

Management's Discussion and Analysis

This document provides management's discussion and analysis (MD&A) of our financial condition as at, and results of operations for, the three months (Q3) and nine months (YTD) ended September 30, 2011, compared to the same periods in 2010. This MD&A should be read together with our unaudited interim financial statements and accompanying notes for the period ended September 30, 2011 (interim financial statements), the unaudited interim consolidated financial statements and accompanying notes and MD&A of Bell Aliant Regional Communications Inc. (Bell Aliant GP) for the period ended September 30, 2011, the audited annual financial statements and MD&A of Bell Aliant Regional Communications Income Fund (the Fund) for the year ended December 31, 2010, and the audited annual financial statements and MD&A of Bell Aliant Regional Communications Holdings, Limited Partnership (Bell Aliant Holdings LP) for the year ended December 31, 2010. All amounts in this document are in millions of Canadian dollars, except where noted. Our interim financial statements, along with the comparative periods presented therein, have been prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements of the Fund are prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP).

On January 1, 2011, the Fund completed its conversion from an income trust structure to a corporate structure (the Conversion). Bell Aliant Inc. is the successor corporation to the Fund. As part of the Conversion, Bell Aliant Holdings LP was dissolved and certain of its subsidiaries and affiliates amalgamated. Bell Aliant GP, our significant equity investee, is the successor corporation to Bell Aliant Holdings LP. Throughout this document, unless otherwise specified or the context otherwise indicates, "we", "us" and "our" refer to Bell Aliant Inc. for 2011 and subsequent periods and to the Fund and its subsidiaries prior to January 1, 2011.

Additional information about us and Bell Aliant GP, including annual information forms and other recent financial reports, can be found on Bell Aliant Inc.'s website at www.bellaliant.ca. These and other continuous disclosure documents are also available at www.sedar.com.

Forward-looking information

This MD&A is dated November 1, 2011, and contains forward-looking information related to our future financial condition and results of operations, and anticipated future events and circumstances. The purpose of this forward-looking information is to provide the reader with information about our expectations, plans and priorities for fiscal 2011 or other future periods. Readers are cautioned that such information may not be appropriate for other purposes. This information is based on our estimates about the markets in which we and Bell Aliant GP operate and our beliefs and assumptions regarding these markets. Unless otherwise indicated, the forward-looking information in this MD&A describes our expectations at November 1, 2011. In some cases, forward-looking information may be identified by words such as "anticipate", "believe", "could", "expect", "plan", "seek", "may", "intend", "will", "forecast" and similar expressions.

This information is subject to important risks and uncertainties, which are difficult to predict, and assumptions, which may prove to be inaccurate. Some of the risk factors which could cause results or events to differ materially from current expectations include but are not limited to: our economic dependence on Bell Aliant GP, and therefore all of the risks and uncertainties to which its operations are subject, including increasing competition and ability to achieve strategies and plans; general economic conditions and changing regulations; the unpredictability and volatility of our share price; and the provisions we make in respect of certain taxes which could materially change. Some of these risk factors are largely beyond our control. Refer to the "Risk management" section of this MD&A for further discussion of these and other risk factors.

Should any risk factor affect us in an unexpected manner, or should assumptions underlying the forward-looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Unless otherwise indicated, forward-looking information does not take into account the effect that transactions, or non-recurring or other special items, announced or occurring after this information is provided may have on our business. All of the forward-looking information reflected in this

document and the documents referred to within are qualified by these cautionary statements. There can be no assurance that the results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences for us. Except as may be required by Canadian securities laws, we disclaim any intention and assume no obligation to update or revise any forward-looking information, even if new information becomes available, as a result of future events or for any other reason. Readers should not place undue reliance on any forward-looking information.

See also the "Risk management" section of the Fund's MD&A for the year ended December 31, 2010, and the "Assumptions made in the preparation of forward-looking information" and "Risks that could affect our business and results" sections of the MD&A of Bell Aliant Holdings LP for the year ended December 31, 2010, which are available at www.bellaliant.ca as well as www.sedar.com.

OUR BUSINESS

We hold an investment in Bell Aliant GP, which operates one of the largest regional communications service providers in North America.

