How to configure in Azure to show the problem:

1. Enterprise applications
   1. New application → Create your own application
      1. Configure Application Proxy for secure remote access to an on-premises application
         1. Name = „MS App Proxy Test"
         2. Internal URL = http://localhost:1234 (does not matter for this)
         3. + Add
   2. Open „MS App Proxy Test"
      1. Users and groups
         1. Add user/group
         2. Add some user to test login with
2. App registrations (not required for workaround)
   1. All applications
      1. „MS App Proxy Test"
         1. Authentication
            1. Remove Web
            2. +Add a platform
               1. Mobile and desktop applications
                  1. Custom redirect URIs = http://127.0.0.1:80
                  2. Configure
         2. API permissions
            1. Add a permission
               1. APIs my organization uses
                  1. „MS App Proxy Test"
                     1. user_impersonation (Access „MS App Proxy Test")
                     2. Add permissions

Workaround:

1. App registrations
   1. + New registration
      1. Name = „MS App Proxy Test – Workaround"
      2. + Add
2. App registrations
   1. All applications
      1. „MS App Proxy Test - Workaround"
         1. Remove Web
         2. +Add a platform
            1. Mobile and desktop applications
               1. Custom redirect URIs = http://127.0.0.1:80
               2. Configure
      2. API permissions
         1. Add a permission
            1. APIs my organization uses
               1. „MS App Proxy Test"
                  1. user_impersonation (Access „MS App Proxy Test")
                  2. Add permissions