

TRANSAMERICA INCOME SHARES, INC.

Form N-CSR

June 05, 2013

As filed with the SEC on June 5, 2013.

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-02273

TRANSAMERICA INCOME SHARES, INC.

(Exact Name of Registrant as Specified in Charter)

570 Carillon Parkway, St. Petersburg, Florida 33716

(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, including Area Code: (727) 299-1800

Dennis P. Gallagher, Esq., P.O. Box 9012, Clearwater, Florida 33758-9771

(Name and Address of Agent for Service)

Date of fiscal year end: March 31

Date of reporting period: April 1, 2012 - March 31, 2013

**Item 1: Report(s) to Shareholders.** The Annual Report is attached.



**Transamerica Income Shares, Inc.**

(unaudited)

**MARKET ENVIRONMENT**

The fiscal year ended March 31, 2013, saw moderate economic performance, but stronger financial markets. The political issues, such as the elections or the Fiscal Cliff now, seem like a distant memory, but late night heroics over the New Year reduced significant uncertainty within the marketplace, and continued a rally in risk assets. The next negative uncertainty was the concern over the payroll tax increase and its potentially negative impact on the economy. However, three months later, expectations of a 3% economic expansion for the first quarter alleviated that concern.

One of the biggest surprises of the year was the depth of the slowdown in Europe, led by Southern Europe following their introduction of austerity programs in the previous year. This led the European Central Bank in late August to send a signal to the markets that it would do whatever it takes to maintain the Euro. At the same time, U.S. economic growth began to slow leading the Federal Reserve ( Fed ) to embark on yet another quantitative easing program. This monetary policy intervention led to stabilization within the marketplace, as witnessed by sovereign yields falling dramatically and keeping an underpinning of support for risk assets within the U.S.

Growth continued to be difficult to achieve around the world as China wrestled with a downshift in growth, and Japan, after a long decade of little or no growth, has decided to enter the race for currency depreciation in hopes of stimulating its economic growth rate. From a more positive perspective, housing and autos continued their turnaround during the year in the U.S.

**PERFORMANCE**

For the year ended March 31, 2013, Transamerica Income Shares, Inc. returned 10.74% on a net asset value basis and 4.78% on a market price basis. By comparison its benchmark, the Barclays U.S. Aggregate Bond Index ( BAB ), returned 3.77%.

**STRATEGY REVIEW**

Transamerica Income Shares, Inc. maintained an overweight position to spread products and a shorter duration than that of the BAB, generating a positive return in excess of the BAB. Our duration positioning modestly hurt performance as interest rates fell and the curve flattened.

Spread product helped to drive performance as the bonds generated more yield than the benchmark. The outperformance was primarily driven by an overweight to corporate credit (investment grade and high yield) and non-agency mortgage backed securities as the excess spread and spread tightening drove excess returns. The reduction in tail risk given different moves by policy makers helped improve the environment for risky assets.

The finance sector outperformed the other sectors in the Corporate universe with overweight positions to banking, real estate investment trusts ( REITs ), and insurance bonds helping performance. The portfolio's allocation in non-agency MBS has benefited from the turn in the housing market as well as positive technicals within the sector. Within the

Emerging Markets sectors, local currency positions benefited from better growth dynamics and disinflation in the markets.

**Brian Westhoff, CFA**

**Bradley J. Beman, CFA**

**Jim Schaeffer**

**David Halfpap, CFA**

**Rick Perry, CFA**

**Co-Portfolio Managers**

**AEGON USA Investment Management, LLC**

**Transamerica Income Shares, Inc.**

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**Annual Report 2013**

**Transamerica Income Shares, Inc.**

**UNDERSTANDING YOUR FUND'S EXPENSES**

**(unaudited)**

**SHAREHOLDER EXPENSES**

Fund shareholders may incur ongoing costs, including management and advisory fees, distribution and service fees, and other fund expenses.

The following example is intended to help you understand your ongoing costs (in dollars and cents) of investing in the fund and to compare these costs with the ongoing costs of investing in other funds.

The example is based on an investment of \$1,000 invested at October 1, 2012, and held for the entire period until March 31, 2013.

**ACTUAL EXPENSES**

The information in the table under the heading **Actual Expenses** provides information about actual account values and actual expenses. You may use the information in these columns, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = \$8.60), then multiply the result by the number in the appropriate column for your share class titled **Expenses Paid During Period** to estimate the expenses you paid on your account during this period. If your account is an IRA, you expenses could have included a \$15 annual fee. The amount of any fee paid during the period can decrease your ending account value.

**HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES**

The information in the table under the heading **Hypothetical Expenses** provides information about hypothetical account values and hypothetical expenses based on the fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your fund versus other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the information under the heading **Hypothetical Expenses** is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher. The expenses shown in the table do not reflect any fees that may be charged to you by brokers, financial intermediaries or other financial institutions.

Expense ratios may vary period to period because of various factors, such as an increase in expenses that are not covered by the advisory and administrative fees, such as fees and expenses of the directors and their counsel,

extraordinary expenses and interest expense.

Fund Name	Beginning Account Value	Ending Account Value	Actual Expenses <sup>(C)</sup>	Hypothetical Expenses <sup>(A)</sup>	Annualized Expense Ratio
			Expenses Paid During Period <sup>(B)</sup>	Expenses Paid During Period <sup>(B)</sup>	
Transamerica Income Shares, Inc.	\$1,000.00	\$1,047.90	\$3.68	\$1,021.34	0.72%

<sup>(A)</sup> 5% return per year before expenses.

<sup>(B)</sup> Expenses are calculated using the Fund's annualized expense ratio (as disclosed in the table), multiplied by the average account value for the period, multiplied by the number of days in the period (182 days), and divided by the number of days in the year (365 days).

<sup>(C)</sup> Based on net asset value return.

#### SCHEDULE OF INVESTMENTS COMPOSITION

At March 31, 2013

(the following chart summarizes the Schedule of Investments of the fund by asset type)

(unaudited)

Asset Type	% of Net Assets
Corporate Debt Securities	73.2%
Securities Lending Collateral	10.7
Mortgage-Backed Securities	8.8
Asset-Backed Securities	4.5
Foreign Government Obligations	3.5
Convertible Bonds	2.0
U.S. Government Obligations	1.9
Preferred Stocks	1.9
Municipal Government Obligations	1.5
Preferred Corporate Debt Security	1.4
Repurchase Agreement	1.1
U.S. Government Agency Obligation	0.2
Other Assets and Liabilities - Net	(10.7)
<b>Total</b>	<b>100.0%</b>



**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS****At March 31, 2013**

	<b>Principal</b>	<b>Value</b>
<b>U.S. GOVERNMENT OBLIGATIONS - 1.9%</b>		
U.S. Treasury Inflation Indexed Bond		
2.50%, 01/15/2029	\$ 965,223	\$ 1,348,296
U.S. Treasury Note		
1.75%, 05/15/2022	1,465,000	1,469,235
<b>Total U.S. Government Obligations (cost \$2,504,905)</b>		<b>2,817,531</b>
<b>U.S. GOVERNMENT AGENCY OBLIGATION - 0.2%</b>		
Freddie Mac STRIPS, IO		
5.00%, 08/01/2035	1,793,661	237,305
<b>Total U.S. Government Agency Obligation (cost \$615,529)</b>		<b>237,305</b>
<b>FOREIGN GOVERNMENT OBLIGATIONS - 3.5%</b>		
Canada Housing Trust No. 1		
3.15%, 06/15/2015	CAD 1,500,000	1,541,108
Mexican Bonos		
7.00%, 06/19/2014	MXN 12,000,000	1,004,656
7.25%, 12/15/2016	14,000,000	1,236,502
Republic of Chile		
5.50%, 08/05/2020	CLP 576,000,000	1,314,783
<b>Total Foreign Government Obligations (cost \$4,577,833)</b>		<b>5,097,049</b>
<b>MORTGAGE-BACKED SECURITIES - 8.8%</b>		
7 WTC Depositor LLC Trust		
Series 2012-7WTC, Class A		
4.08%, 03/13/2031 - 144A	\$ 345,000	363,592
American General Mortgage Loan Trust		
Series 2009-1, Class A6		
5.75%, 09/25/2048 - 144A (A)	1,050,000	1,088,979
BCAP LLC Trust		
Series 2009-RR10, Class 2A1		
3.14%, 08/26/2035 - 144A (A)	451,472	445,025



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Series 2009-RR14, Class 1A1		
6.06%, 05/26/2037 - 144A (A)	522,522	558,502
Series 2009-RR3, Class 2A1		
4.62%, 05/26/2037 - 144A (A)	51,059	51,237
Series 2009-RR6, Class 2A1		
2.96%, 08/26/2035 - 144A (A)	634,420	581,979
Series 2010-RR1, Class 12A1		
5.25%, 08/26/2036 - 144A (A)	534,238	555,559
Countrywide Alternative Loan Trust		
Series 2004-3T1, Class A3		
5.00%, 05/25/2034	503,576	524,328
Series 2006-OC1, Class 2A3A		
0.52%, 03/25/2036 (A)	1,500,000	824,448
Credit Suisse Mortgage Capital Certificates		
Series 2010-18R, Class 1A11		
3.75%, 08/26/2035 - 144A (A)	317,982	316,785
Impac CMB Trust		
Series 2007-A, Class A		
0.45%, 05/25/2037 (A)	720,350	692,015
Jefferies & Co., Inc.		
Series 2009-R2, Class 2A		
2.90%, 12/26/2037 - 144A (A)	291,522	292,558
Series 2009-R7, Class 10A3		
6.00%, 12/26/2036 - 144A	211,151	220,981
	<b>Principal</b>	<b>Value</b>
<b>MORTGAGE-BACKED SECURITIES (continued)</b>		
Jefferies & Co., Inc. (continued)		
Series 2009-R7, Class 12A1		
5.17%, 08/26/2036 - 144A (A)	\$ 224,203	\$ 220,307
Series 2009-R7, Class 1A1		
2.56%, 02/26/2036 - 144A (A)	515,493	503,648
Series 2009-R7, Class 4A1		
2.92%, 09/26/2034 - 144A (A)	389,515	377,640
Series 2009-R9, Class 1A1		
2.68%, 08/26/2046 - 144A (A)	462,732	467,100
JPMorgan Chase Commercial Mortgage Securities Corp.		
Series 2007-LD11, Class ASB		
5.81%, 06/15/2049 (A)	526,259	573,473
JPMorgan Re-REMIC		
Series 2009-7, Class 8A1		
5.36%, 01/27/2047 - 144A (A)	314,416	318,682
LSTAR Commercial Mortgage Trust		
Series 2011-1, Class A		
3.91%, 06/25/2043 - 144A	301,110	311,752
Morgan Stanley Re-REMIC Trust		
Series 2010-GG10, Class A4A		
5.79%, 08/15/2045 - 144A (A)	950,000	1,091,533
Series 2010-R4, Class 3A		
5.50%, 08/26/2047 - 144A	596,897	615,670
ORES NPL LLC		
Series 2012-LV1, Class A		

4.00%, 09/25/2044 - 144A RREF 2013 LT1 LLC	366,841	367,144
2.83%, 05/22/2028 S2 Hospitality LLC	1,250,000	1,250,000
Series 2012-LV1, Class A		
4.50%, 04/15/2025 - 144A Wells Fargo Mortgage Backed Securities Trust	200,367	200,417
Series 2003-G, Class A1		
4.10%, 06/25/2033 (A) Series 2003-L, Class 1A2	122,452	123,657
4.51%, 11/25/2033 (A)	101,252	103,262
<b>Total Mortgage-Backed Securities (cost \$12,371,348)</b>		<b>13,040,273</b>

**ASSET-BACKED SECURITIES - 4.5%**

Countrywide Asset-Backed Certificates		
Series 2006-6, Class 2A3		
0.48%, 09/25/2036 (A)	2,000,000	1,316,402
GSAA Trust		
Series 2006-1, Class A3		
0.53%, 01/25/2036 (A)	1,170,354	793,690
GSAMP Trust		
Series 2006-HE1, Class A2D		
0.51%, 01/25/2036 (A)	1,230,000	1,044,596
HLSS Servicer Advance Receivables Backed Notes		
Series 2012-T2, Class C1		
3.22%, 10/15/2043 - 144A	232,000	234,320
Series 2013-T1, Class D1		
2.49%, 01/15/2044 - 144A	850,000	852,380
HSBC Home Equity Loan Trust		
Series 2006-3, Class A4		
0.44%, 03/20/2036 (A)	804,000	772,993

