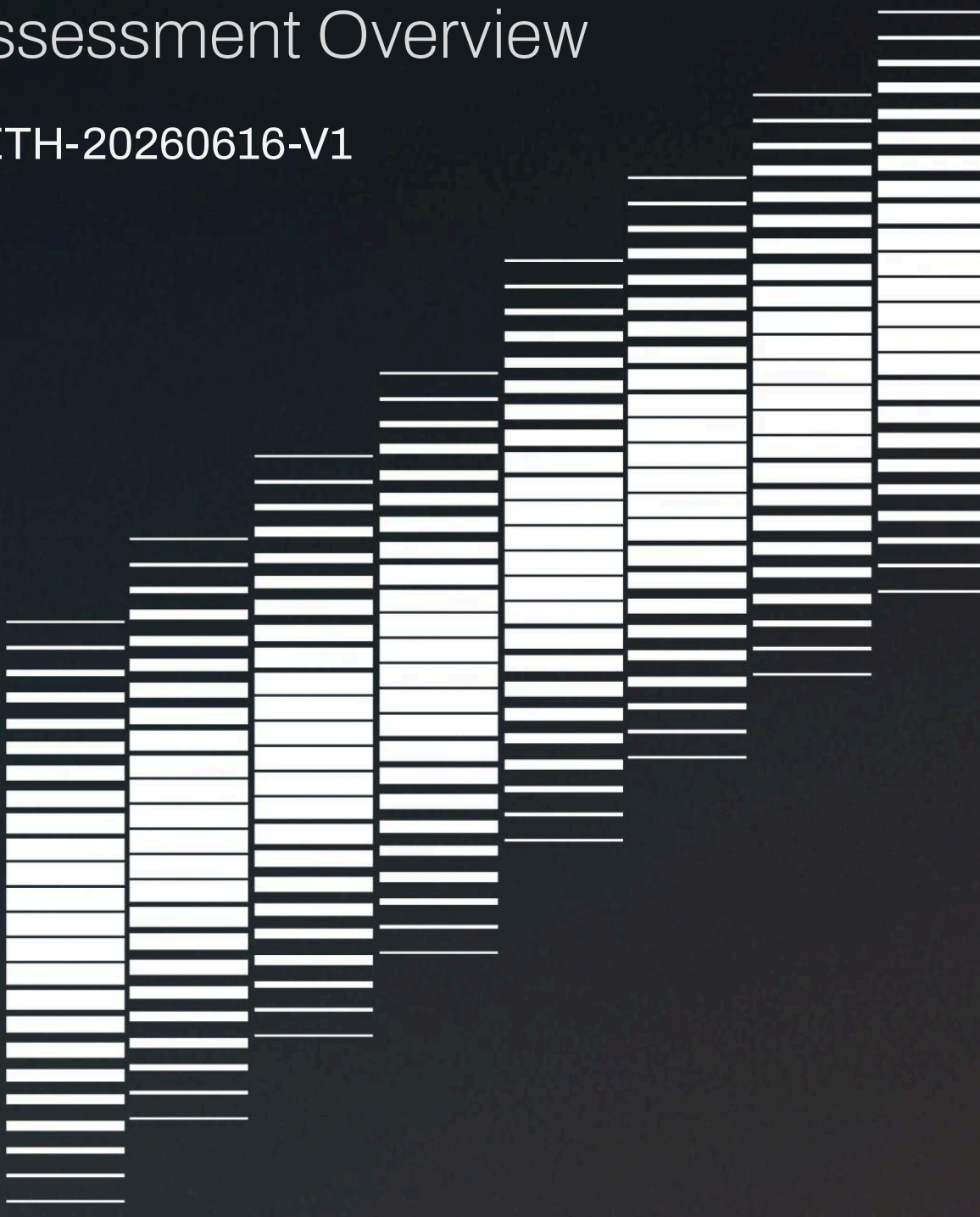
credora by RedStone

weETH

Risk Assessment Overview

REP-WEETH-20260616-V1



Updated - 16.06.2026

Executive Summary

This brief report presents Credora's risk assessment of weETH under the Credora Asset Rating Framework, assigning a **Probability of Default (PD)** and implied credit rating. In Credora's framework, a default occurs if eligible holders cannot redeem for 2 consecutive weeks, or if the fair value of reserves falls 1% or more below outstanding issuance for 7 consecutive days. The assessment evaluates smart contract risk, on-chain reserve transparency, governance structure, and more, yielding a Final PD of **0.10%** and a Final Rating of **A+**, on Credora's DeFi rating scale.

