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PARIS --Franco-Belgian lender **Dexia** SA (DEXB.BT) is set to park assets worth in excess of EUR180 billion into a so-called bad bank, a vehicle backed by guarantees from the French and Belgian governments, in an effort to disentangle itself from gripping liquidity strains, people familiar with the matter said Tuesday.

The bad-bank plan is part of a deeper makeover under which **Dexia** is considering selling all its core units and which may effectively lead to a dismantling of the lender.

Under a plan submitted to **Dexia**'s board on Monday, the bank would ring fence into a special vehicle all the assets it inherited from an aggressive expansion push early in the past decade as well as units that can't be sold under current market conditions, the people familiar with the matter said.

These assets would include a portfolio of bonds worth EUR95 billion and about EUR30 billion in loans deemed non-strategic, they said. **Dexia** Crediop and **Dexia** Sabadell, the bank's municipal lending units in Italy and Spain, respectively, would also be folded into the bad bank, the people familiar with the matter said. The European sovereign debt crisis has cast a cloud on most financial assets in Southern European countries, making it virtually impossible for **Dexia** to find buyers for the two units.

Over the past year, **Dexia** had succeeded in reducing short-term financing needs stemming from its large portfolio of long-term bonds. Yet, in recent weeks, the bank was increasingly struggling to raise funding at affordable costs. With little hope that liquidity strains would ease in the short term, management came to conclusion that **Dexia** could no longer carry the oversized bond portfolio alone, one person familiar with the matter said.

In a first step, **Dexia** may continue to carry the bad-bank vehicle on its books, but France and Belgium will give its guarantee to securities the bank must issue to meet refinancing needs, the people familiar with the matter said. Longer term, **Dexia** may transfer bad bank ownership to France and Belgium, these people said.

The French and Belgian governments said Tuesday that they were committed to providing their guarantees to funds raised by **Dexia**. [10-04-11 1524ET ]