*The notes to the financial statements are an integral part of this report.*

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At March 31, 2013**

	<b>Principal</b>	<b>Value</b>
<b>ASSET-BACKED SECURITIES (continued)</b>		
Lehman XS Trust Series 2005-8, Class 1A3 0.55%, 12/25/2035 (A)	\$ 1,405,000	\$ 859,548
Popular ABS Mortgage Pass-Through Trust Series 2006-A, Class A4 0.52%, 02/25/2036 (A)	799,552	756,919
<b>Total Asset-Backed Securities (cost \$5,246,422)</b>		<b>6,630,848</b>
<b>MUNICIPAL GOVERNMENT OBLIGATIONS - 1.5%</b>		
Rhode Island Economic Development Corp. 6.00%, 11/01/2015 (B) (C)	835,000	869,995
State of California 7.95%, 03/01/2036	1,035,000	1,298,925
<b>Total Municipal Government Obligations (cost \$1,871,172)</b>		<b>2,168,920</b>
<b>PREFERRED CORPORATE DEBT SECURITY - 1.4%</b>		
<b>Insurance - 1.4%</b>		
ZFS Finance USA Trust II 6.45%, 12/15/2065 - 144A (A)	1,930,000	2,079,575
<b>Total Preferred Corporate Debt Security (cost \$1,621,551)</b>		<b>2,079,575</b>
<b>CORPORATE DEBT SECURITIES - 73.2%</b>		
<b>Aerospace &amp; Defense - 0.1%</b>		
Bombardier, Inc. 6.13%, 01/15/2023 - 144A (D)	130,000	134,875
<b>Airlines - 2.2%</b>		
America West Airlines Pass-Through Trust Series 2000-1, Class G 8.06%, 07/02/2020	540,880	603,081
American Airlines Pass-Through Trust		

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4.00%, 07/15/2025 - 144A Continental Airlines Pass-Through Trust Series 1997-1, Class A	695,000	706,728
7.46%, 04/01/2015 Series 2007-1, Class B	282,452	288,101
6.90%, 04/19/2022 UAL Pass-Through Trust Series 2009-1	674,970	725,998
10.40%, 11/01/2016	826,493	950,467
<b>Beverages - 0.4%</b>		
Anheuser-Busch InBev Worldwide, Inc. 9.75%, 11/17/2015	BRL 1,200,000	642,237
<b>Building Products - 0.8%</b>		
Owens Corning Series 2012-AA, Class A 4.20%, 12/15/2022	\$ 1,140,000	1,165,932
<b>Capital Markets - 1.2%</b>		
Jefferies Group, Inc. 5.13%, 01/20/2023 (D)	440,000	465,862
Macquarie Group, Ltd. Series 2012-A, Class A4 6.25%, 01/14/2021 - 144A	705,000	783,269
Morgan Stanley 5.75%, 01/25/2021	400,000	462,235
	<b>Principal</b>	<b>Value</b>
<b>Commercial Banks - 8.5%</b>		
Barclays Bank PLC 10.18%, 06/12/2021 - 144A	\$ 1,212,000	\$ 1,623,316
BBVA Bancomer SA 6.50%, 03/10/2021 - 144A (D)	800,000	908,000
CIT Group, Inc. Series 2007-1A, Class A1L 4.75%, 02/15/2015 - 144A (D)	310,000	324,725
FirstMerit Corp. Series 2012-2A, Class A2 4.35%, 02/04/2023	475,000	492,341
Intesa Sanpaolo SpA 3.13%, 01/15/2016	1,070,000	1,045,971
M&I Marshall & Ilsley Bank 5.00%, 01/17/2017	1,000,000	1,094,543
Rabobank Nederland NV 11.00%, 06/30/2019 - 144A (A) (E)	1,095,000	1,464,562
Regions Bank 7.50%, 05/15/2018	1,115,000	1,368,663
Royal Bank of Scotland Group PLC 5.05%, 01/08/2015 (D)	500,000	518,281
UBS AG 7.63%, 08/17/2022 (D)	490,000	547,556
Wells Fargo & Co. Series K 7.98%, 03/15/2018 (A) (E)	1,440,000	1,661,400

Zions Bancorporation 7.75%, 09/23/2014	1,400,000	1,522,066
<b>Commercial Services &amp; Supplies - 1.8%</b>		
EnergySolutions, Inc. / EnergySolutions LLC 10.75%, 08/15/2018	611,000	636,968
Hertz Corp. 5.88%, 10/15/2020	130,000	137,150
KAR Auction Services, Inc. 4.30%, 05/01/2014 (A)	1,035,000	1,035,010
Steelcase, Inc. 6.38%, 02/15/2021	800,000	884,474
<b>Construction Materials - 1.0%</b>		
Cemex Finance LLC 9.50%, 12/14/2016 - 144A	700,000	757,750
Voto-Votorantim Overseas Trading Operations NV 6.63%, 09/25/2019 - 144A (D)	600,000	690,000
<b>Consumer Finance - 1.8%</b>		
Ally Financial, Inc. 4.63%, 06/26/2015 (D)	650,000	680,091
SLM Corp., Series MTN 3.88%, 09/10/2015	350,000	364,451
Springleaf Finance Corp., Series MTN 6.50%, 09/15/2017	180,000	179,100
6.90%, 12/15/2017	1,430,000	1,437,150
<b>Containers &amp; Packaging - 1.3%</b>		
Exopack Holding Corp. 10.00%, 06/01/2018 (D)	720,000	716,400
Graphic Packaging International, Inc. 4.75%, 04/15/2021 (F)	140,000	141,750
9.50%, 06/15/2017	865,000	919,063
Sealed Air Corp. 8.13%, 09/15/2019 - 144A (D)	105,000	118,781

*The notes to the financial statements are an integral part of this report.*

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At March 31, 2013**

	<b>Principal</b>	<b>Value</b>
<b>Distributors - 0.8%</b>		
Glencore Funding LLC		
6.00%, 04/15/2014 - 144A	\$ 1,075,000	\$ 1,126,049
<b>Diversified Financial Services - 5.5%</b>		
Bank of America Corp.		
6.50%, 08/01/2016	1,070,000	1,232,300
Citigroup, Inc.		
5.95%, 01/30/2023 (A) (D) (E)	810,000	840,375
CNH Capital LLC		
3.88%, 11/01/2015	160,000	164,000
Ford Motor Credit Co., LLC		
3.88%, 01/15/2015 (D)	420,000	436,618
4.25%, 09/20/2022 (D)	360,000	372,222
General Electric Capital Corp.		
Series A		
7.13%, 06/15/2022 (A) (E)	700,000	814,145
Oaktree Capital Management, LP		
6.75%, 12/02/2019 - 144A	1,110,000	1,286,588
Prospect Capital Corp.		
5.88%, 03/15/2023	805,000	806,524
Unison Ground Lease Funding LLC		
6.39%, 04/15/2020 - 144A	1,515,000	1,738,952
Vesey Street Investment Trust I		
4.40%, 09/01/2016 (G)	335,000	364,149
<b>Diversified Telecommunication Services - 2.0%</b>		
CenturyLink, Inc. Series T		
5.80%, 03/15/2022 (D)	710,000	718,875
GTP Towers Issuer LLC		
4.44%, 02/15/2015 - 144A	1,305,000	1,364,120
Hughes Satellite Systems Corp.		
6.50%, 06/15/2019	200,000	219,500
Level 3 Communications, Inc.		
8.88%, 06/01/2019 - 144A (D)	85,000	92,863
Wind Acquisition Finance SA		
7.25%, 02/15/2018 - 144A	350,000	364,437
11.75%, 07/15/2017 - 144A	100,000	106,000
<b>Electrical Equipment - 1.9%</b>		

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Anixter, Inc. 5.95%, 03/01/2015	1,200,000	1,275,000
Polypore International, Inc. 7.50%, 11/15/2017 (D)	1,440,000	1,544,400
<b>Energy Equipment &amp; Services - 2.1%</b>		
Drill Rigs Holdings, Inc. 6.50%, 10/01/2017 - 144A	160,000	161,600
Enterprise Products Operating LLC Series A 8.38%, 08/01/2066 (A)	600,000	690,000
Seadrill, Ltd. 5.63%, 09/15/2017 - 144A	325,000	328,250
Transocean, Inc. 6.38%, 12/15/2021	1,065,000	1,239,954
Weatherford International, Ltd. 9.63%, 03/01/2019	545,000	711,798
<b>Food &amp; Staples Retailing - 1.3%</b>		
C&S Group Enterprises LLC 8.38%, 05/01/2017 - 144A	691,000	735,915
Ingles Markets, Inc. 8.88%, 05/15/2017	1,055,000	1,106,431
Stater Bros Holdings, Inc. 7.38%, 11/15/2018	35,000	37,406
	<b>Principal</b>	<b>Value</b>
<b>Food Products - 1.3%</b>		
Arcor SAIC 7.25%, 11/09/2017 - 144A	\$ 715,000	\$ 736,450
Michael Foods Group, Inc. 9.75%, 07/15/2018	720,000	801,000
Post Holdings, Inc. 7.38%, 02/15/2022	305,000	333,594
<b>Health Care Equipment &amp; Supplies - 0.2%</b>		
Hologic, Inc. 6.25%, 08/01/2020	290,000	308,487
<b>Health Care Providers &amp; Services - 0.9%</b>		
CHS/Community Health Systems, Inc. 7.13%, 07/15/2020	500,000	542,500
Express Scripts Holding Co. 4.75%, 11/15/2021	660,000	749,307
<b>Hotels, Restaurants &amp; Leisure - 1.3%</b>		
CityCenter Holdings LLC / CityCenter Finance Corp. 10.75%, 01/15/2017 (D) (H)	500,000	552,500
WMG Acquisition Corp. 6.00%, 01/15/2021 - 144A	610,000	638,975
Wyndham Worldwide Corp. Series 2012-A, Class A3 2.50%, 03/01/2018	755,000	759,275
<b>Household Durables - 1.1%</b>		
Beazer Homes USA, Inc. Series 2006-SD3, Class 21A1 6.63%, 04/15/2018 (D)	660,000	712,800

Brookfield Residential Properties, Inc. 6.50%, 12/15/2020 - 144A	365,000	390,550
Meritage Homes Corp. 4.50%, 03/01/2018 - 144A	525,000	523,687
<b>Household Products - 0.4%</b>		
Reynolds Group Issuer, Inc. / Reynolds Group Issuer LLC / Reynolds Group Issuer Lu 5.75%, 10/15/2020	640,000	652,000
<b>Independent Power Producers &amp; Energy Traders - 0.8%</b>		
NRG Energy, Inc. 7.63%, 05/15/2019	360,000	388,800
7.88%, 05/15/2021 (D)	720,000	801,000
<b>Insurance - 7.4%</b>		
American Financial Group, Inc. 9.88%, 06/15/2019	920,000	1,248,241
Chubb Corp. 6.38%, 03/29/2067 (A)	879,000	965,801
Fidelity National Financial, Inc. 6.60%, 05/15/2017 (D)	1,495,000	1,695,394
Hanover Insurance Group, Inc. Series 2007-1, Class A4 6.38%, 06/15/2021	865,000	998,916
ING US, Inc. 5.50%, 07/15/2022 - 144A	470,000	520,005
Liberty Mutual Group, Inc. 4.95%, 05/01/2022 - 144A (D)	415,000	455,047
Oil Insurance, Ltd. 3.27%, 05/02/2013 - 144A (A) (E)	675,000	619,567
Reinsurance Group of America, Inc. 6.75%, 12/15/2065 (A) (D)	1,640,000	1,656,400

*The notes to the financial statements are an integral part of this report.*



**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At March 31, 2013**

	<b>Principal</b>	<b>Value</b>
<b>Insurance (continued)</b>		
Sompo Japan Insurance, Inc. 5.33%, 03/28/2073 - 144A (A)	\$ 1,250,000	\$ 1,246,875
Stone Street Trust 5.90%, 12/15/2015 - 144A	1,400,000	1,521,513
<b>IT Services - 0.8%</b>		
Cardtronics, Inc. 8.25%, 09/01/2018	1,110,000	1,215,450
<b>Marine - 0.7%</b>		
Martin Midstream Partners LP / Martin Midstream Finance Corp. Series 2012-1A, Class A 8.88%, 04/01/2018 (D)	963,000	1,035,225
<b>Media - 1.5%</b>		
Clear Channel Worldwide Holdings, Inc. Series A 7.63%, 03/15/2020	85,000	87,869
Series B 7.63%, 03/15/2020	610,000	636,687
Lions Gate Entertainment, Inc. 10.25%, 11/01/2016 - 144A	775,000	845,719
Nara Cable Funding, Ltd. 8.88%, 12/01/2018 - 144A	600,000	628,500
<b>Metals &amp; Mining - 2.0%</b>		
Anglo American Capital PLC 9.38%, 04/08/2019 - 144A	555,000	741,672
ArcelorMittal 6.75%, 02/25/2022	1,035,000	1,131,114
FMG Resources August 2006 Pty, Ltd. 7.00%, 11/01/2015 - 144A (D)	90,000	94,275
Rio Tinto Finance USA, Ltd. 9.00%, 05/01/2019	700,000	964,343
<b>Multi-Utilities - 1.0%</b>		
Black Hills Corp. 5.88%, 07/15/2020	700,000	812,911
9.00%, 05/15/2014	640,000	692,968
<b>Oil, Gas &amp; Consumable Fuels - 5.9%</b>		
	675,000	744,188