Token Overview

Wrapped eETH (weETH) is the non-rebasing wrapped form of eETH, the **liquid restaking token (LRT)** issued by Ether.fi. Each unit of weETH represents a pro-rata claim on ETH staked through Ether.fi's validator network and natively restaked on EigenLayer, with consensus, execution-layer, and restaking rewards accruing into the weETH-to-eETH exchange rate over time. As of the report date, Ether.fi commands the largest share of the liquid restaking market with approximately **$3.32 billion in TVL** and **~1.85 million ETH staked**, deployed across 15+ networks through cross-chain weETH instances.

Key Results

This report outlines the rating process for weETH, utilizing the Credora Asset Rating Framework as of June 16, 2026, considering the characteristics and structure of the token.

Probability of Default	**0.098%**
Implied Rating	**A+**
Token Address	**0xCd5fE23C85820F7B72D0926FC9b05b43E359b7ee**
Network	**Ethereum**

Strengths

- **Broad audit coverage with no exploit history.** Ether.fi's core contracts have undergone 11 audits across 8 independent firms, with 7 audits scoped specifically to core protocol contracts (Omniscia, Nethermind, Solidified, Hats Finance, Zellic ×2, Decurity). Several formal verification tests have been conducted by Certora. Across around 35 months of operation, no smart contract exploit or material loss event has been recorded.
- **On-chain reserves transparency.** Staked and restaked ETH backing weETH is fully verifiable on-chain via the LiquidityPool contract and Ethereum's beacon chain, with the weETH/eETH exchange rate readable in real time.
- **Dominant liquid restaking market position.** With approximately $3.17 billion in TVL, weETH is the largest liquid restaking asset by a substantial margin and is deeply integrated across major DeFi venues on Ethereum and 15+ L2 deployments. Instant withdrawals were introduced in the v2.49 upgrade (March 2025), materially improving redemption mechanics.

Considerations

- **Limited key custody disclosure.** The hardware and encryption posture protecting the signer keys that control upgrades and pauses is not publicly disclosed, leaving the key custody environment independently unassessable.
- **No dedicated loss absorption mechanism.** No protocol-maintained insurance fund or safety module exists. Slashing events on either the Ethereum consensus layer or EigenLayer AVSs would be borne directly by token holders. Users may optionally purchase third-party cover via Nexus Mutual, but this is not a protocol-maintained mechanism.

Token Rating Framework

weETH Anchor PD

The Anchor PD represents the **baseline probability of default** for a token before applying protocol-specific modifiers. It captures the core risk associated with a token's reserve assets, custody structure, and smart contract architecture, incorporating the likelihood and severity of smart contract exploits based on historical DeFi exploit data.

Table 1. Asset Anchor PD

Metric	Reasoning
Protocol Security	11 audits across 8 firms, of which 7 cover core protocol contracts (Omniscia, Nethermind, Solidified, Hats Finance, Zellic ×2, Decurity), complemented by 16 dated Certora formal-verification reports spanning 2024 to 2026. Coverage is continuous and scoped: the v2.49 upgrade and its instant-withdrawal merge were each formally verified by Certora (both dated 2025-03-26), role-management changes were reviewed in November 2025, and a core-contracts re-audit was completed by Certora in January 2026. Bug bounty coverage of $500K (Immunefi) is adequate relative to the protocol's ~$3.72B TVL. Contract maturity is mid-stage at ~35 months since the July 2023 deployment, with no material exploit recorded. Following the April 2026 KelpDAO rsETH bridge exploit, a $292M loss at a peer LRT protocol caused by a 1-of-1 LayerZero DVN configuration, ether.fi hardened its own weETH bridge, pinning a four-DVN set and raising the verification threshold to unanimous 4/4 attestation, independently confirmed by LayerZero's team. *Smart Contract risk PD:* ***0.15%***
Asset Quality	ETH is the sole asset held in reserve, staked across Ethereum validators and natively restaked on EigenLayer. A low PD is assigned in line with native blockchain tokens, reflecting their structurally negligible default risk. Incremental slashing exposure is structurally contained: Ether.fi owns its AVS node-operator contracts, which cannot enroll into a slashable AVS without a new interface and a 10-day-timelocked, publicly visible upgrade. *Asset PD:* ***0.01%***
Anchor PD	**0.16%**

weETH Risk Modifiers

The Anchor PD is refined using **notch-based adjustments (N.A.)** to produce the Final PD. These modifiers capture risks not reflected in the base asset, custody, or implementation assessments, shifting the PD prior to final rating assignment.

