Financial Times: Belgium's cabinet is to meet later on Tuesday to discuss how to shield Dexia from collapse after the Franco-Belgian bank's board pleaded to local government for what amounts to a break-up of the specialist lender. People familiar with the talks said Dexia's board agreed in a six-hour emergency meeting on Monday to put its healthy divisions – including Dexia Asset Management and DenizBank, a Turkish retail lender – up for sale to finance its portfolio of souring sovereign and sub-sovereign debt.

Under the proposals a "bad bank" would be created to hold a portfolio of bonds worth about €100bn ($130bn), which will receive state guarantees from Belgium and France, those people confirmed. Remaining activities, notably those financing French local authorities, are likely to be merged into wider structures such as the Caisse des Depots et Consignations, the French sovereign wealth fund.

A statement issued after Monday's meeting said: "The board of directors asked the CEO, in consultation with the relevant governments and the supervisory authorities, to prepare the necessary measures to resolve the structural problems penalising the group's operational activities, and to open up new prospects for the development of its historical commercial franchises in Belgium and France."

A cabinet meeting restricted to top Belgian ministers, including caretaker prime minister Yves Leterme and finance minister Didier Reynders, will meet on Tuesday evening to discuss the matter, a Belgian finance ministry source said. If the talks result in Dexia being restructured and broken up it would be the second time the lender has received a state bail-out.

The French, Luxembourg and Belgian authorities injected €6.4bn into the bank following the collapse of Lehman Brothers in 2008, when money markets seized up.

Dexia had since then reduced its short-term capital funding and steadily divested assets in an effort to nurse its balance sheet back to health. But it still required some €96bn of short-term funding to tide it over, which it was increasingly struggling to raise, insiders said. Sales of assets were further plagued by low appetite in the markets for the sovereign and sub-sovereign assets that Dexia specialises in.

The lender's shares fell 32 per cent in early Brussels trading to €0.88. The shares have sagged in recent days, along with those of other French banks, as investors worried about its €20.9bn exposure to peripheral European bonds, including Greece and Portugal.

Dexia's management blamed the worsening of the European sovereign debt crisis and the ensuing difficulties of raising funds on the interbank market for its decision. The statement from the board of directors said Dexia's main shareholders – the French and Belgian government and other state-controlled entities – stood ready to step in. The board also reiterated confidence in the chief executive, Pierre Mariani, a former aide to French president Nicolas Sarkozy who has headed the bank since 2008.