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Chesapeake Energy Corp. 6.50%, 08/15/2017 (D)		
Energy Transfer Equity, LP 7.50%, 10/15/2020	180,000	207,450
Energy Transfer Partners, LP 5.20%, 02/01/2022	570,000	639,961
Gazprom OAO Via GAZ Capital SA 8.13%, 07/31/2014 - 144A	940,000	1,017,550
Linn Energy LLC / Linn Energy Finance Corp. 6.25%, 11/01/2019 - 144A	695,000	710,638
Lukoil International Finance BV 6.38%, 11/05/2014 - 144A	880,000	944,064
Petrobras International Finance Co. 5.38%, 01/27/2021	560,000	604,236
Petrohawk Energy Corp. 7.25%, 08/15/2018	635,000	710,530
Petroleum Co., of Trinidad & Tobago, Ltd. 9.75%, 08/14/2019 - 144A	571,000	746,582
Ras Laffan Liquefied Natural Gas Co., Ltd. III 6.75%, 09/30/2019 - 144A	925,000	1,151,625
Rosneft Oil Co. via Rosneft International Finance, Ltd. 3.15%, 03/06/2017 - 144A (D)	530,000	532,650
	<b>Principal</b>	<b>Value</b>
<b>Oil, Gas &amp; Consumable Fuels (continued)</b>		
TNK-BP Finance SA 6.25%, 02/02/2015 - 144A	\$ 650,000	\$ 694,460
<b>Paper &amp; Forest Products - 1.2%</b>		
Ainsworth Lumber Co., Ltd. 7.50%, 12/15/2017 - 144A	350,000	381,500
Boise Cascade LLC/Boise Cascade Finance Corp. 6.38%, 11/01/2020 - 144A	480,000	509,400
Fibria Overseas Finance, Ltd. 6.75%, 03/03/2021 - 144A (D)	755,000	833,897
<b>Personal Products - 0.2%</b>		
Revlon Consumer Products Corp. 5.75%, 02/15/2021 - 144A	248,000	248,930
<b>Pharmaceuticals - 0.3%</b>		
Watson Pharmaceuticals, Inc. 3.25%, 10/01/2022 (D)	465,000	471,365
<b>Professional Services - 0.5%</b>		
Block Financial LLC 5.13%, 10/30/2014	700,000	735,459
<b>Real Estate Investment Trusts - 2.1%</b>		
EPR Properties 7.75%, 07/15/2020	1,285,000	1,536,579
Kilroy Realty, LP 6.63%, 06/01/2020	1,320,000	1,598,850
<b>Real Estate Management &amp; Development - 0.5%</b>		
Algeco Scotsman Global Finance PLC 8.50%, 10/15/2018 - 144A (D)	630,000	675,675
<b>Road &amp; Rail - 1.5%</b>		

<b>Aviation Capital Group Corp.</b>		
4.63%, 01/31/2018 - 144A	530,000	546,790
7.13%, 10/15/2020 - 144A	1,500,000	1,703,380
<b>Software - 0.7%</b>		
<b>First Data Corp.</b>		
6.75%, 11/01/2020 - 144A	650,000	677,625
7.38%, 06/15/2019 - 144A	370,000	393,587
<b>Specialty Retail - 1.2%</b>		
<b>Claire s Stores, Inc.</b>		
9.00%, 03/15/2019 - 144A	635,000	717,550
<b>Michaels Stores, Inc.</b>		
11.38%, 11/01/2016 (D)	1,003,000	1,049,399
<b>Textiles, Apparel &amp; Luxury Goods - 0.2%</b>		
<b>Jones Group, Inc. / Apparel Group Hold / Apparel Group USA / Footwear</b>		
<b>Acc Retail</b>		
6.88%, 03/15/2019	240,000	254,100
<b>Tobacco - 0.7%</b>		
<b>Lorillard Tobacco Co.</b>		
8.13%, 06/23/2019	830,000	1,055,953
<b>Trading Companies &amp; Distributors - 1.5%</b>		
<b>International Lease Finance Corp.</b>		
6.25%, 05/15/2019 (D)	665,000	728,175
6.75%, 09/01/2016 - 144A	1,280,000	1,446,400
<b>Wireless Telecommunication Services - 4.6%</b>		
<b>Crown Castle Towers LLC</b>		
4.88%, 08/15/2020 - 144A	965,000	1,110,736
6.11%, 01/15/2020 - 144A	1,065,000	1,302,918
<b>MetroPCS Wireless, Inc.</b>		
6.63%, 04/01/2023 - 144A	525,000	535,500
<b>SBA Tower Trust</b>		
5.10%, 04/17/2017 - 144A	1,350,000	1,518,407

*The notes to the financial statements are an integral part of this report.*

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At March 31, 2013**

	<b>Principal</b>	<b>Value</b>
<b>Wireless Telecommunication Services (continued)</b>		
Sprint Nextel Corp. 8.38%, 08/15/2017 (D)	\$ 700,000	\$ 814,625
WCP Wireless Site Funding / WCP Wireless Site RE Funding / WCP Wireless Site NON 6.83%, 11/15/2015 - 144A	1,430,000	1,538,336
<b>Total Corporate Debt Securities (cost \$97,683,330)</b>		107,871,305

**CONVERTIBLE BONDS - 2.0%****Automobiles - 0.5%**

Ford Motor Co. Series 2012-D, Class A3 4.25%, 11/15/2016	430,000	689,075
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**Electric Utilities - 0.8%**

InterGen NV 9.00%, 06/30/2017 - 144A (D)	1,225,000	1,203,563
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**Energy Equipment & Services - 0.7%**

NuStar Logistics, LP 8.15%, 04/15/2018	975,000	1,115,513
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<b>Total Convertible Bonds (cost \$2,810,500)</b>		3,008,151
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	<b>Shares</b>	<b>Value</b>
<b>PREFERRED STOCKS - 1.9%</b>		
<b>Commercial Banks - 0.4%</b>		
CoBank ACB 144A, 6.25% (A)	4,530	482,400
<b>Consumer Finance - 0.8%</b>		
Ally Financial, Inc. - 8.50% (A)	44,800	1,199,744
	<b>Shares</b>	<b>Value</b>
<b>Diversified Telecommunication Services - 0.7%</b>		
Centaur Funding Corp. - 144A, 9.08%	852	\$ 1,061,873
<b>Total Preferred Stocks (cost \$2,410,661)</b>		2,744,017

**SECURITIES LENDING COLLATERAL - 10.7%**

State Street Navigator Securities Lending Trust - Prime Portfolio, 0.22% (I)	15,765,950	15,765,950
<b>Total Securities Lending Collateral (cost \$15,765,950)</b>		<b>15,765,950</b>

	<b>Principal</b>	<b>Value</b>
<b>REPURCHASE AGREEMENT - 1.1%</b>		
State Street Bank & Trust Co. 0.03% (I), dated 03/28/2013, to be repurchased at \$1,593,794 on 04/01/2013. Collateralized by a U.S. Government Agency Obligation, 2.50%, due 10/20/2027, and with a value of \$1,630,093.	\$ 1,593,788	1,593,788
<b>Total Repurchase Agreement (cost \$1,593,788)</b>		<b>1,593,788</b>
Total Investment Securities (cost \$149,072,989) (J)		163,054,712
Other Assets and Liabilities - Net		(15,792,530)
<b>Net Assets</b>		<b>\$ 147,262,182</b>

**NOTES TO SCHEDULE OF INVESTMENTS:**

- (A) *Floating or variable rate note. Rate is listed as of March 31, 2013.*  
 (B) *Illiquid. Total aggregate market value of illiquid securities is \$869,995, or 0.59% of the fund's net assets.*  
 (C) *Restricted security. At March 31, 2013, the fund owned the respective securities which were restricted as to public resale:*

<i>Investment Securities</i>	<i>Description</i>	<i>Acquisition Date</i>	<i>Cost</i>	<i>Value</i>	<i>Value as % of Net Assets</i>
<i>Municipal Government Obligations</i>	<i>Rhode Island Economic Development Corp.</i>	<i>10/25/2010</i>	<i>\$ 835,000</i>	<i>\$ 869,995</i>	<i>0.59%</i>
			<i>\$ 835,000</i>	<i>\$ 869,995</i>	<i>0.59%</i>

- (D) *All or a portion of this security is on loan. The value of all securities on loan is \$15,447,732. The amount of securities on loan indicated may not correspond with the securities on loan identified because securities with pending sales are in the process of recall from the brokers.*

- (E) *The security has a perpetual maturity. The date shown is the next call date.*
- (F) *When-issued security. A conditional transaction in a security authorized for issuance, but not yet issued.*
- (G) *Step bond - Coupon rate changes in increments to maturity. Rate disclosed is as of March 31, 2013. Maturity date disclosed is the ultimate maturity date.*
- (H) *Payment in-kind. Securities pay interest or dividends in the form of additional bonds or preferred stock. If a security makes cash payment in addition to in-kind, the cash rate is disclosed.*
- (I) *Rate shown reflects the yield at March 31, 2013.*
- (J) *Aggregate cost for federal income tax purposes is \$149,928,462. Aggregate gross unrealized appreciation and depreciation for all securities in which there is an excess of value over tax cost were \$13,783,758 and \$657,508, respectively. Net unrealized appreciation for tax purposes is \$13,126,250.*

***The notes to the financial statements are an integral part of this report.***

**Transamerica Income Shares, Inc.****SCHEDULE OF INVESTMENTS (continued)****At March 31, 2013****DEFINITIONS:**

*144A* 144A Securities are registered pursuant to Rule 144A of the Securities Act of 1933. These securities are deemed to be liquid for purposes of compliance limitations on holdings of illiquid securities and may be resold as transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2013, these securities aggregated \$58,581,016 or 39.78% of the fund's net assets.

*IO* Interest Only

*MTN* Medium Term Note

*OAO* Otkrytoe Aktsionernoe Obschestvo (Russian: Open Joint Stock Corporation)

*REMIC* Real Estate Mortgage Investment Conduits (consist of a fixed pool of mortgages broken apart and marketed to investors as individual securities)

*STRIPS* Separate Trading of Registered Interest and Principal of Securities

**CURRENCY ABBREVIATIONS:**

*BRL* Brazilian Real

*CAD* Canadian Dollar

*CLP* Chilean Peso

*MXN* Mexican Peso

**VALUATION SUMMARY: (K)**

	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Value at March 31, 2013
<b>Investment Securities</b>				
U.S. Government Obligations	\$	\$ 2,817,531	\$	\$ 2,817,531
U.S. Government Agency Obligation		237,305		237,305
Foreign Government Obligations		5,097,049		5,097,049
Mortgage-Backed Securities		13,040,273		13,040,273
Asset-Backed Securities		6,630,848		6,630,848
Municipal Government Obligations		2,168,920		2,168,920
Preferred Corporate Debt Security		2,079,575		2,079,575

Corporate Debt Securities		107,871,305		107,871,305
Convertible Bonds		3,008,151		3,008,151
Preferred Stocks	2,744,017			2,744,017
Securities Lending Collateral	15,765,950			15,765,950
Repurchase Agreement		1,593,788		1,593,788
<b>Total Investment Securities</b>	<b>\$ 18,509,967</b>	<b>\$ 144,544,745</b>	<b>\$</b>	<b>\$ 163,054,712</b>

<b>Other Liabilities (L)</b>	<b>Level 1 Quoted Prices</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>	<b>Value at March 31, 2013</b>
Collateral for Securities on Loan	\$	\$ (15,765,950)	\$	\$ (15,765,950)
<b>Total Other Liabilities</b>	<b>\$</b>	<b>\$ (15,765,950)</b>	<b>\$</b>	<b>\$ (15,765,950)</b>

(K) *Transfers between levels are considered to have occurred at the end of the reporting period. There were no transfers into or out of Levels 1 and 2 during the year ended March 31, 2013. See the notes to the financial statements for more information regarding pricing inputs and valuation techniques.*

(L) *Certain assets and liabilities are held at carrying amount or face value, which approximates fair value for financial reporting purposes.*