Modifier ranges vary depending on how directly a metric can trigger a Credora-defined default. Factors that can directly impair redemption mechanics or reserve sufficiency (e.g., reserve transparency, security incidents) carry larger downside adjustments, while factors affecting legal enforceability or operational resilience (e.g., governance quality or market capitalization) have more bounded impact. Consistent with Credora's conservative framework, **positive adjustments are smaller than negative ones**, reflecting that risk improvements materialize gradually while adverse conditions exert stronger influence on default outcomes. For more technical details on the rating methodology, please visit the Credora documentation.

The output is a proportionally adjusted Final PD that is mapped to a **standardized credit rating (A+ to D)** consistent with the framework's intent to unify risk assessment across tokens and traditional credit scales.

Table 2. Asset Modifiers

Modifier	Reasoning	N.A.	N.A. Range
Recent Incident	No protocol exploits, smart contract vulnerabilities, or fund losses have been recorded over the trailing 6 months, nor at any point in the protocol's operating history. On April 18, 2026, KelpDAO's rsETH LayerZero bridge was exploited for approximately $292 million. Although Ether.fi's contracts were not directly affected, the protocol paused bridging as a precaution and resumed within 24 hours with no user fund loss. Two earlier events, a Discord server compromise (June 2025) and a domain account takeover attempt (September 2024), were similarly contained without user impact. Across all three events, Ether.fi suffered no direct protocol impact or user fund loss. No notch adjustment applied.	***0.00***	Min: -1.00 Max: 0.00
Reserves Transparency	Total ETH staked/restaked is verifiable on-chain via the LiquidityPool contract, Ethereum's beacon chain, and EigenLayer's restaking contracts. Any independent party can audit reserve adequacy in real time without reliance on issuer reporting. RedStone Oracles provides corroborating market price feeds for weETH/ETH and weETH/USD. DefiLlama provides independent third-party tracking of protocol TVL.	***+0.25***	Min: -1.00 Max: +0.25
Peg Track Record	weETH is the non-rebasing wrapper of eETH, which represents a 1:1 claim on pooled ETH, and its exchange rate appreciates over time as consensus, execution-layer, and restaking rewards accrue. Measured on CoinGecko's direct ETH-denominated price feed over the trailing 365 days, weETH shows annualized peg volatility of approximately 2.49%, with no days trading more than 1% below fair value and a worst single	***+0.25***	Min: -0.25 Max: +0.25

	downward deviation of –0.62% (2026-04-20). The v2.49 upgrade (March 2025) introduced instant withdrawals, further strengthening peg behaviour. weETH's price history depth exceeds 365 days and secondary 30-day average trading volume far exceeds $1 million.		
Market Adoption	weETH carries approximately $3.17 billion in Total Value Locked, making it the **largest liquid restaking token by a substantial margin** and ranking among the top 5 derivative assets in Ethereum DeFi. The protocol commands the dominant share of the liquid restaking category at ~$4.30 billion TVL, with broad integration across major DeFi protocols and 15+ cross-chain deployments.	***+0.25***	Min: -0.25 Max: +0.25
Governance	Contract upgrades are controlled by an Upgrade Admin multisig (6-of-10, with 3 internal and 7 external signers) behind a mandatory 10-day timelock, during which proposed code is visible on-chain and depositors who disagree can exit before it takes effect. A separate Operating Admin (4-of-7) handles day-to-day operations: its emergency pause is immediate, but non-emergency parameter changes carry a 2-day timelock, and it cannot upgrade contracts, alter the oracle, or touch user balances. Ether.fi discloses each threshold, links every Safe and timelock on Etherscan, and provides the on-chain calls to verify them; individual signer identities are withheld, which is standard for signer security. Governance proposals are voted by ETHFI holders via Snapshot with the Ether.fi Foundation executing outcomes; a full on-chain governor is described in the roadmap as a forthcoming phase. On mint authority, weETH is the non-rebasing wrapper of eETH, which is itself minted permissionlessly 1:1 against deposited ETH with no centralized admin mint on mainnet. On L2s, weETH is minted via the LayerZero bridge with authority held by Safe-governed contracts rather than an EOA, and every active bridge lane requires a 4-of-4 quorum of four independent DVNs (Canary, Horizen, Nethermind, LayerZero Labs) with no single-verifier fallback.	***0.08***	Min: -1.00 Max: 0.30
Operational Security	**Incident response:** Effective in practice, with prompt containment demonstrated across the September 2024 domain takeover and the April 2026 rsETH contagion, backed by a published incident-response playbook. **Redemption mechanics:** Sound, with instant withdrawals available and no freeze history; the liquidity buffer has historically been sufficient, with the validator exit queue serving as fallback. **Privilege scope and constraints:** Upgrade authority sits with a 6-of-10 multisig (majority external) behind a 10-day timelock; a separate 4-of-7 operating multisig handles pausing and parameters under a 2-day delay. No single set can both rewrite and operate the contracts, and no role can move user funds: broad in surface but heavily time-gated and role-separated. **Loss absorption:** Absent, with no dedicated insurance fund and slashing exposure including from EigenLayer AVS participation borne directly by token holders; users may optionally purchase third-party cover via Nexus Mutual, but this is not a protocol-maintained mechanism. **Circuit Breaker Sophistication:** Well-scoped. In-code caps autonomously revert out-of-bounds transactions and are verifiable from the public codebase. Hypernative monitoring can additionally trigger an on-chain pause across core contracts and bridge routes on abnormal patterns, including outflows, without operator action; manual pausing remains available. Hypernative detection logic sits off-chain and is not independently verifiable. **Key Custody Environment:** Undisclosed, with no public information on the hardware or encryption posture protecting the privileged keys that control upgrades and pauses.		
Final PD	**0.098%**		
Final Rating	**A+**		

