This paper examines the influence of exposure to war atrocities on loan default probability by borrowing entrepreneurs in a post-conflict environment. We provide evidence from Kosovo where a short but intensive war was waged between March and June 1999. Our analysis is based on a dataset covering 172,108 loans to sole proprietors over the period from 2003 to 2011 granted by a commercial development-oriented bank in post-war Kosovo. Using a binary response model we find that a higher degree of war exposure is associated with a higher probability of loan default. However, this effect is largely driven by repayment behavior during the global financial crisis in 2009/2010. Thus, our results lend support to the view that initially most people having been exposed to traumatic events show a high degree of resilience. Nevertheless, when facing renewed adverse conditions resilience seems to evaporate leading to a belated impact of war exposure and triggering a shift in borrowers’ repayment behavior. Our findings suggest that financial institutions conducting lending operations in the post-conflict environment should be aware of negative war exposure effects on loan quality. Even in case detrimental war legacy does not materialize in the early post-war years, it might emerge later in periods of economic downturns and crises. Thus, this study provides insights into the challenges of post-conflict activities aimed at supporting entrepreneurship and financial sector development.