*The notes to the financial statements are an integral part of this report.*



**Transamerica Income Shares, Inc.****STATEMENT OF ASSETS AND LIABILITIES****At March 31, 2013****Assets:**

Investment securities, at value (cost: \$147,479,201) (including securities loaned of \$15,447,732)	\$ 161,460,924
Repurchase agreement, at value (cost \$1,593,788)	1,593,788
Receivables:	
Interest	1,970,413
Dividends	6,228
Securities lending income (net)	3,728
Prepaid expenses	1,651
<b>Total assets</b>	<b>165,036,732</b>

**Liabilities:**

Accounts payable and accrued liabilities:	
Investment securities purchased	1,249,999
When-issued securities purchased	140,000
Management and advisory fees	62,492
Distributions to shareholders	473,908
Transfer agent fees	3,581
Director fees	183
Administration fees	3,125
Other	75,312
Collateral for securities on loan	15,765,950
<b>Total liabilities</b>	<b>17,774,550</b>

<b>Net assets</b> applicable to 6,318,771 capital shares outstanding, \$1.00 par value (authorized 20,000,000 shares)	<b>\$ 147,262,182</b>
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**Net assets consist of:**

Paid-in capital	\$ 140,831,347
Distributions in excess of net investment income	(1,329,381)
Undistributed (accumulated) net realized gain (loss) from investment securities and foreign currency transactions	(6,222,509)
Net unrealized appreciation (depreciation) on:	

Investment securities	13,981,723
Translation of assets and liabilities denominated in foreign currencies	1,002
<b>Net assets</b>	<b>\$ 147,262,182</b>
<b>Net asset value per share</b>	<b>\$ 23.31</b>

**STATEMENT OF OPERATIONS****For the year ended March 31, 2013****Investment Income:**

Dividend income	\$ 237,930
Interest income (net of withholding taxes on foreign interest of \$2,630)	8,413,342
Securities lending income (net)	86,143
<b>Total investment income</b>	<b>8,737,415</b>

**Expenses:**

Management and advisory	718,447
Transfer agent	49,256
Printing and shareholder reports	45,034
Custody	44,488
Administration	35,922
Legal	49,254
Audit and tax	30,470
Director	20,244
Other	41,215
<b>Total expenses</b>	<b>1,034,330</b>

**Net investment income** 7,703,085**Net realized gain (loss) on transactions from:**

Investment securities	886,248
Foreign currency transactions	(11,853)
<b>Total realized gain (loss)</b>	<b>874,395</b>

**Net change in unrealized appreciation (depreciation) on:**

Investment securities	6,310,925
Translation of assets and liabilities denominated in foreign currencies	997

**Net change in unrealized appreciation (depreciation)** 6,311,922

<b>Net realized and change in unrealized gain</b>	7,186,317
<b>Net increase in net assets resulting from operations</b>	<b>\$ 14,889,402</b>

*The notes to the financial statements are an integral part of this report.*

**Transamerica Income Shares, Inc.**

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**Transamerica Income Shares, Inc.**
**STATEMENT OF CHANGES IN NET ASSETS****For the years ended:**

	<b>March 31, 2013</b>	<b>March 31, 2012</b>
<b>From operations:</b>		
Net investment income	\$ 7,703,085	\$ 8,680,651
Net realized gain from investment securities and foreign currency transactions	874,395	772,999
Net change in unrealized appreciation (depreciation) on investment securities and foreign currency transactions	6,311,922	(1,516,368)
<b>Net increase in net assets resulting from operations</b>	<b>14,889,402</b>	<b>7,937,282</b>
<b>Distributions to shareholders:</b>		
From net investment income	(8,088,027)	(9,383,375)
<b>Total distributions to shareholders</b>	<b>(8,088,027)</b>	<b>(9,383,375)</b>
<b>Net increase (decrease) in net assets</b>	<b>6,801,375</b>	<b>(1,446,093)</b>
<b>Net assets:</b>		
Beginning of year	140,460,807	141,906,900
End of year	\$ 147,262,182	\$ 140,460,807
<b>Distributions in excess of net investment income</b>	<b>\$ (1,329,381)</b>	<b>\$ (1,431,108)</b>

**FINANCIAL HIGHLIGHTS****For the years ended:****For a share outstanding throughout each period**

<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
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	2013	2012	2011	2010	2009
<b>Net asset value</b>					
Beginning of year	\$ 22.23	\$ 22.46	\$ 22.04	\$ 17.84	\$ 20.73
<b>Investment operations</b>					
Net investment income <sup>(A)</sup>	1.22	1.37	1.47	1.50	1.17
Net realized and unrealized gain (loss)	1.14	(0.11)	0.63	4.25	(2.79)
Total from investment operations	2.36	1.26	2.10	5.75	(1.62)
<b>Distributions</b>					
Net investment income	(1.28)	(1.49)	(1.68)	(1.55)	(1.27)
Total distributions	(1.28)	(1.49)	(1.68)	(1.55)	(1.27)
<b>Net asset value</b>					
End of year	\$ 23.31	\$ 22.23	\$ 22.46	\$ 22.04	\$ 17.84
<b>Market value per share</b>					
End of year	\$ 21.62	\$ 21.79	\$ 21.08	\$ 22.66	\$ 16.60
<b>Total net asset value return<sup>(B)</sup></b>	10.74%	5.92%	10.00%	33.49%	(7.20)%
<b>Total market price return<sup>(C)</sup></b>	4.78%	10.62%	0.41%	47.50%	(3.24)%
Net assets end of year (000 s)	\$ 147,262	\$ 140,461	\$ 141,907	\$ 139,241	\$ 112,741
<b>Ratio and supplemental data</b>					
Expenses to average net assets	0.72%	0.78%	0.80%	0.71%	0.72%
Net investment income to average net assets	5.36%	6.19%	6.61%	7.28%	6.13%
Portfolio turnover rate	30%	33%	65%	131%	129%
The number of shares outstanding at the end of each period was 6,318,771.					

<sup>(A)</sup> Calculated based on average number of shares outstanding.

<sup>(B)</sup> Total net asset value return is based on the change in current net asset value on the first day of each year reported and a sale at the current net asset value on the last day of each year reported, and assuming reinvestment of dividends and other distributions at the market prices on the payable dates. Total return based on net asset value is hypothetical as investors cannot purchase or sell Fund shares at the net asset value but only at market prices.

<sup>(C)</sup> Total market price return is based on the change in current market price on the first day of each year reported and a sale at the current market price on the last day of each year reported, taking into account dividends reinvested at

*market prices in accordance with the terms of the dividend reinvestment plan.*

*Note: Prior to April 1, 2010, the financial highlights were audited by another independent registered public accounting firm.*

*The notes to the financial statements are an integral part of this report.*

**Transamerica Income Shares, Inc.**

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**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**At March 31, 2013**

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Transamerica Income Shares, Inc. (the Fund) is a diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act).

The Fund's primary investment objective is to seek as high a level of current income as is consistent with prudent investment, with capital appreciation as only a secondary objective.

In the normal course of business, the Fund enters into contracts that contain a variety of representations that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund and/or its affiliates that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

In preparing the Fund's financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), estimates or assumptions (which could differ from actual results) may be used that affect reported amounts and disclosures. The following is a summary of significant accounting policies followed by the Fund.

**Securities lending:** Securities are lent to qualified financial institutions and brokers. The lending of securities exposes the Fund to risks such as the following: (i) the borrowers may fail to return the loaned securities; (ii) the borrowers may not be able to provide additional collateral; (iii) the Fund may experience delays in recovery of the loaned securities or delays in access to collateral; or (iv) the Fund may experience losses related to the investment collateral. To minimize certain risks, loan counterparties pledge cash collateral equal to at least the market value of the securities loaned.

Cash collateral received is invested in the State Street Navigator Securities Lending Trust-Prime Portfolio (Navigator), a money market mutual fund registered under the 1940 Act. The Transamerica Asset Management family of mutual funds is a significant shareholder of the Navigator as of March 31, 2013. The Fund does not have a significant holding in the Navigator.

By lending such securities, the Fund seeks to increase its net investment income through the receipt of interest and fees.

Such income is reflected separately in the Statement of Operations. The value of loaned securities and related collateral outstanding at March 31, 2013 are shown in the Schedule of Investments and Statement of Assets and Liabilities.

Income from loaned securities in the Statement of Operations is net of fees earned by the lending agent for its services.

**Repurchase agreements:** Securities purchased subject to a repurchase agreement are held at the Fund's custodian, or designated sub-custodian related to tri-party repurchase agreements, and, pursuant to the terms of the repurchase agreement, must be collateralized by securities with an aggregate market value greater than or equal to 100% of the resale price. The Fund will bear the risk of value fluctuations until the securities can be sold and may encounter delays and incur costs in liquidating the securities. In the event of bankruptcy or insolvency of the seller, delays and costs may be incurred.

**Foreign currency denominated investments:** The accounting records of the Fund are maintained in U.S. dollars. Securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the closing exchange rate each day. The cost of foreign securities is translated at the exchange rates in effect when the investment was acquired. The Fund combines fluctuations from currency exchange rates and fluctuations in value when computing net realized and unrealized gains or losses from investments.

Net foreign currency gains and losses resulting from changes in exchange rates include: 1) foreign currency fluctuations between trade date and settlement date of investment security transactions; 2) gains and losses on forward foreign currency contracts; and 3) the difference between the receivable amounts of interest and dividends recorded in the accounting records in U.S. dollars and the amounts actually received.

Foreign currency denominated assets may involve risks not typically associated with domestic transactions. These risks include revaluation of currencies, adverse fluctuations in foreign currency values, and possible adverse political, social, and economic developments, including those particular to a specific industry, country or region.

**Foreign taxes:** The Fund may be subjected to taxes imposed by the countries in which they invest, with respect to its investments in issuers existing or operating in such countries. The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund accrues such taxes and recoveries as applicable when the related income or capital gains are earned, and based upon the current interpretation of tax rules and regulations that exist in the markets in which the Fund invests. Some countries require governmental approval for the repatriation of investment income, capital, or the



**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**At March 31, 2013**

**NOTE 1. (continued)**

proceeds of sales earned by foreign investors. In addition, if there is deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions of foreign capital remittances abroad.

**When-Issued, forward delivery securities and Delayed Delivery Settlements:** The Fund may purchase or sell securities on a when-issued, forward (delayed) delivery basis or delayed settlement. When-issued and forward delivery transactions are made conditionally because a security, although authorized, has not yet been issued in the market. Settlement of such transactions normally occurs within a month or more after the purchase or sale commitment is made. The Fund engages in when-issued transactions to obtain an advantageous price and yield at the time of the transaction. The Fund engages in when-issued and forward delivery transactions for the purpose of acquiring securities, but may enter into a separate agreement to sell the securities before the settlement date. Since the value of securities purchased may fluctuate prior to settlement, the Fund may be required to pay more at settlement than the security is worth. In addition, the Fund is not entitled to any of the interest earned prior to settlement.

Delayed Delivery transactions involve a commitment by the Fund to purchase or sell securities for a predetermined price or yield, with payment and delivery taking place beyond the customary settlement period. When delayed-delivery transactions are outstanding, the Fund will segregate with its custodian cash, U.S. Government securities or other liquid assets at least equal to the value or purchase commitments until payment is made. When purchasing a security on a delayed delivery basis, the Fund assumes the rights and risks of ownership of the security, including the risk of price and yield fluctuations. These transactions also involve a risk to the Fund if the other party to the transaction defaults on its obligation to make payment or delivery, and the Fund is delayed or prevented from completing the transaction. The Fund may dispose of or renegotiate a delayed delivery transaction after it is entered into which may result in a realized gain or loss. When the Fund sells a security on a delayed delivery basis, the Fund does not participate in future gains and losses on the security.

**Treasury inflation-protected securities ( TIPS ):** The Fund invests in TIPS, specially structured bonds in which the principal amount is adjusted daily to keep pace with inflation. The adjustments to principal due to inflation/deflation are reflected as increases/decreases to interest income in the Statement of Operations with a corresponding adjustment to cost.

**Payment in-kind securities ( PIKs ):** PIKs give the issuer the option at each interest payment date of making interest payments in either cash or additional debt securities. Those additional debt securities usually have the same terms, including maturity dates and interest rates, and associated risks as the original bonds. The daily market quotations of the original bonds may include the accrued interest (referred to as a "dirty price") and require a pro-rata adjustment from unrealized appreciation or depreciation on investments to interest receivable in the Statement of Assets and Liabilities.

The PIKs at March 31, 2013 are listed in the Schedule of Investments.

**Restricted and illiquid securities:** The Fund may invest in unregulated or otherwise restricted securities. Restricted and illiquid securities are subject to legal or contractual restrictions on resale or are illiquid. Restricted securities generally may be resold in transactions exempt from registration. A security may be considered illiquid if it lacks a readily available market or if its valuation has not changed for a certain period of time. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at the current valuation may be difficult.