We own all but one voting common share of Bell Aliant GP, with BCE Inc. (BCE) indirectly owning the remaining voting common share. Bell Aliant GP consolidates the financial results of Bell Aliant Regional Communications, Limited Partnership (Bell Aliant LP), Télébec, Limited Partnership (Télébec), NorthernTel, Limited Partnership (NorthernTel) and Bell Aliant Preferred Equity Inc. We equity account for our investment in Bell Aliant GP as we exercise significant influence over the operating, investing, and financial policies of this entity, but we do not control it. Under a securityholders' agreement, BCE has certain governance rights that give it control over Bell Aliant GP.

We are economically dependent on Bell Aliant GP to provide the cash flow we require to pay dividends to our shareholders. As we are affected by the events and transactions, financial and capital management, and risks and uncertainties of Bell Aliant GP, these factors could materially influence the dividends we receive from it, and in turn, our ability to pay dividends.

CORPORATE CONVERSION

On January 1, 2011, the Fund completed its conversion from an income trust structure to the Bell Aliant Inc. corporate structure.

The Fund unitholders received one common share of Bell Aliant Inc. for each Fund unit held, therefore their proportionate ownership interests in Bell Aliant Inc. were effectively unchanged by the Conversion. The Conversion transactions were accounted for at carrying values as there was no substantial change in ownership or control. BCE and Bell Canada continue to have the same governance rights and proportionate ownership interest in Bell Aliant Inc. as they had in the Fund (on an as-converted basis) before the Conversion. Our ownership interest in Bell Aliant GP increased from indirectly owning 82.5 per cent of Bell Aliant Holdings LP before the Conversion, to directly owning over 99.9 per cent of Bell Aliant GP upon completion of the Conversion.

Refer to our interim financial statements and MD&A for the three months (Q1) ended March 31, 2011, for additional information.

SUMMARY OF RESULTS

The following table shows selected consolidated financial results for the most recent eight quarters. This quarterly information is unaudited and is prepared under IFRS, except where otherwise noted. The comparability of results between periods before and after January 1, 2011, is significantly affected by the Conversion.

For the eight quarters ended September 30, 2011 (millions of dollars, except per share / unit amounts)	2011			2010				2009 ⁽¹⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income (loss) from equity investments and other revenues	\$76.6	\$83.9	\$88.2	(\$1,395.3)	(\$0.5)	\$47.9	\$301.9	\$80.2
Net earnings (loss) from continuing operations	76.0	83.5	87.5	(1,396.2)	(1.0)	46.5	301.3	79.4
Net earnings (loss) from discontinued operations	(0.2)	(0.8)	(3.4)	(0.7)	0.6	-	-	(2.1)
Net earnings (loss)	\$75.8	\$82.7	\$84.1	(\$1,396.9)	(\$0.4)	\$46.5	\$301.3	\$77.3
Basic earnings (loss) per share / unit from continuing operations	0.33	0.37	0.38	(10.96)	(0.01)	0.37	2.37	0.63
Basic earnings (loss) per share / unit from discontinued operations	-	(0.01)	(0.01)	(0.01)	0.01	-	-	(0.02)
Basic earnings (loss) per share / unit	\$0.33	\$0.36	\$0.37	(\$10.97)	-	\$0.37	\$2.37	\$0.61
Diluted earnings (loss) per share / unit from continuing operations	0.33	0.37	0.38	(10.96)	(0.01)	0.37	0.49	0.55
Diluted earnings (loss) per share / unit from discontinued operations	-	(0.01)	(0.01)	(0.01)	0.01	-	-	(0.01)
Diluted earnings (loss) per share / unit	\$0.33	\$0.36	\$0.37	(\$10.97)	-	\$0.37	\$0.49	\$0.54
Dividends / distributions declared	\$108.2	\$108.2	\$108.2	\$92.4	\$92.4	\$92.3	\$92.3	\$92.3

⁽¹⁾ Financial results for Q4 of 2009 are presented on a Canadian GAAP basis.

Net earnings (loss)

Net earnings (loss) represents equity income from our investment in Bell Aliant GP and includes an immaterial amount of interest income earned on cash and cash equivalents, operating expenses and deferred income tax recovery. Our net earnings (loss) are dependent upon the results of operations of Bell Aliant GP. Prior to the Conversion, the Fund's income from equity investments also included the change in fair value, net of distributions, of the class 1 exchangeable limited partnership units issued by Bell Aliant Holdings LP. The financial performance of Bell Aliant GP for Q3 and YTD 2011 compared to the same periods in 2010 is discussed in its Q3 2011 MD&A.

