs by $360m, leaving a $377m decrease in the difference between those two lines. Other income, expenses and taxes are outside this calculation.

Separate illustration: preserving gross reserve income

Suppose annualized yield falls from **3.5% to 2.5%** with all other relevant conditions and asset mix unchanged. Average balances must increase by **3.5 / 2.5 - 1 = 40%** to preserve reserve income. This is neither an interest-rate forecast nor company revenue guidance.

Variable	Direction that cushions the shock	Direction that amplifies it
Average USDC	Balance growth offsets lower yield	Redemptions or lower balances accompany falling rates
Contracts and channel mix	Lower variable payouts; better retained share	Competition raises distribution payments
Customer rewards and operating costs	Rewards and costs adjust rationally	Retention pressure makes costs inflexible

TradeLens interpretation

A rate sensitivity holds balances and allocation constant as a starting point. Actual results depend on circulation growth or redemptions, contract terms and customer reward policies.

09 / SCALE & COMPETITIVE ADVANTAGE

Transaction growth is not revenue growth

Quality of adoption | Connect usage, balances and retention costs to evaluate competitive strength.

On-chain transaction value is a flow over a period; reserve interest arises from an average stock of assets. The same USDC can move repeatedly, increasing transaction value without a proportional increase in the interest-earning base. For services that charge separate fees, assess pricing and actual recognized revenue.

Growth measure	What it first indicates	What profitability analysis also needs
On-chain transaction value	Movement and intensity of token usage	Higher average balances or separate fee revenue
Period-end USDC	Issuance and redemptions at one point in time	Quarterly average balances and yields
Own-platform balance share	Channel mix and customer access	Distribution savings net of acquisition and operating costs
Other revenue growth	Contribution from non-reserve businesses	Recurring revenue, direct costs and incremental operating expense
Higher customer rewards	Effort to acquire and retain balances	Balance retention and retained income after reward reductions

Issuers and distributors build advantages in different places

An issuer expands distribution through redemption trust, reserve management and integration infrastructure. A distributor attracts balances through customer accounts and payment or trading access. Greater scale can coexist with limited negotiating power if one business depends on the other's customer relationships. This is TradeLens analysis of the business structure.

What the current results support

Circle improved its RLDC margin, yet reserve income still represented 95.2% of total revenue. Coinbase's revenue less USDC rewards declined. **Neither outcome is fully explained by circulation alone.** Judge new services by actual revenue and costs. [1] [2]

No future market-share or revenue-allocation path is assumed. Product announcements are plans; recognized revenue and expenses are results. This report does not estimate the value of new businesses or a target stock price.

10 / MONITORING & FALSIFICATION

Next results should test allocation and costs

Verification dates | Coinbase: 29 October; Circle: 4 November, based on announced schedules.

As of the analysis date, Q2 2026 is the latest reported quarter. Coinbase plans to release Q3 results after the U.S. market close on 29 October; Circle plans to report on 4 November. The table defines evidence that could change the view rather than forecasting the releases. [8] [9]

What to monitor	Evidence strengthening the view	Evidence requiring revision
Balances and yields	Average balance growth offsets lower yield	Stagnating or falling balances coincide with lower yield
Circle allocation efficiency	RLDC growth and margin gains reach operating income	Other distribution or operating costs offset retained-income gains
Coinbase customer economics	Income after rewards improves while balances persist	Rewards and other costs outgrow balances
Non-reserve income	Material growth in recurring revenue and contribution	More announcements without material revenue or cost contribution
Contracts and accounting	Amendments, balance scope and recasts remain comparable	Disclosure changes require revising historical comparisons

Schedules are company announcements as of 25 October 2026 and may change. Track RLDC and the revenue-less-rewards proxy within their respective cost boundaries; do not double count intercompany revenue.

Final judgment

Stablecoin adoption can expand the reserve-interest pool without automatically concentrating profit in one business. Assess Circle's retained revenue together with operating costs, and Coinbase's customer-access income together with reward costs. Token-holder benefits also depend on separate service conditions.

Read the next quarter in the same sequence: average balances and yields, contractual distribution, customer rewards, operating costs and realized profit. This chain shows whether adoption is turning into sustainable profitability.

11 / SOURCE REGISTER

Primary filings, contracts and terms

Teal reference numbers, document titles and Open source links point directly to the same originals.

01. Circle · SEC | Form 10-Q · Quarter ended June 30, 2026 Open source

Quarter ended 30 Jun 2026 · Financial statements, MD&A; and market risk · Reserve income, costs, platform shares and rate sensitivity

02. Coinbase · SEC | Form 10-Q · Quarter ended June 30, 2026 Open source

Filed 30 Jul 2026 · Notes 5 and 16; MD&A; · Revenue reclassification, USDC rewards and comparative data

03. Circle · SEC | Form 10-K · Year ended December 31, 2025 Open source

Filed 9 Mar 2026 · Business, contracts and MD&A; · Issuer retention and ecosystem allocation

04. Circle · Coinbase | Collaboration Agreement · Public exhibit Open source

Agreement dated 21 Aug 2023; filed in 2026 · Allocation, duration and renewal; some terms redacted

05. Coinbase · SEC | Q2 2026 Earnings Deck Open source

30 Jul 2026 · p.5 and footnote 5 · Average USDC in products; customer and corporate balances

06. Circle | USDC Terms Open source

Accessed 25 Oct 2026 · Official terms · Reserve-interest rights, Circle Mint eligibility and redemption

07. Circle | USDC Transparency Open source

Accessed 25 Oct 2026 · Reserve disclosure · Cash, Treasuries, reverse repos and segregation

08. Coinbase | Date of Third-Quarter 2026 Financial Results Open source

Announced 14 Oct 2026 · Scheduled Q3 results: 29 Oct 2026 after U.S. market close

09. Circle | Q3 2026 Financial Results Announcement Date Open source

Announced 7 Oct 2026 · Scheduled Q3 results: 4 Nov 2026; webcast at 8 a.m. ET

Financial amounts use original filings. Reporting periods, filing dates and future event dates are distinct. Company-defined measures and TradeLens calculations are identified separately.

12 / METHODOLOGY & USE

Methodology and use of this report

Reported results, contractual descriptions, TradeLens analysis and illustrative assumptions are distinguished.

Item	Treatment
Date and periods	25 Oct 2026. Q2 2026 and comparable Q2 2025 results. Q3 is included only as a scheduled future release. Currency: U.S. dollars.
Circle profit stages	RLDC = total revenue and reserve income less distribution, transaction and other direct costs. Operating income deducts operating expenses. Distinguish $288.845m RLDC from $34.359m operating income.
Coinbase proxy	Stablecoin revenue less USDC rewards in sales and marketing: 292.147 - 119.108 = $173.039m. Not segment profit, net income or cash flow. Other costs and corporate-balance income are excluded.
Comparability and rounding	Coinbase prior-period amounts use the recast 2026 presentation. Average, period-end and weighted-average shares remain distinct. Calculate growth and margins from original amounts before rounding.
Rate models	Separate Circle's fixed-balance, 12-month sensitivity from the 3.5% to 2.5% yield illustration. The resulting 40% balance requirement is not a rate or balance forecast.

Circle costs and individual Coinbase revenue lines have different accounting scopes; no full intercompany reconciliation is assumed. Undisclosed contract coefficients are not estimated. Future earnings, market share and prices are not guaranteed; this report does not provide legal or tax advice.

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