The restricted and illiquid securities at March 31, 2013 are listed in the Schedule of Investments.

**Security transactions and investment income:** Security transactions are recorded on the trade date. Security gains and losses are calculated on the specific identification basis. Dividend income, if any, is recorded on the ex-dividend date or, in the case of foreign securities, as soon as the Fund is informed of the ex-dividend date, net of foreign taxes. Interest income, including accretion of discounts and amortization of premiums, is recorded on the accrual basis commencing on the settlement date.

**Dividend distributions:** Dividend distributions are declared monthly. Capital gains distributions are declared annually. Distributions are generally paid in the month following the ex-date, on or about the fifteenth calendar day. Distributions to shareholders are determined in accordance with federal income tax regulations, which may differ from GAAP. See Automatic Reinvestment Plan on page 19 for an opportunity to reinvest distributions in shares of the Fund's common stock.

## **NOTE 2. SECURITY VALUATIONS**

All investments in securities are recorded at their estimated fair value. The Fund values its investments at the close of the New York Stock Exchange ( NYSE ), normally 4 p.m. Eastern Time, each day the NYSE is open for business. The Fund utilizes various methods to measure the fair value of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation

**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**At March 31, 2013**

**NOTE 2. (continued)**

methods. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The three Levels of inputs of the fair value hierarchy are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical securities.

Level 2 Inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

Level 3 Unobservable inputs, which may include Transamerica Asset Management, Inc.'s (TAM) internal valuation committee's (the Valuation Committee) own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the sub-adviser, issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

The Fund's Board of Directors has delegated the valuation functions on a day-to-day basis to TAM, subject to board oversight. TAM formed the Valuation Committee to monitor and implement the fair valuation policies and procedures as approved by the Board of Directors. These policies and procedures are reviewed at least annually by the Board of Directors. The Valuation Committee, among other tasks, monitors for when market quotations are not readily available or are unreliable and determines in good faith the fair value of portfolio investments. For instances in which daily market quotes are not readily available, securities may be valued, pursuant to procedures adopted by the Board of Directors, with reference to other instruments or indices. Depending on the relative significance of valuation inputs, these instruments may be classified in either Level 2 or Level 3 of the fair value hierarchy. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the security to determine the fair value of the security. An income-based valuation approach may also be used in which the anticipated future cash flows of the security are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of securities. When the Portfolio uses fair value methods that rely on significant unobservable inputs to determine a security's value, the Valuation Committee will choose the method that is believed to accurately reflect fair market value. These securities are categorized as Level 3 of the fair value hierarchy. The Valuation Committee reviews fair value measurements on a regular and ad hoc basis and may, as deemed appropriate, update the security valuations as well as the fair valuation guidelines.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, but not limited to, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is generally greatest for instruments categorized in Level 3. Due to the inherent uncertainty of valuation, TAM's Valuation Committee's determination of values may differ significantly from values that would have been realized had a ready market for investments existed, and the differences could be material. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing and reviews of any market related activity.

The inputs used to measure fair value may fall into different Levels of the fair value hierarchy. In such cases, for disclosure purposes, the Level in the fair value hierarchy that is assigned to the fair value measurement of a security is determined based on the lowest Level input that is significant to the fair value measurement in its entirety.

**Fair value measurements:** Descriptions of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis are as follows:

*Equity securities (common and preferred stocks):* Securities are stated at the last reported sales price or closing price on the day of valuation taken from the primary exchange where the security is principally traded. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Foreign securities, in which the primary trading market closes at the same time or after the NYSE, are valued based on quotations from the primary market in which they are traded and are categorized in Level 1. Because many foreign securities markets and exchanges close prior to the close of the NYSE, closing prices for foreign securities in those markets or on those exchanges do not reflect the events that occur after that close. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary

**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**At March 31, 2013**

**NOTE 2. (continued)**

Receipts, financial futures, Exchange Traded Funds, and the movement of the certain indices of securities based on a statistical analysis of their historical relationship; such valuations generally are categorized in Level 2.

Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are also generally categorized in Level 2 or Level 3 if inputs are unobservable.

*Securities lending collateral:* Securities lending collateral is invested in a money market fund which is valued at the net asset value of the underlying securities and no valuation adjustments are applied. It is categorized in Level 1 of the fair value hierarchy.

*Repurchase Agreements:* Repurchase agreements are traded on inactive markets or valued by reference to similar instruments and are generally categorized as Level 2.

*Corporate bonds:* The fair value of corporate bonds is estimated using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. While most corporate bonds are categorized in Level 2 of the fair value hierarchy, in instances where lower relative weight is placed on transaction prices, quotations, or similar observable inputs, they are categorized in Level 3.

*Asset backed securities:* The fair value of asset backed securities is estimated based on models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche. To the extent the inputs are observable and timely, the values would generally be categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized as Level 3.

*Short-term notes:* Short-term notes are valued using amortized cost, which approximates fair value. To the extent the inputs are observable and timely, the values would be generally categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

*Government securities:* Government securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued by principally using dealer quotations. Government securities generally are categorized in Level 2 of the fair value hierarchy or Level 3 if inputs are unobservable.

*U.S. government agency securities:* U.S. government agency securities are comprised of two main categories consisting of agency issued debt and mortgage pass-throughs. Generally, agency issued debt securities are valued in a manner similar to U.S. government securities. Mortgage pass-throughs include to be announced ( TBA ) securities and mortgage pass-through certificates. Generally, TBA securities and mortgage pass-throughs are valued using dealer quotations. Depending on market activity levels and whether quotations or other observable data are used, these securities are typically categorized in Level 2 of the fair value hierarchy; otherwise they would be categorized in Level 3.

*Restricted securities (equity and debt):* Restricted securities for which quotations are not readily available are valued at fair value as determined in good faith by TAM's Valuation Committee under the supervision of the Fund's Board of Directors. Restricted securities issued by publicly traded companies are generally valued at a discount to similar publicly traded securities. Restricted securities issued by nonpublic entities may be valued by reference to comparable public entities and/or fundamental data relating to the issuer. Depending on the relative significance of valuation inputs, these instruments may be classified in either Level 2 or Level 3 of the fair value hierarchy.

The hierarchy classification of inputs used to value the Fund's investments at March 31, 2013, is disclosed in the Valuation Summary of the Schedule of Investments.

### **NOTE 3. RELATED PARTY TRANSACTIONS**

TAM, the Fund's investment adviser, is directly owned by Western Reserve Life Assurance Co. of Ohio and AUSA Holding Company ( AUSA ), both of which are indirect, wholly owned subsidiaries of AEGON NV. AUSA is wholly owned by AEGON USA, LLC ( AEGON USA ), a financial services holding company whose primary emphasis is on life and health insurance, and annuity and investment products. AEGON USA is owned by AEGON US Holding Corporation, which is owned by Transamerica Corporation (DE). Transamerica Corporation (DE) is owned by The AEGON Trust, which is owned by AEGON International B.V., which is owned by AEGON NV, a Netherlands corporation, and a publicly traded international insurance group.

**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**At March 31, 2013**

**NOTE 3. (continued)**

AEGON USA Investment Management, LLC ( AUIM ) is both an affiliate and sub-adviser of the Fund.

Transamerica Fund Services, Inc. ( TFS ) is the Fund's administrator. TAM, AUIM, and TFS are affiliates of AEGON, NV.

Certain officers and directors of the Fund are also officers and/or directors of TAM, AUIM, and TFS. No interested director receives compensation from the Fund.

**Investment advisory fees:** The Fund pays management fees to TAM based on average daily net assets ( ANA ) at the following rate:

0.50% of ANA

TAM has agreed to voluntarily waive its advisory fee and will reimburse the Fund to the extent that operating expenses exceed the following stated limits of ANA:

First \$30 million	1.50%
Over \$30 million	1.00%

There were no fees waived during the year ended March 31, 2013.

**Administrative Services:** The Fund has entered into an agreement with TFS for financial and legal fund administration services. The Fund pays TFS an annual fee of 0.025% of ANA. The Legal fees on the Statement of Operations are fees paid to external legal counsel.

**NOTE 4. INVESTMENT TRANSACTIONS**

The cost of securities purchased and proceeds from securities sold (excluding short-term securities) for the year ended March 31, 2013 were as follows:

Purchases of securities:

Long-term	\$ 37,216,737
U.S. Government	5,740,808
Proceeds from maturities and sales of securities:	

Long-term	36,134,844
U.S. Government	5,630,872

**NOTE 5. FEDERAL INCOME TAX MATTERS**

The Fund has not made any provision for federal income or excise taxes due to its policy to distribute all of its taxable income and capital gains to its shareholders and otherwise qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. The Fund recognizes the tax benefits of uncertain tax positions only where the position is more likely than not to be sustained assuming examination by tax authorities. Management has evaluated the Fund's tax provisions taken for all open tax years 2008-2011, and has concluded that no provision for income tax is required in the Fund's financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in interest and penalties expense in Other on the Statement of Operations. The Fund identifies its major tax jurisdictions as U.S. Federal, the state of Florida, and foreign jurisdictions where the Fund makes significant investments; however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatment for items including, but not limited to, foreign bonds, foreign currency transactions, capital loss carryforwards, dividends payable, paydowns, and bond premium amortization.

Therefore, distributions determined in accordance with tax regulations may differ significantly in amount or character from net investment income and realized gains for financial reporting purposes. Financial reporting records are adjusted for permanent book/tax differences to reflect tax character. These reclassifications have no impact on net assets or results of operations. Financial records are not adjusted for temporary differences. These reclassifications are as follows:

Additional paid-in capital	\$ (327,618)
Undistributed (accumulated) net investment income (loss)	486,669
Undistributed (accumulated) net realized gain (loss) from investment securities	(159,051)



**Transamerica Income Shares, Inc.**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**At March 31, 2013**

**NOTE 5. (continued)**

At March 31, 2013, the Fund had capital loss carryforwards available to offset future realized gains through the periods listed below:

<b>Capital Loss Carryforwards</b>	<b>Available Through</b>
\$6,222,509	March 31, 2017

The capital loss carryforwards utilized or expired during the year ended March 31, 2013 were \$714,449.

The tax character of distributions paid may differ from the character of distributions shown in the Statement of Changes in Net Assets due to short-term gains being treated as ordinary income for tax purposes. The tax character of distributions paid during 2013 and 2012 was as follows:

2013 Distributions paid from:	
Ordinary Income	\$ 8,088,027
Long-Term Capital Gain	
2012 Distributions paid from:	
Ordinary Income	9,383,375
Long-Term Capital Gain	

The tax basis components of distributable earnings as of March 31, 2013 are as follows:

Undistributed Ordinary Income	\$
Undistributed Long-Term Capital Gain	
Capital Loss Carryforwards	(6,222,509)
Post October Capital Loss Deferral	

Post October Currency Loss Deferral

Net Unrealized Appreciation (Depreciation)	13,127,252
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Other Temporary Differences	(473,908)
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**NOTE 6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of issuance of the financial statements, and determined that no other material events or transactions would require recognition or disclosure in the Fund's financial statements.

**Report of Independent Registered Public Accounting Firm**

*To the Board of Directors and Shareholders of Transamerica Income Shares, Inc.:*

We have audited the accompanying statement of assets and liabilities including the schedule of investments, of Transamerica Income Shares, Inc. (the Fund ) as of March 31, 2013, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for periods ended prior to April 1, 2010 were audited by another independent registered public accounting firm whose report, dated May 24, 2010, expressed an unqualified opinion on those financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of March 31, 2013, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Transamerica Income Shares, Inc. at March 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the three years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Boston, Massachusetts

May 29, 2013

**Transamerica Income Shares, Inc.**

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**SUPPLEMENTAL TAX INFORMATION (unaudited)**

For corporate shareholders, 1.14% of investment income (divided income plus short-term gains, if any) qualifies for the dividends received deduction.

The Fund designates a maximum amount of \$91,626 as qualified dividend income, which is 1.13% of what was distributed.

The information and distributions reported herein may differ from the information and distributions taxable to the shareholders for the calendar year ended December 31, 2012. Complete information was computed and reported in conjunction with year 2012 Form 1099-DIV.

**Transamerica Income Shares, Inc.**

**AUTOMATIC REINVESTMENT PLAN**

Holders of 50 shares or more of the Fund's common stock are offered the opportunity to reinvest dividends and other distributions in shares of the common stock of the Fund through participation in the Automatic Reinvestment Plan (the Plan). Under the Plan, Computershare, as Transfer Agent, automatically invests dividends and other distributions in shares of the Fund's common stock by making purchases in the open market. Plan participants may also deposit cash in amounts between \$25 and \$2,500 with Computershare for the purchase of additional shares. Dividends, distributions and cash deposits are invested in, and each participant's account credited with, full and fractional shares.