Current year net earnings are not directly comparable to the same period in 2010 due to the effect of the Conversion. Net earnings from continuing operations increased by \$77.0 million in Q3 2011 compared to Q3 2010. On a YTD basis, net earnings from continuing operations decreased \$99.8 million in 2011, or 28.8 per cent, from the same period in 2010. In 2010, Bell Aliant LP's outstanding class B exchangeable limited partnership units were classified as a financial liability, and were marked-to-market at each reporting date, with any changes in value being recognized directly in net earnings for the period. As a result, in Q3 and YTD 2010, Bell Aliant GP recognized a loss of \$31.7 million and gain of \$156.0 million, respectively, and also recognized a \$52.3 million and \$157.0 million expense, respectively, related to distributions declared on these exchangeable limited partnership units. The re-measurement and distributions did not occur in 2011, as these units were transferred to Bell Aliant GP as part of the Conversion and are now eliminated upon consolidation of Bell Aliant LP. In addition, in Q3 and YTD 2010, the Fund recorded in income from equity investments a loss of \$12.4 million and a gain of \$60.9 million, respectively, on the re-measurement of the class 1 exchangeable limited partnership units issued by Bell Aliant Holdings LP and also recorded a \$20.4 million and \$61.3 million expense, respectively, related to distributions declared on these exchangeable limited partnership units. There was no similar transaction in 2011. Offsetting this was Bell Aliant GP's higher income tax expense in 2011, resulting from the Conversion, which reduced 2011 net earnings (loss) from continuing operations, as compared to the same periods in 2010.

Net loss from discontinued operations for Q3 and YTD 2011 was \$0.2 million and \$4.4 million, respectively, and represented our proportionate share of the loss on Bell Aliant GP's sale of the xwave business which

was completed on January 1, 2011. In Q3 2010, \$0.6 million in net earnings from discontinued operations was recorded related to the xwave business.

Dividends /distributions declared

During Q3 2011, we declared dividends of \$108.2 million, or \$0.475 per share, compared to declaring distributions totalling \$92.4 million, or \$0.725 per unit, in Q3 2010. For YTD 2011, we declared dividends of \$324.6 million, or \$1.425 per share, compared to declaring distributions totalling \$277.0 million, or \$2.175 per unit for YTD 2010. With the Conversion, we have significantly more shares outstanding than the Fund previously had units outstanding, due to the exchange of exchangeable limited partnership units for our shares by BCE and Bell Canada. For comparison purposes, the combined distributions declared by the Fund on its units and by Bell Aliant Holdings LP and Bell Aliant LP on exchangeable limited partnership units were \$165.1 million in Q3 of 2010 and \$495.3 million on a YTD basis.

A further discussion of dividends paid by Bell Aliant GP can be found in its Q3 2011 MD&A.

FINANCIAL AND CAPITAL MANAGEMENT

The following table summarizes our financial position as at September 30, 2011, as compared to December 31, 2010.

<i>(millions of dollars)</i>	As at September 30, 2011	As at December 31, 2010
Total assets	\$3,299.9	\$1,012.6
Total liabilities	0.6	30.9
Shareholders' / unitholders' equity	\$3,299.3	\$981.7

Assets and liabilities

At September 30, 2011, our total assets increased \$2,287.3 million from December 31, 2010, and mainly consisted of our investment in, and other amounts receivable from, Bell Aliant GP. The carrying value of our investments have increased by \$2,312.0 million since December 31, 2010, primarily as a result of the Conversion as our ownership interest in Bell Aliant GP has increased by 17.4 percentage points to over 99.9 per cent, or \$2,608.5 million. This represents the carrying value of BCE and Bell Canada's previous interest in Bell Aliant Holdings LP, Bell Aliant LP, and all but one voting common share of Bell Aliant GP, less \$39.5 million of other Conversion related adjustments.

We generally consolidate our excess cash with that of Bell Aliant LP and invest it together in marketable, short-term money market instruments. As such, the balance due from related parties and our cash and cash equivalent balance will fluctuate over time depending on our cash requirements. At September 30, 2011, these assets increased \$3.4 million from the balances at December 31, 2010. As well, distributions receivable from Bell Aliant Holdings LP decreased by \$29.6 million from December 31, 2010, due to a change in the timing of when Bell Aliant GP dividends are declared and paid in 2011.

