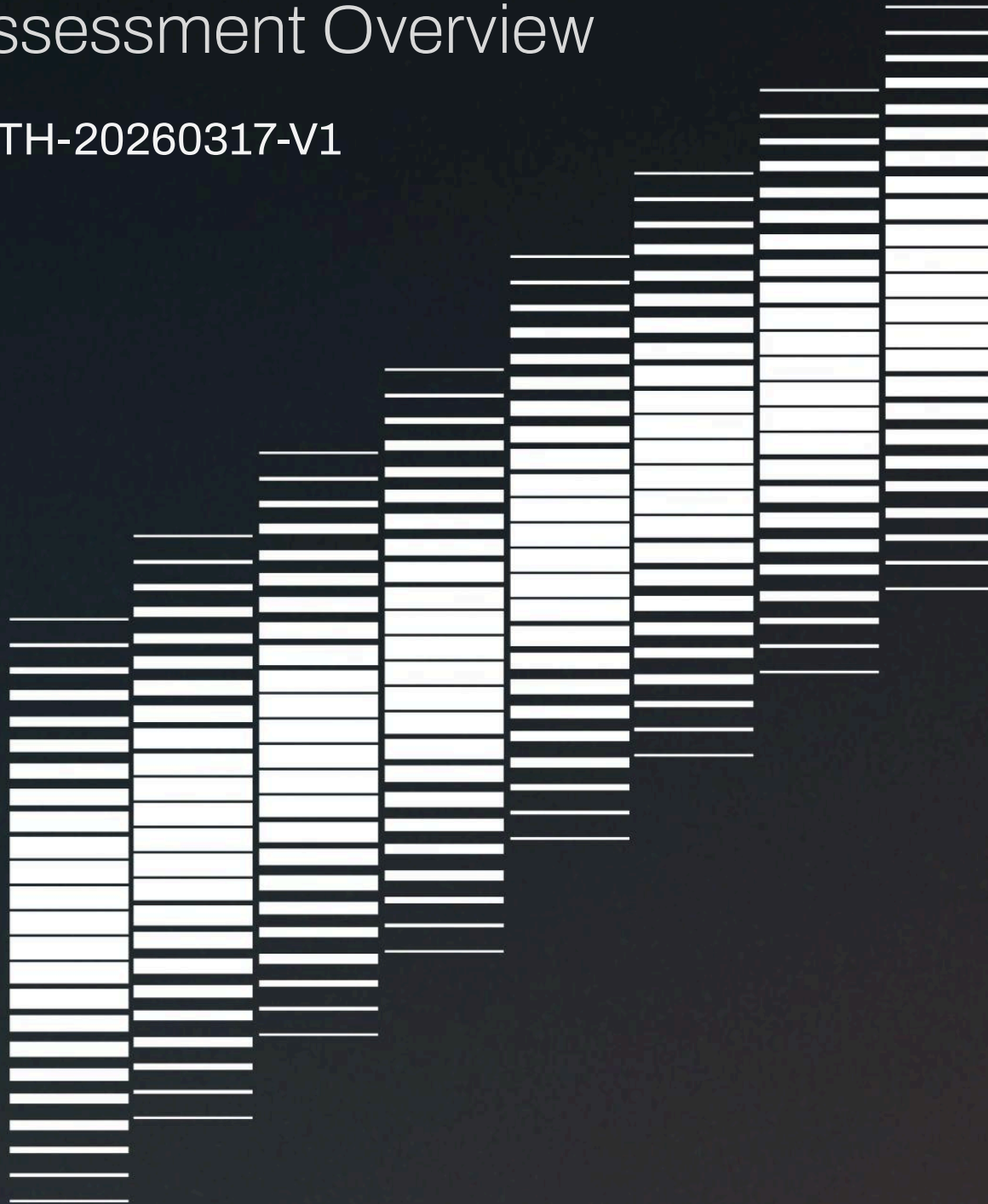




stETH

Risk Assessment Overview

REP-STETH-20260317-V1



Executive Summary

This brief report presents Credora's risk assessment of stETH 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

Lido's staked ETH (stETH) is a rebasing liquid staking token (LST) representing a user's pro-rata share of the total ETH staked through the Lido protocol. Each **stETH token is backed 1:1 by ETH** deposited into Lido's staking middleware, where it is staked via a permissionless set of third-party node operators participating in Ethereum's native Proof-of-Stake (PoS) consensus mechanism. As a rebasing token, the stETH balance automatically adjusts to reflect accrued staking rewards and any slashing events.

Key Results

This report outlines the rating process for stETH, utilizing the [Credora Asset Rating Framework](#) as of March 13, 2026, considering the characteristics and structure of the token.

Probability of Default	0.10%
Implied Rating	A+
Token Address	0xae7ab96520de3a18e5e111b5eaab095312d7fe84
Network	Ethereum

Strengths

- **Exceptional smart contract security profile.** Lido has undergone 90+ independent security reviews and audits, including formal verification of critical modules, with

identified critical and high-severity issues fixed prior to deployment. Combined with a \$2M Immunefi bug bounty and 60+ months of operation without a material exploit, stETH scores highly across audit coverage, security maturity, and operational track record.