The price at which Computershare is deemed to have acquired shares for a participant's account is the average price (including brokerage commissions and any other costs of purchase) of all shares purchased by it for all participants in the Plan.

Your dividends and distributions, even though automatically reinvested, continue to be taxable as though received in cash.

Another feature of the Plan is the Optional Cash Only feature. You can make additional investments only, without reinvesting your monthly dividend. If you own 50 shares or more, registered in your name and currently in your Plan account, and desire to periodically send additional contributions between \$25 and \$2,500 for investment, you may do so. The shares you own and the new shares acquired through this feature will not participate in automatic reinvestment of dividends and distributions. Rather, the shares you acquire if you participate in the Optional Cash Only feature of the Plan will be held for safekeeping in your Plan account. Each investment will be made on or near the next dividend payment date. All other procedures for the purchase and sale of shares described above will apply.

Computershare charges a service fee of \$1.75 for each investment, including both dividend reinvestment and optional cash investment.

Shareholders interested in obtaining a copy of the Plan should contact Computershare:

Computershare

P.O. Box 43006

Providence, RI 02940-3006

Telephone: 800-454-9575

## Board Members and Officers

The Board Members and executive officers of the Company are listed below.

Interested Board Member means a board member who may be deemed an interested person (as that term is defined in the 1940 Act) of the Company because of his current or former service with Transamerica Asset Management, Inc. (TAM) or an affiliate of TAM. Interested Board Members may also be referred to herein as Interested Trustees. Independent Board Member means a Board Member who is not an interested person (as defined under the 1940 Act) of the Company and may also be referred to herein as an Independent Board Member.

The Board governs each fund and is responsible for protecting the interests of the shareholders. The Board Members are experienced executives who meet periodically throughout the year to oversee the business affairs of each fund and the operation of each fund by its officers. The Board also reviews the management of each fund's assets by the investment adviser and its respective sub-adviser.

The funds are among the funds advised and sponsored by TAM (collectively, Transamerica Mutual Funds). The Transamerica Mutual Funds consist of Transamerica Funds, Transamerica Series Trust (TST), Transamerica Income Shares, Inc. (TIS), Transamerica Partners Funds Group (TPFG), Transamerica Partners Funds Group II (TPFG II), Transamerica Partners Portfolios (TPP) and Transamerica Asset Allocation Variable Funds (TAAVF) and consists of 168 funds as of the date of this annual report.

The mailing address of each Board Member is c/o Secretary, 570 Carillon Parkway, St. Petersburg, Florida 33716.

The Board Members, their year of birth, their positions with the Company, and their principal occupations for the past five years (their titles may have varied during that period), the number of funds in Transamerica Mutual Funds the Board oversees, and other board memberships they hold are set forth in the table below.

Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INTERESTED BOARD MEMBER</b>					
Thomas A. Swank (1960)	Chairman, Board Member, President and Chief Executive Officer	Since 2012	President and Chief Executive Officer, Transamerica Individual Savings & Retirement (2010 present);  President and Chief Executive Officer, Transamerica Capital Management (2009 present);	168	N/A

Chairman (2013 present),  
Board Member  
(2012 present), President and  
Chief Executive Officer,  
Transamerica Funds, TST,  
TIS (2012 present);

Chairman (2013 present),  
Board Member (2013  
present), President and Chief  
Executive Officer, TPP,  
TPFG, TPFG II and TAAVF  
  
(2012 present);

Director, Chairman of the  
Board, Chief Executive  
Officer and President,  
Transamerica Asset  
Management, Inc. ( TAM )  
  
(2012 present);

Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INTERESTED BOARD MEMBER</b> Thomas A. Swank (continued)	continued	Director, Chairman of the Board, Chief Executive Officer and President, Transamerica Fund Services, Inc. ( TFS )  (2012 present);  Director and Trust Officer, Massachusetts Fidelity Trust Company (2012 present);  Director, AEGON Sony Life Insurance Co., LTD.  (2011 present);  Division President, Monumental Life Insurance Company  (2011 present);  Division President, Western Reserve Life Assurance Co. of Ohio (2011 present);  Vice President, Money Services, Inc. (2011			



present);

Director, AEGON Financial  
Services Group, Inc. (2010  
present);

Director, AFSG Securities  
Corporation (2010 present);

Director and President,  
Transamerica Advisors Life  
Insurance Company

(2010 present);

Director, Chairman of the  
Board and President,  
Transamerica Advisors Life  
Insurance Company of  
New York (2010 present);

Director and President,  
Transamerica Resources,  
Inc. (2010 present);

Executive Vice President,  
Transamerica Life Insurance  
Company (2010 present);

Executive Vice President,  
Transamerica Financial Life  
Insurance Company

(2009 present);



Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INTERESTED BOARD MEMBER</b> Thomas A. Swank (continued)		continued	Director, Transamerica Capital, Inc. (2009 present); and		
			President and Chief Operating Officer (2007 2009), Senior Vice President, Chief Marketing Officer (2006 2007), Senior Vice President, Chief Financial Officer (2003 2006), Senior Vice President, Chief Risk Officer		
			(2000 2003), Senior Vice President, Chief Investment Officer (1997 2000); and		
			High Yield Portfolio Manager (1992 1997), Security Benefit Corporation.		
Alan F. Warrick (1948)	Board Member	Since 2012	Board Member, Transamerica Funds, TST, TIS, TPP, TPGF, TPFG II and TAAVF	168	First Allied Holdings Inc. (2013 present)
			(2012 present);		
			Consultant, AEGON USA		
			(2010 2011);		
			Senior Advisor, Lovell Minnick Equity Partners (2010 present);		

Retired (2010 present); and

Managing Director for Strategic  
Business Development, AEGON  
USA (1994 2010).

**INDEPENDENT BOARD MEMBERS**

<p>Sandra N. Bane (1952)</p>	<p>Board Member</p>	<p>Since 2008</p>	<p>Retired (1999 present);</p> <p>Board Member, Transamerica Funds, TST, TIS, TPP, TPF, G, TPFG II and TAAVF</p> <p>(2008 present);</p> <p>Board Member, Transamerica Investors, Inc. ( TII )</p> <p>(2003 2010); and</p> <p>Partner, KPMG (1975 1999).</p>	<p>168</p>	<p>Big 5 Sporting Goods (2002 present); AGL Resources, Inc. (energy services holding company) (2008 present)</p>
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Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INDEPENDENT BOARD MEMBERS continued</b>					
Leo J. Hill (1956)	Lead Independent Board Member	Since 2002	Principal, Advisor Network Solutions, LLC (business consulting) (2006 present);	168	Ameris Bancorp (2013 present); Ameris Bank (2013 present)
			Board Member, TST  (2001 present);		
			Board Member, Transamerica Funds and TIS  (2002 present);		
			Board Member, TPP, TPF, G, TPFG II and TAAVF  (2007 present);		
			Board Member, TII  (2008 2010);		
			President, L. J. Hill & Company (a holding company for privately-held assets) (1999 present);		

Market President, Nations Bank  
of Sun Coast Florida

(1998 - 1999);

Chairman, President and Chief  
Executive Officer, Barnett  
Banks of Treasure Coast  
Florida

(1994 - 1998);

Executive Vice President and  
Senior Credit Officer, Barnett  
Banks of Jacksonville, Florida

(1991 - 1994); and

Senior Vice President and  
Senior Loan Administration  
Officer, Wachovia Bank of  
Georgia

(1976 - 1991).

David W. Jennings  
(1946)

Board  
Member

Since 2009

Board Member, Transamerica  
Funds, TST, TIS, TPP, TPF, G,  
TPFG II and TAAVF

168

N/A

(2009 - present);

Board Member, TII

(2009 - 2010);

Managing Director, Hilton  
Capital (2010 - present);

Principal, Maxam Capital  
Management, LLC

(2006 - 2008); and

Principal, Cobble Creek  
Management LP (2004 - 2006).

**Transamerica Income Shares, Inc.**

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Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INDEPENDENT BOARD MEMBERS continued</b>					
Russell A. Kimball, Jr. (1944)	Board Member	Since 2002	General Manager, Sheraton Sand Key Resort  (1975 present);  Board Member, TST  (1986 present);  Board Member, Transamerica Funds, (1986 1990),  (2002 present);  Board Member, TIS  (2002 present);  Board Member, TPP, TPF, G, TPFG II and TAAVF  (2007 present); and  Board Member, TII  (2008 2010).	168	N/A
Eugene M. Mannella (1954)	Board Member	Since 2007	Chief Executive Officer, HedgeServ Corporation (hedge fund administration)	168	N/A



(2008 present);

Self-employed consultant

(2006 present);

Managing Member and Chief  
Compliance Officer,  
HedgeServ Investment  
Services, LLC (limited  
purpose broker-dealer)

(2011 present);

President, ARAPAHO  
Partners LLC (limited purpose  
broker-dealer) (1998 2008);

Board Member, TPP, TPF, G,  
TPFG II and TAAVF

(1993 present);

Board Member, Transamerica  
Funds, TST and TIS

(2007 present);

Board Member, TII

(2008 2010); and

President, International Fund  
Services (alternative asset  
administration) (1993 2005).



Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INDEPENDENT BOARD MEMBERS continued</b>					
Norman R. Nielsen, Ph.D. (1939)	Board Member	Since 2006	Retired (2005 present);  Board Member, Transamerica Funds, TST and TIS  (2006 present);  Board Member, TPP, TPF, G, TPFG II and TAAVF  (2007 present);  Board Member, TII  (2008 2010);  Director, Aspire Inc. (formerly, Iowa Student Loan Service Corporation) (2006 present);  Director, League for Innovation in the Community Colleges  (1985 2005);  Director, Iowa Health Systems (1994 2003);	168	Buena Vista University Board of Trustees (2004 present)

			Director, U.S. Bank (1985 – 2006); and		
Joyce G. Norden (1939)	Board Member	Since 2007	President, Kirkwood Community College (1985 2005). Retired (2004 – present); Board Member, TPFPG, TPFPG II and TAAVF (1993 – present);	168	Board of Governors, Reconstructionist Rabbinical College (2007 2012)
			Board Member, TPP (2002 – present);		
			Board Member, Transamerica Funds, TST and TIS (2007 – present);		
			Board Member, TII (2008 – 2010); and		
Patricia L. Sawyer (1950)	Board Member	Since 2007	Vice President, Institutional Advancement, Reconstructionist Rabbinical College (1996 – 2004). Retired (2007 – present); President/Founder, Smith & Sawyer LLC (management consulting) (1989 – 2007);	168	Honorary Trustee, Bryant University (1996 – present)

Board Member, Transamerica  
Funds, TST and TIS

(2007 present);

Board Member, TII

(2008 2010);

**Transamerica Income Shares, Inc.**

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Name and Year of Birth	Position(s) Held with Company	Term of Office and Length of Time Served*	Principal Occupation(s) During Past Five Years	Number of Funds in Complex Overseen by Board Member	Other Directorships During the Past Five Years
<b>INDEPENDENT BOARD MEMBERS continued</b>					
Patricia L. Sawyer (continued)			Board Member, TPP, TPF, TPG, TPI, TPT, TPT II and TAAVF  (1993 present);  Trustee, Chair of Finance Committee and Chair of Nominating Committee (1987 1996), Bryant University;  Vice President, American Express (1987 1989);  Vice President, The Equitable  (1986 1987); and  Strategy Consultant, Booz, Allen & Hamilton (1982 1986). Attorney, Englander Fischer, LLP  (2008 present);  Retired (2004 2008);  Board Member, TST and TIS	168	Honorary Trustee, Bryant University (1996 present)
John W. Waechter (1952)	Board Member	Since 2004		168	Operation PAR, Inc. (2008 present); West Central Florida Council Boy Scouts of America (2008 2013)

(2004 present);

Board Member, Transamerica  
Funds (2005 present);

Board Member, TPP, TPF, G,  
TPFG II and TAAVF

(2007 present);

Board Member, TII

(2008 2010);

Employee, RBC Dain Rauscher  
(securities dealer) (2004);

Executive Vice President, Chief  
Financial Officer and Chief  
Compliance Officer, William R.  
Hough & Co. (securities dealer)  
(1979 2004); and

Treasurer, The Hough Group of  
Funds (1993 2004).

\*Each Board Member shall hold office until: 1) his or her successor is elected and qualified or 2) he or she resigns, retires or his or her term as a Board Member is terminated in accordance with the Company's Articles of Incorporation.