Our liabilities consist mainly of dividends payable to our shareholders if, as, and when declared by the board of directors. At September 30, 2011, there were no declared dividends payable to our shareholders, compared to distributions payable to unitholders of \$30.8 million as at December 31, 2010, due to a change in the timing of when we declare and pay dividends.

Common shares

At September 30, 2011, there were 227,803,538 common shares outstanding. There were also 1,606,322 deferred shares granted under our deferred share plan. Only 927,998 of the deferred shares are considered dilutive, as the vesting of the remainder is subject to prescribed performance targets being met. Accordingly, there were 228,731,536 common shares outstanding on a fully diluted basis as at September 30, 2011.

At October 24, 2011, there were 227,803,538 common shares outstanding.

RELATED PARTY TRANSACTIONS

During 2011, the securityholders' agreement with BCE and Bell Canada was amended and restated to reflect the Conversion and the continuation of their governance and other rights in the new corporate structure.

Refer to note 8 of our interim financial statements for information on our related party transactions with Bell Aliant GP.

SIGNIFICANT ACCOUNTING POLICIES

International financial reporting standards (IFRS)

Our interim financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) under IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of IFRS, and in accordance with the accounting policies we expect to apply in our financial statements for the year ending December 31, 2011. They do not include all of the information required for full annual financial statements. Previous to Q1 2011, our consolidated annual and interim financial statements were prepared in accordance with Canadian GAAP. The adoption of IFRS has not affected our overall performance, strategic decisions, or underlying trends of our operations.

Impact of transition to IFRS

Refer to note 9 of our interim financial statements for more detail on the significant IFRS 1 exemptions we have taken and reconciliations between our 2010 results previously prepared under Canadian GAAP to those prepared under IFRS. The reconciliations include Total equity as at September 30, 2010, and Net earnings (loss) and Comprehensive income (loss) for the three and nine months ended September 30, 2010. Our IFRS accounting policies are described in note 2 to our financial statements for Q1 2011.

Future changes in accounting policies

The IASB has issued several new standards, amendments to standards, and interpretations that are not effective for the year ending December 31, 2011, and although early adoption is permitted, they have not been applied in preparing our interim financial statements for Q3 2011. We are currently evaluating the effect, if any, that these new standards and amendments will have on our financial results. The new standards and amendments are as follows:

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7, Financial Instruments: Disclosures)

The amendments to IFRS 7, effective for annual periods beginning on or after July 1, 2011, require increased disclosure for the transfer of financial assets, particularly where there is a disproportionate amount of transactions that take place at the end of a reporting period.

IFRS 9, Financial Instruments

IFRS 9, effective for annual periods beginning on or after January 1, 2013, is the first of the IASB's three phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. It requires classification and measurement of financial assets in either the amortized cost or the fair value category.

IFRS 12, Disclosure of Interests in Other Entities

IFRS 12, effective for annual periods beginning on or after January 1, 2013, requires disclosure on all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles, and other off-balance-sheet vehicles.

IFRS 13, Fair Value Measurement

IFRS 13, effective for annual periods beginning on or after January 1, 2013, sets out a single framework for measuring fair value and required disclosures. It is applicable when another IFRS requires or permits fair value measurements or related disclosures, except for share-based payment transactions within the scope of IFRS 2, *Share-based Payment*, leasing transactions within the scope of IAS 17, *Leases*, and measurements

that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment of Assets*.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12, Income Taxes)

The amendments to IAS 12, effective for annual periods beginning on or after January 1, 2012, set out presumptions for the recovery of certain assets and are relevant in those cases where different tax consequences can arise depending on how the carrying amounts are recovered.

IAS 28 (Revised), Investments in Associates and Joint Ventures

IAS 28 (Revised), effective for annual periods beginning on or after January 1, 2013, supersedes IAS 28, *Investments in Joint Ventures*. It sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

RISK MANAGEMENT

During the first nine months of 2011, we have not identified any significant changes to the nature of the risks that we are exposed to in our business, as described in our MD&A for the year ended December 31, 2010, and our 2010 Annual Information Form.

CONTROLS AND PROCEDURES

Internal control over financial reporting

No changes were made in our internal control over financial reporting during Q3 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.