- **On-chain reserves transparency.** ETH deposited in the Beacon Chain is verifiable on-chain and directly corresponds to the circulating stETH supply, enabling real-time, auditable verification of collateral backing by any independent party.
- **Largest LST by TVL (Total Value Locked).** With approximately \$21.3 billion in TVL, it commands 62% of the Ethereum liquid staking market (\$34.3B total) and 48% of the global liquid staking category (\$44.8B across all chains). The asset is deeply integrated across major DeFi protocols and ranks first within the liquid staking category.

Considerations

- **Governance concentration and low participation.** On-chain participation remains low, with votes often clearing the 5% quorum by a narrow margin and decision-making concentrated among large LDO holders. While the introduction of Dual Governance (June 2025) improved accountability by granting stETH holders veto power, validator operations remain concentrated: the Curated Module accounts for ~92% of staked ETH, while the Community Staking Module is capped at 5% pending expansion to 10%.
- **Legal and regulatory risk.** Lido faces legal uncertainty related to the regulatory treatment of its LDO governance token. In [Samuels v. Lido DAO](#), a California lawsuit alleges that LDO was sold as an unregistered security to U.S. investors, with claims brought against several venture capital backers. Lido was also referenced in a [2024 SEC complaint](#) against Consensus concerning MetaMask staking services, though Lido was not named as a defendant. Consensus later [announced](#) an agreement in principle with the SEC to dismiss the case.

Token Rating Framework

stETH 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
Smart Contract Audits & Contract Maturity	<p>Audit quality scores at the maximum across all sub-components: fully scoped, issue mitigation review performed, with the last audit within 12 months, and full formal verification performed. The February 2025 Certora formal verification of the Dual Governance module, moved this metric to the maximum tier.</p> <p>Audit quantity, bug bounty coverage at \$2M+, and contract maturity (reflecting a December 2020 launch) all score at their respective maximum tiers.</p> <p><i>Smart contract risk PD: 0.15%</i></p>
Underlying / Reserve Asset Quality	<p>ETH is the sole asset held in reserves. A symbolic PD of 0.01% is assigned in line with native blockchain tokens, reflecting their structurally negligible default risk.</p> <p><i>Symbolic PD: 0.01%</i></p>
Anchor PD	0.16%

stETH 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.

The Anchor PD (the base probability representing foundational asset and custody risk) is converted into a logarithmic rating-notch curve so that adjustments reflect relative changes in risk rather than absolute PD shifts. The combined Modifiers adjust this notch level, and the result is converted back into a PD, which scales exponentially based on **historical default frequencies** embedded in the PD curve. 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 related incidents in the past 6 months. A minor slashing event on March 13th 2026 was promptly resolved with no downside to the protocols or to users, thus no notch adjustment was applied.	0.00	Min: -1.00 Max: 0.00
Reserves Transparency	Lido publishes on-chain data for total ETH deposited in the Beacon Chain, directly verifiable against the circulating stETH supply in real time. The on-chain nature of this data source allows any independent party to audit collateral without reliance on off-chain reporting.	+0.25	Min: -1.00 Max: +0.25
stETH-ETH Price Relationship	stETH is designed to track ETH on a 1:1 basis through a market-driven mechanism. Over the trailing 365 days, annualized volatility vs. ETH stood at a low 1.98%, and no price deviations exceeded the 1% threshold (the most recent and significant deviation registered ~0.3% in July 2025, driven by a surge in the validator withdrawal queue), with deviation defined as any day the price differs by more than 1% from ETH. Price history depth exceeds 365 days.	+0.25	Min: -0.25 Max: +0.25
Market Cap	As of the score date, stETH holds approximately \$21.3 billion in market capitalization, representing roughly 62% of the Liquid Staking category's total TVL of \$34.3 billion, indicating dominant relative positioning, strong market trust, and broad user adoption.	+0.25	Min: -0.25 Max: +0.25
Governance	Lido DAO governs via Aragon with a 72-hour voting process, 5% quorum, and >50% approval threshold. Multi-sig roles, contract addresses, and emergency procedures are clearly defined. The June 2025 launch of Dual Governance grants stETH holders veto power over DAO decisions, materially improving governance accountability. Across 5 emergency-response metrics, stETH scores positively on all: documented incident playbook, narrow and non-custodial privilege scope, strong governance constraints, fast exit liquidity under stress, and loss absorption capacity via the aforementioned insurance fund.	0.00	Min: -1.00 Max: 0.00
Final PD	0.10%		
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 **A+** Rating on Credora's DeFi Rating Scale, placing it among the higher-quality derivative assets rated by Credora within DeFi.

Conclusions

The **A+** rating is primarily supported by stETH's smart contract security profile—90+ independent audits and reviews, full formal verification of the Dual Governance module, and 60+ months of uninterrupted operation—alongside maximum-tier reserve transparency, with ETH collateral in the Ethereum Beacon Chain verifiable on-chain in real time. stETH's dominant market position of approximately \$21 billion in TVL further reinforces the rating through demonstrated operational resilience and broad protocol adoption.

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