**OFFICERS**

The mailing address of each officer is c/o Secretary, 570 Carillon Parkway, St. Petersburg, Florida 33716. The following table shows information about the officers, including their year of birth, their positions held with the Company and their principal occupations during the past five years (their titles may have varied during that period). Each officer will hold office until his or her successor has been duly elected or appointed or until his or her earlier death, resignation or removal.

<b>Name and Year of Birth</b>	<b>Position</b>	<b>Term of Office and Length of Time Served*</b>	<b>Principal Occupation(s) or Employment During Past Five Years</b>
Thomas A. Swank (1960)	Chairman, Board Member, President and Chief Executive Officer	Since 2012	See Table Above.
Timothy S. Galbraith (1964)	Vice President and Chief Investment Officer, Alternative Investments	Since 2012	Vice President and Chief Investment Officer, Alternative Investments, Transamerica Funds, TST, TIS, TPP, TPF, TPF II and TAAVF  (2012 present);  Senior Vice President and Chief Investment Officer, Alternative Investments  (2012 present), TAM;  Head of Alternative Investment Strategies, Morningstar Associates, LLC  (2009 2012); and  Managing Director, Bear Stearns Asset Management (2001 2009). Vice President, General Counsel and Secretary, Transamerica Funds, TST and TIS
Dennis P. Gallagher (1970)	Vice President, General Counsel and	Since 2006	



Secretary (2006 present);

Vice President, General Counsel and Secretary, TPP, TPF, TPF II and TAAVF

(2007 present);

Vice President, General Counsel and Secretary, TII, (2006 2010);

Director, Senior Vice President, General Counsel, Operations and Secretary, TAM

(2006 present);

Director, Senior Vice President, General Counsel, Chief Administrative Officer and Secretary, TFS (2006 present);

Assistant Vice President, TCI (2007 present);

Director, Deutsche Asset Management

(1998 2006); and

Corporate Associate, Ropes & Gray LLP

(1995 1998).

Todd R. Porter  
(1961)

Vice President and Chief Investment Officer, Asset Allocation

Since 2012

Vice President and Chief Investment Officer, Asset Allocation, Transamerica Funds, TST, TIS, TPP, TPF, TPF II and TAAVF

(2012 present);

Senior Vice President and Chief Investment  
Officer, Asset Allocation

(2012 – present), TAM;

Chief Investment Officer, Fund Architects,  
LLC (2007 – 2012); and

Chief Investment Strategist, Morningstar  
Associates, LLC (1999 – 2006).

Name and	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment
Year of Birth	Position	During Past Five Years
Christopher A. Staples (1970)	Vice President and Chief Investment Officer, Advisory Services	<p data-bbox="906 552 1453 856">Since 2005 Vice President and Chief Investment Officer, Advisory Services (2007 present), Senior Vice President Investment Management (2006 2007), Vice President Investment Management (2005 2006), Transamerica Funds, TST and TIS;</p> <p data-bbox="906 972 1453 1066">Vice President and Chief Investment Officer, Advisory Services, TPP, TPF, TPF II and TAAVF (2007 present);</p> <p data-bbox="906 1182 1453 1314">Vice President and Chief Investment Officer (2007 2010), Vice President Investment Administration (2005 2007), TII;</p> <p data-bbox="906 1430 1453 1562">Director (2005 present), Senior Vice President (2006 present) and Chief Investment Officer, Advisory Services (2007 present), TAM;</p> <p data-bbox="1086 1677 1254 1709">Director, TFS</p> <p data-bbox="1050 1740 1310 1772">(2005 present); and</p> <p data-bbox="906 1887 1453 1942">Assistant Vice President, Raymond James &amp; Associates (1999 2004).</p>

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Elizabeth Strouse (1974)	Vice President, Treasurer and Principal Financial Officer	Since 2010	Vice President, Treasurer and Principal Financial Officer (2011 present), Assistant Treasurer  (2010 2011), Transamerica Funds, TST, TIS, TPP, TPFPG, TPFPG II and TAAVF;  Vice President and Chief Accounting Officer,  TAM and TFS (2009 present);  Director, Fund Administration, TIAA-CREF  (2007 2009); and  Manager (2006 2007) and Senior (2003 2006) Accounting and Assurance, PricewaterhouseCoopers, LLC.
Robert S. Lamont, Jr. (1973)	Vice President, Chief Compliance Officer and Conflicts of Interest Officer	Since 2010	Vice President, Chief Compliance Officer and Conflicts of Interest Officer, Transamerica Funds, TST, TIS, TPP, TPFPG, TPFPG II and TAAVF  (2010 present);  Vice President and Senior Counsel, TAM and TFS (2007 present);  Senior Counsel, United States Securities and Exchange Commission  (2004 2007); and  Associate, Dechert, LLP (1999 2004).

Name and	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment
Year of Birth	Position	During Past Five Years
Bradley O. Ackerman (1966)	Deputy Chief Compliance Officer and Anti-Money Laundering Officer	<p>Deputy Chief Compliance Officer, Transamerica Funds, TST, TIS, TPP, TPF, TPF II and TAAVF (2012 present);</p> <p>Anti-Money Laundering Officer, TPP, TPF, TPF II and TAAVF (2009 present);</p> <p>Anti-Money Laundering Officer, Transamerica Funds, TST and TIS (2007 present);</p> <p>Senior Compliance Officer, TAM (2007 present); and</p>
Sarah L. Bertrand (1967)	Assistant Secretary	<p>Director, Institutional Services, Rydex Investments (2002 2007). Assistant Secretary, Transamerica Funds, TST, TIS, TPP, TPF, TPF II and TAAVF (2009 present);</p> <p>Assistant Secretary, TII (2009 2010);</p>

Assistant Vice President and Director, Legal  
Administration, TAM and TFS

(2007 present);

Assistant Secretary and Chief Compliance  
Officer, 40186 Series Trust and 40186  
Strategic Income Fund (2000 2007); and

Second Vice President and Assistant  
Secretary, Legal and Compliance, 40186  
Capital Management, Inc. (1994 2007).  
Assistant Secretary, Transamerica Funds,  
TST, TIS, TPP, TPF, TPG II and TAAVF

Timothy J. Bresnahan  
(1968) Assistant Secretary Since 2009

(2009 present);

Assistant Secretary, TII

(2009 2010); and

Vice President and Senior Counsel, TAM

Richard J. Wirth  
(1958) Assistant Secretary Since 2013

(2008 present).  
Assistant Secretary, Transamerica Funds,  
TST, TIS, TPP, TPF, TPG II and TAAVF

(2013 present);

Director, Senior Vice President, Division  
General Counsel and Secretary, Transamerica  
Advisors Life Insurance Company (2012  
present);

Senior Vice President and Division General  
Counsel, Transamerica Advisors Life  
Insurance Company of New York (2012  
present);

Vice President and Division General Counsel,  
Transamerica Financial Life Insurance  
Company (2012 present);

Senior Vice President and Division General  
Counsel, Transamerica Life Insurance  
Company (2012 present);

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Name and	Position	Term of Office and Length of Time Served*	Principal Occupation(s) or Employment During Past Five Years
Richard J. Wirth			Senior Vice President and Division General Counsel, Monumental Life Insurance Company (2012 present);
(continued)			Senior Vice President and Division General Counsel, Western Reserve Life Assurance Co. of Ohio (2012 present);
			Secretary, Aegon Financial Services Group, Inc. (2012 present); and
			Assistant General Counsel, The Hartford (2004 2012).
Maria P. Sell	Assistant Treasurer	Since 2013	Assistant Treasurer, Transamerica Funds, TST, TIS, TPP, TPGF, TPGF II and TAAVF (2013 present);
(1978)			Director, Fund Administration, TAM (2012 present);
			Vice President, Fund Administration, J.P. Morgan (2010 2012); and
			Assurance Manager, PricewaterhouseCoopers LLC (2006 2010).



\*Elected and serves at the pleasure of the Board of the Company.

If an officer has held offices for different funds for different periods of time, the earliest applicable date is shown. No officer of the Company, except for the Chief Compliance Officer, receives any compensation from the Company.

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**Transamerica Income Shares, Inc.**

**NOTICE OF PRIVACY POLICY**

**(unaudited)**

At Transamerica Income Shares, Inc., protecting your privacy is very important to us. We want you to understand what information we collect and how we use it. We collect and use nonpublic personal information in connection with providing our customers with a broad range of financial products and services as effectively and conveniently as possible. We treat nonpublic personal information in accordance with our Privacy Policy.

**What Information We Collect and From Whom We Collect It**

We may collect nonpublic personal information about you from the following sources:

Information we receive from you on applications or other forms, such as your name, address and account number;

Information about your transactions with us, our affiliates, or others, such as your account balance and purchase/redemption history; and

Information we receive from non-affiliated third parties, including consumer reporting agencies.

**What Information We Disclose and To Whom We Disclose It**

We do not disclose any nonpublic personal information about current or former customers to anyone without their express consent, except as permitted by law. We may disclose the nonpublic personal information we collect, as described above, to persons or companies that perform services on our behalf and to other financial institutions with which we have joint marketing agreements. We will require these companies to protect the confidentiality of your nonpublic personal information and to use it only to perform the services for which we have hired them.

**Our Security Procedures**

We restrict access to your nonpublic personal information and only allow disclosures to persons and companies as permitted by law to assist in providing products or services to you. We maintain physical, electronic and procedural safeguards to protect your nonpublic personal information and to safeguard the disposal of certain consumer information.

If you have any questions about our Privacy Policy, please call 1-888-233-4339 on any business day between 8 a.m. and 7 p.m. Eastern Time.

*Note:* This Privacy Policy applies only to customers that have a direct relationship with us or our affiliates. If you own shares of Transamerica Income Shares, Inc. in the name of a third party such as a bank or broker-dealer, its privacy policy may apply to you instead of ours.

**Transamerica Income Shares, Inc.**

## **PROXY VOTING POLICIES AND PROCEDURES AND QUARTERLY PORTFOLIO HOLDINGS**

**(unaudited)**

A description of the Fund's proxy voting policies and procedures is available without charge upon request by calling 1-888-233-4339 (toll free) or can be located on the Securities and Exchange Commission (SEC) website <http://www.sec.gov>.

In addition, the Fund is required to file Form N-PX, with the complete proxy voting records for the 12 months ended June 30th, no later than August 31st of each year. Form N-PX is available without charge from the Fund by calling 1-888-233-4339, and can also be located on the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarter of each fiscal year on Form N-Q which is available on the SEC's website at <http://www.sec.gov>. The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**Transamerica Income Shares, Inc.**

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**Item 2: Code of Ethics.**

- (a) Registrant has adopted a code of ethics that applies to its principal executive officer, principal financial officer, and any other officers who serve a similar function.
- (b) Registrant's code of ethics is reasonably designed as described in this Form N-CSR.
- (c) During the period covered by the report no amendments were made to the provisions of this Code of Ethics.
- (d) During the period covered by the report, Registrant did not grant any waivers, including implicit waivers, from the provisions of this code of ethics.
- (e) Not Applicable.
- (f) Registrant has filed this code of ethics as an exhibit pursuant to Item 12(a)(1) of Form N-CSR.

**Item 3: Audit Committee Financial Expert.**

Registrant's Board of Directors has determined that Sandra N. Bane, John W. Waechter and Eugene M. Mannella are audit committee financial experts, as such term is defined in Item 3 of Form N-CSR. Ms. Bane, Mr. Waechter and Mr. Mannella are independent under the standards set forth in Item 3 of Form N-CSR. The designation of Ms. Bane, Mr. Waechter and Mr. Mannella as audit committee financial experts pursuant to Item 3 of Form N-CSR does not (i) impose upon them any duties, obligations, or liabilities that are greater than the duties, obligations and liabilities imposed upon them as a member of the Registrant's audit committee or Board of Trustees in the absence of such designation; or (ii) affect the duties, obligations or liabilities of any other member of the Registrant's audit committee or Board of Trustees.

**Item 4: Principal Accountant Fees and Services.**

	(in thousands)	Fiscal Year Ended 3/31	
		2013	2012
(a)	Audit Fees	24	23
(b)	Audit-related Fees <sup>(1)</sup>	0	0
(c)	Tax Fees <sup>(2)</sup>	6	6
(d)	All Other Fees	N/A	N/A
(e) (1)	Pre-approval policy <sup>(3)</sup>		
(e) (2)	% of above that were pre-approved	0%	0%
(f)	If greater than 50%, disclose hours	N/A	N/A
(g)	Non-audit fees rendered to Adviser (or affiliate that provided services to Registrant)	N/A	N/A
(h)	Disclose whether the Audit Committee has considered whether the provisions of non-audit services rendered to the Adviser that were NOT pre-approved is compatible with maintaining the auditor's independence.	Yes	Yes

(1) Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Registrant, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.

(2) Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant's tax returns.