For more details on the Rating Scale used, please visit Credora docs.

Incorporating these adjustments to the Anchor PD yields a Final PD of **0.10%**, which corresponds to an **A+** Rating on Credora's DeFi Rating Scale, placing weETH among the higher-quality derivative assets rated by Credora within DeFi.

Conclusion

The **A+** rating is primarily supported by weETH's smart contract security profile: 11 audits across 8 firms complemented by several formal-verification reports, and almost 3 years of operation with no smart contract exploit. It is reinforced by maximum-tier reserve transparency, with ETH collateral staked on the Beacon Chain and restaked on EigenLayer verifiable on-chain in real time, and by mostly independently verifiable opsec controls. weETH's dominant position at ~$3.17 billion in TVL, the largest liquid restaking asset by a wide margin, further supports the rating through broad DeFi adoption and a demonstrated operational track record.

Disclaimer

1. This report should not be construed as equivalent to a full Credora assessment. Findings may differ materially from those that would result from a comprehensive engagement incorporating non-public information, direct issuer interaction, or expanded methodological scope. Recipients should exercise independent judgment and obtain professional advice before placing reliance on any content herein.

2. This report is provided solely for informational and analytical purposes. It does not constitute financial, investment, legal, or tax advice, nor does it represent a recommendation or solicitation to buy, sell, hold, or otherwise transact in any asset. Credora is not acting as a financial advisor or fiduciary. The binding terms governing the provision and use of Credora's services, including Ratings and risk assessments, are set out in the agreement entered into between Credora and the client.

3. All assessments, Ratings, analysis, and other content included in this report are provided on an "as is" and "as available" basis, without any warranties of any kind, whether express or implied, including as to accuracy, completeness, or fitness for a particular purpose. Assessments are based on proprietary methodologies and information available at the time of analysis.

4. Risk assessments and Ratings reflect market conditions and information available at the time of preparation and may change without notice. Past performance or historical indicators are not indicative of future results.

5. Digital assets, blockchain technology, and smart contracts involve inherent technical, operational, and regulatory risks, including vulnerabilities in code, governance risks, and changes in applicable laws or regulations. This report does not constitute a technical, security, or compliance audit of any protocol or asset.

6. The client and any recipient of this report remain solely responsible for verifying the information contained herein and for conducting their own independent due diligence. Credora's assessments are analytical tools only and are not substitutes for licensed credit reporting or professional advice. Independent legal, financial, or investment advice should be obtained before making any business or investment decisions.

7. Credora may provide services to entities operating within the digital asset ecosystem. The existence of such relationships does not influence the methodologies applied in preparing assessments and Ratings. Credora maintains strict internal policies to ensure that Ratings are produced objectively and remain independent of commercial interests.

8. To the maximum extent permitted by applicable law, Credora shall not be liable for any losses or damages arising from the use of, or reliance on, this report or its contents. Complete information on limitations of liability applicable to Credora's services are specified in the agreement concluded between Credora and the client.