(3) Audit Committee Preapproval Policy ( Procedures ). Generally, the Fund's Audit Committee must preapprove (i) all audit and non-audit services performed for the Fund by the independent accountant and (ii) all non-audit services performed by the Fund's independent accountant for the Fund's investment adviser, and certain of the adviser's affiliates that provide ongoing services to the Fund, if the services to be provided by the accountant relate directly to the operations and financial reporting of the Fund.

The Audit Committee may delegate preapproval authority to one or more of its members. The member or members to whom such authority is delegated shall report any preapproval decisions to the Audit Committee at its next scheduled meeting.

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In accordance with the Procedures, the annual audit services engagement terms and fees for the Fund will be subject to the preapproval of the Audit Committee. In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant preapproval for other audit services, which are those services that only the independent accountant reasonably can provide.

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the independent accountant and the Fund's treasurer, and must include a joint statement as to whether, in their view, the request or application is consistent with the Securities and Exchange Commission's rules on auditor independence.

Management will promptly report to the Chair of the Audit Committee any violation of this Procedure of which it becomes aware.

**Item 5: Audit Committee of Listed Registrant.**

The following individuals comprise the standing Audit Committee: Sandra N. Bane, Leo J. Hill, David W. Jennings, Russell A. Kimball, Jr., Eugene M. Mannella, Norman R. Nielsen, Joyce G. Norden, Patricia L. Sawyer, and John W. Waechter.

**Item 6: Investments.**

(a) The Schedule of Investments is included in the annual report to shareholders filed under Item 1 of this Form N-CSR.

(b) No disclosures are required by this Item 6(b).

**Item 7: Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

**TRANSAMERICA INCOME SHARES, INC. (THE FUND )**

**PROXY VOTING POLICIES AND PROCEDURES**

**I. Statement of Principle**

The Funds seek to assure that proxies received by the Funds are voted in the best interests of the Funds' stockholders and have accordingly adopted these procedures.

**II. Delegation of Proxy Voting/Adoption of Adviser and Sub-Adviser Policies**

Each Fund delegates the authority to vote proxies related to portfolio securities to Transamerica Asset Management, Inc. (the Adviser), as investment adviser to each Fund, which in turn delegates proxy voting authority for most portfolios of the Fund to the Sub-Adviser retained to provide day-to-day portfolio management for that portfolio. The Board of Trustees/Directors of each Fund adopts the proxy voting policies and procedures of the Adviser and Sub-Advisers as the proxy voting policies and procedures (each a Proxy Voting Policy) that will be used by each of these respective entities when exercising voting authority on behalf of the Fund. These policies and procedures are attached hereto.

**III. Annual Review of Proxy Voting Policies of Adviser and Sub-Advisers**

No less frequently than once each calendar year, the Proxy Voting Administrator will request each Sub-Adviser to provide a current copy of its Proxy Voting Policy, or certify that there have been no material changes to its Proxy Voting Policy or that all material changes have been previously provided for review, and verify that such Proxy Voting Policy is consistent with those of the Funds and Adviser. Any inconsistency between the Sub-Adviser's Proxy Voting Policy and that of the Funds or Adviser shall be reconciled by the Proxy Voting Administrator before presentation for approval by the Board.

The Proxy Voting Administrator will provide an electronic copy of each Board approved Proxy Voting Policy to Legal department for inclusion in applicable SEC filings.

**IV. Securities on Loan**



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The Boards of Trustees/Directors of the Funds have authorized the Adviser, in conjunction with State Street Bank and Trust Company ( State Street ), to lend portfolio securities on behalf of the Funds. Securities on loan generally are voted by the borrower of such securities. Should a Sub-Adviser to the Fund wish to exercise its vote for a particular proxy, the Adviser will immediately contact State Street and terminate the loan.

*Last Revised 11/13/09*

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TRANSAMERICA ASSET MANAGEMENT, INC. ( TAM )

PROXY VOTING POLICIES AND PROCEDURES ( TAM Proxy Policy )

**PROXY VOTING POLICIES AND PROCEDURES**

**I. Statement of Principle**

The portfolios seek to assure that proxies received by the portfolios are voted in the best interests of the portfolios' stockholders and have accordingly adopted these procedures.

**II. Delegation of Proxy Voting/Adoption of Adviser and Sub-Adviser Policies**

Each portfolio delegates the authority to vote proxies related to portfolio securities to TAM (the Adviser ), as investment adviser to each portfolio, which in turn delegates proxy voting authority for most portfolios of the portfolio to the Sub-Adviser retained to provide day-to-day portfolio management for that portfolio. The Board of Trustees ( Board ) of each portfolio adopts the proxy voting policies and procedures of the Adviser and Sub-Advisers as the proxy voting policies and procedures (each a Proxy Voting Policy ) that will be used by each of these respective entities when exercising voting authority on behalf of the portfolio. These policies and procedures are herein.

**III. Annual Review of Proxy Voting Policies of Adviser and Sub-Advisers**

No less frequently than once each calendar year, the Proxy Voting Administrator will request each Sub-Adviser to provide a current copy of its Proxy Voting Policy, or certify that there have been no material changes to its Proxy Voting Policy or that all material changes have been previously provided for review, and verify that such Proxy Voting Policy is consistent with those of the portfolios and Adviser. Any inconsistency between the Sub-Adviser's Proxy Voting Policy and that of the portfolios or Adviser shall be reconciled by the Proxy Voting Administrator before presentation for approval by the Board.

The Proxy Voting Administrator will provide an electronic copy of each Board approved Proxy Voting Policy to the legal department for inclusion in applicable SEC filings.

**IV. Securities on Loan**

The Board of the portfolios have authorized the Adviser, in conjunction with State Street Bank and Trust Company ( State Street ), to lend portfolio securities on behalf of the portfolios. Securities on loan generally are voted by the borrower of such securities. Should a Sub-Adviser to the portfolio wish to exercise its vote for a particular proxy, the Adviser will immediately contact State Street and terminate the loan.

*Last Revised: November 13, 2009*

**Item 8: Portfolio Managers of Closed-End Management Investment Companies**

<b>Name/Year Joined</b>	<b>Role</b>	<b>Employer</b>	<b>Positions Over Past</b>
Brian W. Westhoff, CFA/2005	Lead Portfolio Manager	AUIM	<b>Five Years</b> Principal, Portfolio Manager
Bradley J. Beman, CFA, CPA/2011	Portfolio Manager	AUIM	
Jim Schaeffer/2011	Portfolio Manager	AUIM	Senior Vice President, Director of High Yield, Chief Investment Officer
David Halfpap, CFA/2011	Portfolio Manager	AUIM	Senior Vice President, Director of Distressed Debt, Head of US Leveraged Finance
Rick Perry, CFA, CPA/2011	Portfolio Manager	AUIM	Executive Vice President, Portfolio Manager, Head of US Investment Strategy
			Senior Vice President, Director of Investment Grade Credit

**(a) (2) Other Accounts Managed by Portfolio Managers**

The table below indicates, for each portfolio manager of the fund, information about the accounts, other than the fund, over which the portfolio manager has day-to-day investment responsibility. All information on the number of accounts and total assets in the table is as of March 31, 2013.

<b>Portfolio Manager</b>	<b>Registered Investment Companies</b>		<b>Other Pooled Investment Vehicles</b>		<b>Other Accounts</b>	
	<b>Number</b>	<b>(in Millions)</b>	<b>Number</b>	<b>(in Millions)</b>	<b>Number</b>	<b>(in Millions)</b>
Brian W. Westhoff	2	\$434	2	\$343	19	\$4,045
Bradley J. Beman	4	\$1,442	5	\$432	8	\$3,068
Jim Schaeffer	4	\$1,442	5	\$432	12	\$3,779
David Halfpap	14	\$7,068	0	\$0	27	\$6,154
Rick Perry	2	\$434	0	\$0	18	\$43,334

**Fee Based Accounts**

(The number of accounts and the total assets in the accounts managed by each portfolio manager with respect to which the advisory fee is based on the performance of the account.)

Brian W. Westhoff	0	\$0	0	\$0	0	\$0
Bradley J. Beman	0	\$0	0	\$0	1	\$417
Jim Schaeffer	0	\$0	0	\$0	3	\$773
David Halfpap	0	\$0	0	\$0	0	\$0
Rick Perry	0	\$0	0	\$0	0	\$0

**Conflict of Interest**

At AEGON USA Investment Management, LLC (AUIM), individual portfolio managers may manage multiple accounts for multiple clients. In addition to the sub-advisory management of the portfolio, AUIM manages separate accounts for institutions. AUIM manages potential conflicts between accounts through its allocation policies and procedures, internal review processes and oversight by senior management and its Risk and

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Control Committee. AUIM has developed trade allocation policies to address potential conflicts in situations where two or more accounts participate in investment decisions involving the same securities using procedures that it considers to be fair and equitable.

### **Compensation**

As of March 31, 2013, each portfolio manager's compensation is provided by the portfolio's sub-adviser and not by the portfolio. The portfolio manager's compensation consists of a fixed base salary and a variable performance incentive. The performance incentive is based on the following factors: the economic performance of the overall relevant portfolio

manager's asset class, including the performance of the portfolio's assets; leadership and communication with clients; assisting with the sub-adviser's strategic goals; and AEGON USA's earnings results. Some of the portfolio managers participate in the sub-adviser's deferred compensation plan, which is based on the same performance factors as the variable performance incentive compensation but payment of which is spread over a three-year period.

**Share Ownership by Portfolio Managers**

The following table indicates as of March 31, 2013 the value, within the indicated range, of shares beneficially owned by each portfolio manager of the fund.

<u>Portfolio Manager</u>	<u>Beneficial Ownership of the Fund</u>
Brian W. Westhoff	\$10,001 - \$50,000
Bradley J. Beman	None
Jim Schaeffer	None
David Halfpap	None
Rick Perry	None

**Item 9: Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**

Period	(a) Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	(c)	(d)
			Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30, 2012	0	\$0.00	0	0
May 1 through May 1, 2012	0	\$0.00	0	0
June 1 through June 30, 2012	0	\$0.00	0	0
July 1 through July 31, 2012	0	\$0.00	0	0
August 1 through August 31, 2012	0	\$0.00	0	0
September 1 through September 30, 2012	0	\$0.00	0	0
October 1 through October 31, 2012	0	\$0.00	0	0
November 1 through November 30, 2012	0	\$0.00	0	0
December 1 through December 31, 2012	0	\$0.00	0	0
January 1 through January 31, 2013	0	\$0.00	0	0
February 1 through February 29, 2013	0	\$0.00	0	0
March 1 through March 31, 2013	0	\$0.00	0	0
Total	0	\$0.00	0	0

**Item 10: Submission of Matters to a Vote of Security Holders.**

There have been no material changes to the procedures by which shareholders may recommend nominees to the Registrant's Board of Directors that have been implemented since the Registrant last provided disclosure in response to the requirements of this Item.

**Item 11: Controls and Procedures.**

- (a) The Registrant's principal executive officer and principal financial officer evaluated the Registrant's disclosure controls and procedures within 90 days of this filing and have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are appropriately designed to ensure that information required to be disclosed by Registrant in the reports that it files on Form N-CSR (a) is accumulated and communicated to Registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure, and (b) is recorded, processed, summarized and reported, within the time periods specified in the rules and forms adopted by the U.S. Securities and Exchange Commission.

- (b) The Registrant's principal executive officer and principal financial officer are aware of no change in the Registrant's internal controls over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

**Item 12: Exhibits.**

- (a) (1) Registrant's code of ethics (that is the subject of the disclosure required by Item 2(a)) is attached.  
(2) Separate certifications for Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(a) under the 1940 Act, are attached.  
(3) Not applicable.
- (b) A certification for Registrant's principal executive officer and principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940, is attached. The certification furnished pursuant to this paragraph is not deemed to be filed for purposes of Section 18 of the Securities Act of 1934, or otherwise subject to liability of that section. Such certification is not deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRANSAMERICA INCOME SHARES, INC.  
(Registrant)

By: /s/ Thomas A. Swank  
Thomas A. Swank  
Chief Executive Officer

Date: May 24, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Thomas A. Swank  
Thomas A. Swank  
Chief Executive Officer

Date: May 24, 2013

By: /s/ Elizabeth Strouse  
Elizabeth Strouse  
Principal Financial Officer

Date: May 24, 2013



EXHIBIT INDEX

Exhibit No.	Description of Exhibit
12(a)(1)	Code of Ethics for Chief Executive and Principal Financial Officers
12(a)(2)(i)	Section 302 N-CSR Certification of Chief Executive Officer
12(a)(2)(ii)	Section 302 N-CSR Certification of Principal Financial Officer
12(b)	Section 906 N-CSR Certification of Chief Executive Officer and Principal Financial Officer